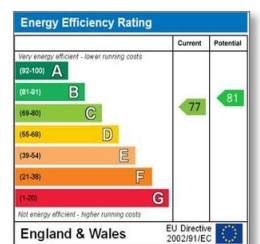




East Devon, Exeter, Mid Devon and Teignbridge Local Housing Needs Assessment:

Report of Findings for
Exeter

September 2022





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Executive Summary

Summary of key findings and conclusions

Introduction

1. In 2021, Opinion Research Services (ORS) was commissioned by East Devon District, Exeter City, Mid Devon District and Teignbridge District Councils to prepare Local Housing Needs Assessments for the four local authority areas, to understand and investigate the nature and make-up of current and future housing needs across the areas, providing robust evidence to support future plan-making. This report comprises the Local Housing Needs Assessment for Exeter. At the time of writing, the plan period for the Exeter Local Plan is 2020-2040, so the evidence base uses that timeframe.
2. The four Local Housing Needs Assessments have been commissioned jointly for Duty to Cooperate purposes, to ensure that they are prepared using the same methodology and data sources.

Government Policy

3. The Government published the original National Planning Policy Framework (the Original NPPF) in 2012. A revised version of the National Planning Policy Framework (the Revised NPPF) was published in July 2018 and was updated in February 2019 to incorporate a number of detailed changes. The Revised NPPF introduced a new definition for affordable housing. Whilst the Original NPPF identified that affordable housing should be provided for households *“whose needs are not met by the market”*, the Revised NPPF adds that this includes *“housing that provides a subsidised route to home ownership and/or is for essential local workers”*. On this basis, the needs of households able to afford market rent who aspire to but are unable to afford homeownership must now be counted.
4. The 2019 NPPF requires local planning authorities to inform strategic policy making with a local housing needs assessment. The Local Housing Needs Assessment (LHNA) should establish a minimum Local Housing Need (LHN) figure, which in turn is set by a Standard Method formula issued by MHCLG (now the Department for Levelling Up, Housing and Communities - DLUHC). As of April 2021 (i.e. using the source data available at the time of modelling, released at the end of March 2021), this gives a figure of 627 dwellings per annum for Exeter. In addition, the LHNA explores the size, type and tenure of housing needed for a range of different groups in the community.

Establishing Current Unmet Need for Affordable Housing

5. Based on a detailed review of both the past trends and current estimates our analysis has concluded that, as of 2020, 1,847 households in Exeter are currently living in unsuitable housing and are unable to afford their own housing (see Figure 33). This assessment is based on the criteria set out in the PPG and avoids double counting as far as possible.
6. Of these households, 672 currently occupy affordable housing that does not meet the current householders' needs, mainly due to overcrowding. Providing more suitable housing for these households will enable them to vacate their existing affordable housing property, which can subsequently be allocated to another (smaller) household in need of affordable housing.
7. There is, therefore, a net current affordable housing need of 1,175 households (1,847 less 672 = 1,175). However, depending on property types and size of households in need, a higher number of new homes may be needed to ensure there is no overcrowding.
8. In providing the net current affordable housing need, 983 dwellings will be released back into the market, mainly in the private rented sector. These dwellings are currently occupied by a total of 983 households, calculated as 1,175 minus the 192 homeless or concealed households (which do not release dwellings). The 192 homeless or concealed households are made up of 72 households currently in temporary accommodation in communal establishments and 120 concealed households from Figure 33.

Future Need for Affordable Housing

9. In addition to those who cannot currently afford market housing, it is also necessary to consider those households who will arise in the future; and households that can afford market rents but aspire to home ownership.
10. The following table (Figure 1) summarises the overall impact for those who cannot afford market rents of:
 - » new households adding to housing need,
 - » households no longer present reducing housing need and
 - » changes in circumstances impacting existing households.

Figure 1: From Figure 38 - Annual components of household growth in Exeter 2020-40 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER 2020-40	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	6,001	4,914	1,087
All households no longer present	5,704	4,563	1,141
Change in existing households	-	-130	+130
Future affordable housing need 2020-40 (Annual average)	+297	+222	+75
Future affordable housing need 2020-40 (20 Year change)	+5,941	+4,431	+1,510

11. Overall reviewing the contribution of each element amounts to a projected additional 1,510 households needing affordable housing in Exeter over the 20-year period 2020-40.

Needs of Households Aspiring to Homeownership

12. The new emphasis on households that cannot afford to own their home reflects Government concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 69% in 2006 to 65% in 2011 and to 63% by 2016. Over the same period the proportion of households renting from a social landlord also reduced from 19% to 17% whilst the proportion renting privately increased from 12% to 20%.
13. The proportion of owner occupiers varies by age with younger age groups less likely to own their home than older households. The real change is in the extent to which younger age groups owning their property has fallen over recent years whilst at the upper end of the age scale (aged 65 or over) home ownership has been increasing (Figure 39).
14. Figure 2 brings together the information on assessing the unmet need for affordable housing in 2020 (see Figure 33) together with the future need for affordable housing (Figure 1) and those aspiring to home ownership arising over the 20-year period 2020-40. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options.

Figure 2: From Figure 44 - Assessing total need for affordable housing in Exeter 2020-2040 (Source: ORS Housing Model)

EXETER 2020-40	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2020	1,175	5,626	6,801
Future housing need 2020-40	1,510	3,879	5,388
TOTAL AFFORDABLE HOUSING NEED	2,684	9,505	12,189

15. On this basis, we can conclude that the overall need for affordable housing for Exeter would comprise a total of 12,189 households over the 20-year period 2020-2040, equivalent to an average of 609 per annum.
16. Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to homeownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly access affordable homeownership products if they were provided.
17. Given this context, Figure 3 identifies those households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent, those households with income that would be insufficient to afford 50% of newbuild prices at the lower quartile for the local area, and those households with savings of less than £5,000. These are deducted from the 9,505 previously identified to leave a remainder that can plausibly access a form of affordable homeownership product if it were provided.

Figure 3: From Figure 45 - Aspiring affordable homeownership housing mix by household affordability 2020-2040 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	2,200	399	1,801	634	1,167	770	397
2 bedrooms	3,706	611	3,096	965	2,131	1,636	494
3 bedrooms	3,201	227	2,974	1,220	1,754	1,286	468
4+ bedrooms	397	12	385	207	178	118	60
TOTAL	9,505	1,248	8,257	3,027	5,230	3,810	1,420

18. On this basis dwellings are needed for 1,420 households that:
- » Aspire to homeownership but cannot afford to purchase on the open market;
 - » Have incomes sufficient to afford a property at 50% of market value;
 - » Have at least £5,000 in savings.
19. The LHNA identifies an overall affordable housing need from 4,104 households (see Figure 46) over the 20-year period 2020-40 (609 per annum). This includes the needs from all households unable to afford to rent or own market housing and for those households who aspire to homeownership but who cannot afford to buy, where there is a realistic prospect of those households being able to access an affordable homeownership product.

Local Housing Need

20. Using the process set out in PPG for Housing Need Assessment [ID2a-004-20201216] the minimum annual LHN figure for 2021 can be established as follows:

Figure 4: From Figure 48 - Establishing the minimum LHN figure for Exeter (Source: CLG, ORS; Note: Annual housing figures are rounded to the nearest whole number)

Local Authority	CLG 2014-based Avg Annual HH Increase 2021-31	Afford Ratio 2019	SM Uplift	40% Cap applies?	Annual HH Increase x Uplift	35% uplift applies?	Final Annual LHN (inc 35% uplift where applicable)	20 yr LHN (LHN x 20)
Exeter	487	8.57	1.29	No	627	No	627	12,540

21. Based on these calculations, the minimum LHN figure across Exeter is 627 dwellings per annum. This translates to 12,540 dwellings (627 x 20) across the twenty-year period¹.
22. At this point in our reporting, we are referring to dwellings rather than households. A dwelling is usually occupied by a single household although in some cases two households may share a dwelling (see glossary).

¹ In March 2022, after the modelling in this document was conducted, the ONS released updated affordability ratios for 2020. Using this ratio, and the CLG 2014-based Avg Annual HH Increase 2022-32, the most up-to-date output of the standard method for Exeter at the time of writing is 650 dwellings per annum, or 13,000 over 20 years.

Importantly, we need to make an allowance for an inevitable base level of vacant properties and the word household becomes misleading.

23. Thus, as shown in Figure 49, the number of dwellings needed between 2020 and 2040 to deal with the projected household and institutional population growth is 6,154. However, if we assume that just under 3.5%² of dwellings will be unoccupied at any one time this means that a total of 6,376 dwellings are required.
24. The LHN has already been identified as 627 dwellings per annum, which translates to 12,540 dwellings (627 x 20) across the twenty-year period. This leaves a difference between the housing need figure of 12,540 dwellings and the demographically projected need of 6,376 dwellings.
25. This additional need is made up from two elements
 - » Enabling more households to form (from the pent-up housing demand) = 203 dwellings
 - » Enabling more net inward migration = 5,961 dwellings

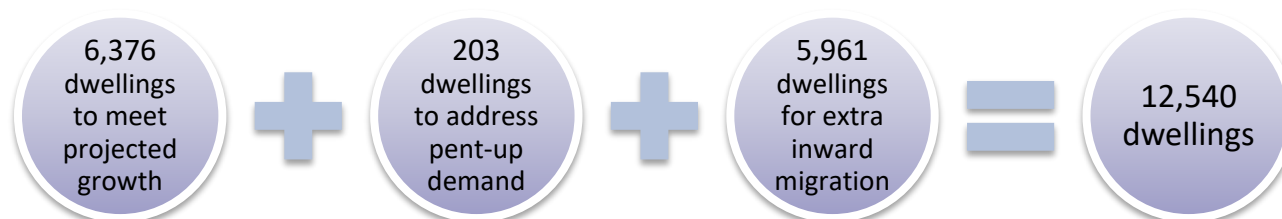


Figure 5: From Figure 50 - Extra households from pent-up demand and in-migration beyond projected (LHN scenario): Affordable homeownership housing mix by household affordability 2020-2040 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford and have savings of £5,000 or more
1 bedroom	202	37	165	58	107	71	36
2 bedrooms	340	56	284	89	195	150	45
3 bedrooms	294	21	273	112	161	118	43
4+ bedrooms	36	1	35	19	16	11	6
TOTAL	872	115	757	278	480	350	130

26. Figure 5 shows that dwellings suitable for 130 extra households (over and above those enumerated in Figure 3) are needed to accommodate those that aspire to homeownership that have at least £5,000 in savings and have incomes above the relevant threshold.
27. Figure 6 shows the result of applying the vacancy rate for affordable homes to the total households in Figure 47 and Figure 51, and further disaggregating aspire to homeownership into those that can afford 70% First Homes, and those that cannot. This latter group will therefore require the provision of a more accessible product than 70% first homes (e.g., a form of shared ownership, first homes with a larger discount, or similar). Note that the 221 C2 dwellings is the result of applying the market vacancy rate the modelled growth in institutional households within the population projections. There is no assumption that this need must be provided as Class C2 dwellings.

² Based on 2011 Census data at a local authority level

Figure 6: From Figure 52 - Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 70% First Homes	Unable to afford market ownership but able to afford 70% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	454	49	138	303	943	548	1,491
2 bedrooms	564	118	182	365	1,230	1,691	2,921
3 bedrooms	865	253	234	285	1,637	4,722	6,359
4+ bedrooms	303	116	33	34	486	1,063	1,549
DWELLINGS	2,186	538	586	987	4,296	8,023	12,319
C2 Dwellings	-	-	-	-	-	221	221
LHN	2,186	538	586	987	4,296	8,243	12,540

Needs of a range of groups in the population

28. The needs of families with children and those who rent their homes are encompassed by the affordable housing and overall housing need assessments. Older people and people with disabilities are a significant proportion of the Exeter population and this assessment explicitly considers their needs, mindful that the groups' needs overlap. The needs of Gypsies, Travellers, Travelling Showpeople and students will be the subject of separate evidence.

Housing for Older People

29. It is important to plan housing which is suitable for this increase in older people within the population with a key requirement being to predict the type of housing which will best meet their needs. Whilst most will remain living in the same area, and many will not move from their current homes; those that do move in their later years are likely to be looking for housing suitable for older people. In this report we have chosen to model the need for dedicated older person housing by using the Housing Learning and Improvement Network (Housing LIN) SHOP resource pack methodology (2012). This forecast applies a benchmark need for particular housing types per thousand people aged 75+.
30. The table below (Figure 7) summarises the potential requirement for new specialist housing, taking account of the current stock, unmet demand, and population growth for the period. It should be noted that the EAC data on existing supply does not incorporate new development seen in Exeter since 2015.

Figure 7: From Figure 64 - Modelled Demand for Older Person Housing in Exeter 2020-40 based on Housing LIN Toolkit

EXETER	Rate per 1,000 persons aged 75+	Gross need 2020	Existing supply	Unmet need in 2020	Additional need 2020-40	Overall need
Owned Sheltered Housing	120	1,252	617	+635	+690	+1,325
Rented Sheltered Housing	60	626	799	-173	+345	+172
Owned Extra Care	40	417	0	+417	+230	+647
Rented Extra Care	31	324	0	+324	+178	+502
TOTAL	251	2,619	1,416	+1,203	+1,444	+2,647

31. The model assumes a continuation of current types of housing although it is unclear if older people will aspire to these types of specialist housing in the future. Some types of housing are already experiencing lower demand than others (e.g., rented sheltered housing – existing supply is larger than current gross need, in contrast to owned sheltered housing), and other, newer types of provision may appear to meet changing aspirations. The policy aim of supporting people at home for longer along with assistive technology could also reduce or alter demand.
32. However, it should be stressed that these figures are based upon idealised outcomes for Exeter. If current rates of provision were to continue a further 780 specialist older person dwellings would be required (Figure 8), which represents 6% of the overall LHN. Therefore there is a very large range of potential levels of need for specialist older person housing.

Figure 8: From Figure 66 - Additional older persons housing need based on maintaining current rates of provision (Source: Figure 57 + Figure 60)

EXETER	Existing supply	Current Rate per 1,000 persons aged 75+	Additional need 2020-40 based on maintaining current rate per 1,000
Owned Sheltered Housing	617	59	340
Rented Sheltered Housing	799	77	440
Owned Extra Care	0	-	-
Rented Extra Care	0	-	-
TOTAL	1,416	136	780

Housing for People with Disabilities

33. The Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the Building Regulations 2010 Approved Document Part M: Access to and use of buildings.
34. Three standards are covered:
- » M4(1) Category 1: Viable dwellings – Mandatory, broadly about accessibility to ALL properties
 - » M4(2) Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes
 - » M4(3) Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.

35. Based on current need and the household projections, we can establish the future need for adapted housing (M4[2] and M4[3]) based on the projected household growth and the changing demographics of the area. There will be an additional 8,023 households either needing adaptations to their existing housing or suitable new housing to be provided by 2040.
36. However, not all households will want to move to new housing – some will adapt their current homes and others will move to another dwelling in the existing stock. Based on the housing mix in Exeter, it is likely that around 66% will live in dwellings that could be converted to meet the M4(1) standard.
37. On this basis, we could assume that at least 34% of the need for adapted housing could not be met by adaptation of existing homes; a total of 4,088 households. This figure clearly has a significant overlap with the need older persons dwellings set out in the preceding section of this report.

Figure 9: From Figure 70 - Households with a long-term illness or disability in Exeter by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER	Affordable	Market	TOTAL	% of LHN
Existing need in 2020				
Households where an existing illness or disability affects their housing need and need to move in 2020	235	205	440	-
Projected future need 2020-40				
Additional households in 2040 where illness or disability affects their housing need or will develop within 10 years	2,450	5,133	7,583	-
Maximum need for adapted housing 2020-40 (households)	2,685	5,338	8,023	66%
Less households living in dwellings adaptable to M4(1) standard	1,271	2,664	3,935	-
Minimum need for adapted housing 2020-40 (households)	1,413	2,675	4,088	34%

38. There is inevitably uncertainty about how many households will be able to meet their housing needs without moving and how many will move to existing homes rather than new housing, however the evidence suggests that Exeter should plan for a minimum of 34% of the LHN to be both M4(2) Category 2 or M4(3) Category 3 housing.
39. In addition, it should be noted that the Government have stated in their response to the September 2020 consultation on raising accessibility standards of new homes: “Raising accessibility standards for new homes: summary of consultation responses and government response”³ that their intent is to change the building regulations so that M4(2) is the default minimum standard for new homes. M4(1) will apply by exception only:

³ Raising accessibility standards for new homes: summary of consultation responses and government response – updated July 2022: <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/outcome/raising-accessibility-standards-for-new-homes-summary-of-consultation-responses-and-government-response#government-response>

73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.

Raising accessibility standards for new homes: summary of consultation responses and government response

40. The timescale for this proposed change has not yet been released, however the Council may choose to implement a policy to make M4(2) the default minimum standard (i.e. 100% M4(2) with appropriate exceptions, as stated above) to anticipate this change to the regulations. This would ensure that the future need for M4(2) Category 2 housing in Exeter would be met in full.

In determining the need for M4(3) Category 3; we can identify the net change in the number of households with a wheelchair user over the period 2020 to 2040. (Figure 10). The modelling shows that the number of households likely to need wheelchair adapted housing in Exeter is likely to increase by 590 over the 20-year period. Note that these are gross figures, and many of the households identified in 2020 are likely to already live in wheelchair adapted housing.

Figure 10: From Figure 72 - Households needing wheelchair adapted housing in Exeter (Source: ORS Housing Model. Note: Figures may not sum due to rounding. Percentage of tenure in LHN column is calculated by dividing net change for a given tenure by the total identified need for that tenure in the LHN, as indicated by row labels.)

EXETER: Gross Modelled Need for Wheelchair Adapted Housing	2020	2040	Net change 2020-40	%age of tenure in LHN
Market housing	1,020	1,380	+360	3.8%
Affordable housing	750	990	+230	8.7%
Total	1,770	2,360	+590	4.9%

1. Introducing the Study

Background to the project

Introduction

- 1.1 In 2021, Opinion Research Services (ORS) was commissioned by East Devon District, Exeter City, Mid Devon District and Teignbridge District Councils to prepare Local Housing Needs Assessments for the four local authority areas, to understand and investigate the nature and make-up of current and future housing needs across the areas, providing robust evidence to support future plan-making. This report comprises the Local Housing Needs Assessment for Exeter. At the time of writing, the plan period for the Exeter Local Plan is 2020-2040, so the evidence base uses that timeframe.
- 1.2 The four Local Housing Needs Assessments have been commissioned jointly for Duty to Cooperate purposes, to ensure that they are prepared using the same methodology and data sources.
- 1.3 This work adheres to the requirements of the most recent National Planning Policy Framework (NPPF) published in July 2021 and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment. The LHN element of this assessment is calculated based on the standard method, as outlined in the PPG in December 2020.
- 1.4 We would note that in June 2022 the first results from the UK Census of Population 2021 were released. These cover the number of persons in Exeter by age and sex, and the number of households. They show a population in March 2021 of 130,800 persons compared with the ONS mid-year population estimate for June 2020⁴ of 133,333 persons, a difference of around 2,500 persons. A key reason for this difference will doubtless be the 9 months between June 2020 and March 2021. In 2019-20 the MYEs suggested an increase in population of approximately 1,600 persons, so assuming a similar change in the period in question, this reasonably accounts for around half of the difference, some 1,200 persons (9 months = $\frac{3}{4}$ of 1 year, $\frac{3}{4}$ of 1,600 = 1,200).
- 1.5 The remaining discrepancy of a further 1,300 persons is well within the uncertainty measure of the MYEs. For context, the 95% confidence interval for the 2011 Census (noting of course that the census is generally considered to be more accurate than the Mid-Year Estimates) in Exeter was plus or minus 1,800 persons⁵.
- 1.6 The ONS produced "Measures of uncertainty with proportional contributions"⁶ suggests a 2019 MYE uncertainty measure⁷ of 12.79% of the population (16,800 persons in 2019 - the equivalent for the 2020 MYEs has not yet been released). This suggests that a discrepancy of approximately 1,300 persons in the MYEs over the ten years between censuses is not noteworthy.

⁴ The June 2020 Mid-Year Estimates (release date 25 June 2021) are at the time of writing the most recently published MYE. The 2021 MYE are due to be published in Sept 2022.

⁵ 2011 Census: 95% confidence interval widths by age group - ONS December 2013:

<https://webarchive.nationalarchives.gov.uk/ukgwa/20160110120507/http://www.ons.gov.uk/ons/guide-method/census/2011/census-data/2011-census-user-guide/quality-and-methods/quality/quality-measures/confidence-intervals/index.html>

⁶ Measures of uncertainty with proportional contributions - ONS December 2020:

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/measuresofuncertaintywithproportionalcontributions>

⁷ A relative measure of uncertainty that can be used for cross local authority comparisons.

- 1.7 The Census has not yet published the vacancy rate for dwellings in each local authority, but it is possible to estimate this from other dwelling data. The vacancy rate for Exeter in March 2021 is likely to be around 8%, which is much higher than the 2.9% seen in Census 2011. This in turn would imply that around 2,500 more dwellings would normally be occupied in Exeter than were recorded as being occupied in the 2021 Census and therefore, the population of Exeter is probably higher. However, there is nothing in the early results of the UK Population of Census 2021 in Exeter which concerns us in relation to this study because it is underwritten by mid-year population data.
- 1.8 The release of data from Census 2021 underscores the fact that new data is constantly being released; and housing and planning policy shifts over time. As a result a document such as this can rapidly become out of step with the absolute latest data. It should be noted that this inevitability does not render any of its overall findings and conclusions wrong or significantly incorrect; and that for plan making purposes a position has to be taken at a point in time, based on the most recent evidence available at that time. This point concerning continuously updated data was echoed by the Inspector at the Luton Local Plan Examination:

“102. Firstly, a local plan inevitably takes some years to prepare and at some stage the evidence must become fixed if conclusions are to be reached and plans adopted. Indeed, the PPG accepts that although, where possible, local needs assessments should be informed by the latest available information, this does not automatically mean that housing assessments are rendered outdated every time new projections are issued. It is also worth noting that the Inspector examining the Central Bedfordshire Development Strategy expressed sympathy with views that ‘at some point, a local planning authority has to climb off the carousel of ever updated demographic data and publish a plan.’”

Report on the Examination of the Luton Local Plan – August 2017

2. Government Policy

An overview of the National Planning Policy Framework

Introduction

- 2.1 The Government published the National Planning Policy Framework (the 2012 NPPF) in 2012. This set out the planning policies for England and how these were expected to be applied.
- 2.2 The 2012 NPPF had a presumption in favour of sustainable development, and paragraph 47 stated that Local Plans should meet *“the full, objectively assessed needs for market and affordable housing in the housing market area”*. The responsibility for establishing housing need rested with the local planning authority and paragraph 159 of the 2012 NPPF set out that they *“should prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries”*.
- 2.3 Revised versions of the NPPF were published in July 2018, February 2019 and July 2021. Under the 2021 NPPF, local planning authorities are still responsible for assessing their local housing needs; however, paragraph 61 identifies that *“strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach”*. This represents a significant change, as the standard method sets out a formulaic approach to determine the minimum Local Housing Need (LHN) figure and prescribes the use of specific data for the calculation. Therefore, whilst the responsibility for establishing housing need continues to rest with the local planning authority, this is now constrained to a minimum figure that is determined centrally by the Government.
- 2.4 Local planning authorities no longer have to prepare a Strategic Housing Market Assessment (SHMA) for the Housing Market Area (HMA), but they are now expected to produce a Local Housing Need Assessment (LHNA) for their local area in order to assess the size, type and tenure of housing needed for different groups in the community.
- 2.5 This focus on local area has led to a change in the Duty to Cooperate, where neighbouring authorities now have to produce Statements of Common Ground. Whilst HMAs are no longer mentioned explicitly in the 2021 NPPF, paragraph 61 identifies that *“any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for”*; and Planning Practice Guidance (PPG) identifies that HMAs are still one of the factors which must be considered when determining the relevant cross-boundary areas for plan-making [PPG ID 61-017-20190315]. A full examination of HMA areas can be found in Appendix B.
- 2.6 The 2019 NPPF has also introduced a new definition for affordable housing and this was carried over in to the 2021 NPPF. Whilst the original (2012) NPPF identified (in the Glossary at Annex 2) that affordable housing should be provided for households *“whose needs are not met by the market”*, the Revised NPPF adds that this includes *“housing that provides a subsidised route to home ownership and/or is for essential local workers”*. This has led to a specific change in the PPG for assessing affordable housing need.

- 2.7 Under the 2012 NPPF, affordable housing need was based on those who could not afford to buy or rent in the market. Households who could afford market rent were not counted as in affordable housing need even if they would have preferred to buy and couldn't afford to do so. However, the latest PPG supporting the 2021 NPPF states that assessments must now include the needs of *"those that cannot afford their own homes, either to rent, or to own, where that is their aspiration"* [ID 2a-020-20190220]. On this basis, households able to afford market rent who aspire to buy, but are unable to afford homeownership, must now be counted as being in affordable housing need.

The Standard Method for Local Housing Need Assessment

- 2.8 The 2012 NPPF and associated PPG set out a methodology for establishing an Objectively Assessed Need for housing in a defined HMA. This methodology required that *"Household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need"*⁸ but allowed for adjustment based on local factors: *"The household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends."*⁹ Adjustments could therefore be made if there were concerns around the quality of local data (e.g. inaccurate migration estimates), along with evidence-based judgements on other need elements such as market signals uplift and alignment of jobs and workers based on local circumstances.
- 2.9 On 14 September 2017, the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on potential revisions to the NPPF¹⁰, including a standardised methodology for calculating the LHN. This included a number of key proposals:

- » The starting point for calculating the LHN for any area should be the most up to date household projections published by MHCLG;
- » While, deviation from this starting point can be considered, the consultation proposals note that; There should be very limited grounds for adopting an alternative method which results in a lower need; and
- » The household projections published by MHCLG should be uplifted by a fixed affordability relationship based upon the ratio of house prices to earnings. The maximum uplift for a local authority area will be 40% above its MHCLG household projections or current Local plan housing target.

- 2.10 At the same time, MHCLG produced a spreadsheet of indicative housing needs figures which covered every local authority area in England based on the most up to date data at the time, the 2014-based household projections.
- 2.11 The standard method seeks to identify the LHN, which is the minimum number of homes expected to be planned for. It does not produce a housing requirement figure, which will take into account capacity and deliverability. The LHN figure represents a minimum overall housing need, but local authorities can consider a higher figure for plan making if, for example, this reflects growth potential, or unmet need from elsewhere.

⁸ PPG 2015 – Housing and Economic Development Needs Assessments – ID: 2a-015-20140306

⁹ Ibid.

¹⁰ MHCLG, (2017), Planning for the right homes in the right places: consultation proposals, www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals

- 2.12 PPG also suggests that local planning authorities will need to calculate their LHN figure at the start of the plan-making process but that this number should be kept under review and revised where appropriate [PPG ID 2a-008-20190220]. As the housing need figure may change as the inputs are variable; it may therefore be prudent to consider a number that is higher than the minimum LHN to provide a buffer against possible future changes while reviewing local plans.

Changes to the Standard Method

- 2.13 Since the publication of the figures in September 2017 a range of new data has been released which supersedes previous relevant data. This includes:
- » New affordability data released in April 2018, March 2019, March 2020 and March 2021¹¹;
 - » New 2016-based sub-national population projections (SNPP) released in May 2018;
 - » A new methodology for calculating household projections released by the Office for National Statistics in June 2018;
 - » New 2016-based household projections released in September 2018;
 - » New 2018-based sub-national population projections (SNPP) released in March 2020; and
 - » New 2018-based household projections released in June 2020.
- 2.14 The national housing need produced using these new data is lower than previous estimates, falling short of the Government's stated 300,000 dwelling per year target¹². As a consequence, the Ministry for Housing, Communities and Local Government (MHCLG) consulted on changes to the standard method approach, and on 26 October 2018 published "Technical consultation on updates to national planning policy and guidance October 2018"¹³. We would note that MHCLG have subsequently been renamed as the Department for Levelling Up, Housing and Communities (DLUHC).
- 2.15 At paragraph 19 of the document, MHCLG set out their planned changes to the standard method, explicitly stating that the lower housing numbers that are derived from application of the standard method to the ONS produced 2016-based household projections should not be used, and that these do not qualify as an exceptional circumstance to warrant deviation from the standard method outputs using the CLG 2014-based projections:

19. The Government considers that the best way of responding to the new ONS household projections and delivering on the three principles in paragraph 18 above is to make three changes:

- » *1. For the short-term, to specify that the 2014-based data will provide the demographic baseline for assessment of local housing need.*
- » *2. To make clear in national planning practice guidance that lower numbers through the 2016-based projections do not qualify as an exceptional circumstance that justifies a departure from the standard methodology; and*

¹¹ Note that the 2021 affordability data was released after the modelling in this report was conducted.

¹² 5 out of 6 local authorities had their household projection to 2039 revised downwards.

¹³ MHCLG (2018) – "Technical consultation on updates to national planning policy and guidance" https://webarchive.nationalarchives.gov.uk/ukgwa/20181112152436mp/https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/751810/LHN_Consultation.pdf

» 3. In the longer term, to review the formula with a view to establishing a new method that meets the principles in paragraph 18 above by the time the next projections are issued.¹⁴

2.16 The “Government response to the technical consultation on updates to national planning policy and guidance”¹⁵ was published on 19 February 2019.

2.17 The Government’s response stated:

Over the next 18 months we will review the formula and the way it is set using National Statistics data with a view to establish a new approach that balances the need for clarity, simplicity and transparency for local communities with the Government’s aspirations for the housing market.

A key consideration of the standard method is to provide a degree of continuity between assessments of housing need over time. The changes to underlying assumptions in the population projections and methodological improvements to the household projections had led to significant variations in housing need at a local level, something that needs addressing in the short term.

2.18 The end of the 18-month period that the Government cited (August 2020) was after the release of the 2018-based Sub National Population Projections (published in March 2020), and also the publication of the associated 2018-based Household Projections (June 2020).¹⁶

2.19 The most recent (at the time of writing) 2018-based principal sub-national population principal projection is based on two years of internal migration data, as the methodology for producing this data was substantially revised, and the ONS felt the new methodology was sufficiently incompatible with the old to omit data produced using the older method from informing the principal projection. However, some of the variant projections produced do utilise this data (e.g. the alternative internal migration variant is based on five years of internal migration data, combining three years of the older data with the available two years based on the new methodology).

2.20 On the 1st of August 2020, the Government released a consultation document proposing a new standard method incorporating the 2018-based household projections. The Government, having reviewed the responses to that consultation, decided in December 2020 to introduce a slightly modified version of the original standard method utilising the 2014 projections, instead of the method proposed in the consultation. The only difference between the new and original standard method is the introduction of a 35% uplift applied for those urban local authorities in the ONS-derived top 20 cities and urban centres list¹⁷. As with the original standard method, the housing need figure may change over time as the inputs are variable.

¹⁴ MHCLG, (2017), Planning for the right homes in the right places: consultation proposals, www.gov.uk/government/consultations/planning-for-the-right-homes-in-the-right-places-consultation-proposals

¹⁵ MHCLG (2019) – “Government response to the technical consultation on updates to national planning policy and guidance”, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/779792/LHN_Gov_response.pdf

¹⁶ National population projections are published every two years, with the 2018-based projections released in October 2019. Sub National Population Projections usually follow approximately 6 months later, and household projections later that same year. The 2016-based SNPP were released in May 2018, and the 2016-based household projections were released in September 2018.

¹⁷ The cities and urban centres list is devised by ranking the Office for National Statistics list of Major Towns and Cities by population size using the latest mid-year population estimates.

2.21 The appropriate extracts from the PPG that outline the methodology are as follows:

Step 1 - Setting the baseline

Set the baseline using national household growth projections (2014-based household projections in England, table 406 unitary authorities and districts in England) for the area of the local authority. Using these projections, calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period) ...

Step 2 - An adjustment to take account of affordability

Then adjust the average annual projected household growth figure (as calculated in step 1) based on the affordability of the area.

The most recent median workplace-based affordability ratios, published by the Office for National Statistics at a local authority level, should be used.

No adjustment is applied where the ratio is 4 or below. For each 1% the ratio is above 4, the average household growth baseline should be increased by a quarter of a percent. An authority with a ratio of 8 will have a 25% increase on its annual average household growth baseline.

Where an adjustment is to be made, the precise formula is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

Step 3 - Capping the level of any increase

A cap is then applied which limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.

Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies...

Step 4 - cities and urban centres uplift

A 35% uplift is then applied for those urban local authorities in the top 20 cities and urban centres list....

PPG Reference ID: 2a-004-20201216

2.22 The calculation of LHN in this document proceeds on the above basis.

Assessing Housing Needs

- 2.23 The 2021 NPPF no longer requires local planning authorities to produce a SHMA to establish housing need for HMAs, but instead requires local planning authorities to inform strategic policy making with a LHNA:

62. Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes.

63. Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

- a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and*
- b) the agreed approach contributes to the objective of creating mixed and balanced communities*

National Planning Policy Framework, July 2021

- 2.24 The 2021 NPPF does not contain any explicit reference to SHMAs, and housing needs are to be established at a local authority level. The LHNA must now be prepared which will establish a minimum LHN figure. In addition, the LHNA will need to identify the size, type and tenure of housing needed for a range of different groups in the community, which is largely consistent with the scope for SHMAs that the 2012 NPPF identified.
- 2.25 Whilst the Original NPPF expected SHMAs to be undertaken to assess needs across Housing Market Areas (HMAs), the focus of the Revised NPPF is on the needs of individual Local Planning Authorities without any mention of HMAs.
- 2.26 In terms of plan-making, PPG has retained the concept of the HMA [ID 61-010-20180913] within the Duty to Co-operate context, where joint working continues to be required.

Duty to Co-operate

- 2.27 The Duty to Co-operate was introduced in the 2011 Localism Act and is a legal obligation.
- 2.28 The NPPF sets out an expectation that public bodies will co-operate with others on issues with any cross-boundary impact, in particular in relation to strategic priorities such as *“the homes and jobs needed in the area”*.

Maintaining effective cooperation

24. Local planning authorities and county councils (in two-tier areas) are under a duty to cooperate with each other, and with other prescribed bodies, on strategic matters that cross administrative boundaries.

25. Strategic policy-making authorities should collaborate to identify the relevant strategic matters which they need to address in their plans. They should also engage with their local communities and relevant bodies including Local Enterprise Partnerships, Local Nature Partnerships, the Marine Management Organisation, county councils, infrastructure providers, elected Mayors and combined authorities (in cases where Mayors or combined authorities do not have plan-making powers).

26. Effective and on-going joint working between strategic policy-making authorities and relevant bodies is integral to the production of a positively prepared and justified strategy. In particular, joint working should help to determine where additional infrastructure is necessary, and whether development needs that cannot be met wholly within a particular plan area could be met elsewhere.

27. In order to demonstrate effective and on-going joint working, strategic policymaking authorities should prepare and maintain one or more statements of common ground, documenting the cross-boundary matters being addressed and progress in cooperating to address these. These should be produced using the approach set out in national planning guidance and be made publicly available throughout the plan-making process to provide transparency.

National Planning Policy Framework, February 2019

- 2.29 The manner in which councils have complied with their legal requirements under the Duty to Co-operate will be considered when plans are submitted for examination. One key issue is how any unmet development and infrastructure requirements can be provided by co-operating with adjoining authorities (subject to tests of reasonableness and sustainability).
- 2.30 The PPG elaborates further on the requirement for a statement of common ground (in the section on Plan-Making, updated 23 July 2019):

Maintaining effective cooperation

How are plan-making bodies expected to cooperate?

Strategic policy-making authorities are required to cooperate with each other, and other bodies, when preparing, or supporting the preparation of policies which address strategic matters. This includes those policies contained in local plans (including minerals and waste plans), spatial development strategies, and marine plans.

The National Planning Policy Framework sets out that these authorities should produce, maintain, and update one or more statement(s) of common ground, throughout the plan-making process. Local planning authorities are also bound by the statutory duty to cooperate. Neighbourhood Planning bodies are not bound by the duty to cooperate, nor are they required to produce or be involved in a statement of common ground.

PPG Reference ID: 61-009-20190315

- 2.31 In paragraph 61-017 entitled “Which geographical area does a statement of common ground need to cover?”, PPG explicitly discusses the appropriate functional geography to which the Statement of Common ground should apply: “For example, housing market and travel to work areas, river catchments, or landscape areas may be a more appropriate basis on which to plan than individual local planning authority, county, or combined authority areas”. It goes on to define housing market areas:

How can housing market areas be defined?

A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. These can be broadly defined by analysing:

The relationship between housing demand and supply across different locations, using house prices and rates of change in house prices. This should identify areas which have clearly different price levels compared to surrounding areas.

Migration flow and housing search patterns. This can help identify the extent to which people move to a new house within an area, in particular where a relatively high proportion of short household moves are contained, (due to connections to families, jobs, and schools).

Contextual data such as travel to work areas, retail and school catchment areas. These can provide information about the areas within which people move without changing other aspects of their lives (e.g. work or service use).

Suggested data sources: Office for National Statistics (internal migration and travel to work areas statistics); Land Registry House Price Index and Price Paid data (including sales); data from estate agents and local newspapers about geographical coverage of houses advertised for sale and rent; Ministry of Housing, Communities and Local Government statistics including live tables on affordability (lower quartile house prices/lower quartile earnings); and neighbourhood data from the Census.

PPG Reference ID: 61-018-20190315

- 2.32 This definition of an HMA is almost identical to that in the original PPG relating to housing need.
- 2.33 It may further be noted that the recent MHCLG white paper “Planning for the Future” (August 2020) proposed the removal of the Duty to Co-operate, however it also stated that it would be replaced with an unspecified alternative, and does not represent guidance in this regard:

“We propose... ..the Duty to Cooperate test would be removed (although further consideration will be given to the way in which strategic cross-boundary issues, such as major infrastructure or strategic sites, can be adequately planned for, including the scale at which plans are best prepared in areas with significant strategic challenges);”

“Planning for the Future” White Paper, MHCLG August 2020 – page 31

Summary of the ORS Approach to Modelling Housing Need

- 2.34 As noted above, the government have stipulated that all local authorities should follow the standard method for assessing LHN, unless exceptional circumstances require an alternative figure to be calculated. This represents the total number of dwellings required in the area.
- 2.35 However, the standard method is underwritten by the 2014 based household projections and a significant amount of more up to date demographic information is now available. While the final outputs of this study are based upon the standard method based LHN, we achieve these outputs through a series of stages.
- 2.36 In Chapter 4, we consider the demographic profile of the population and households. The demographic projections for this LHNA are based on the latest official projections and cover the 20-year period 2020-2040. They are informed by the latest ONS mid-year estimates,¹⁸ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. In particular, we focus upon the 2018 based 10-year migration trends variant population and household projections. The data within these projections is then adjusted in light of the mid-year population estimates 2019 and 2020. The reason for choosing this set of projections is that they represent the best and most up to date information available for population and household growth trends currently published.
- 2.37 The estimates for affordable housing need in Chapter 5 are therefore based upon adjusted 2018 based population and household projections. The figures contained within this chapter therefore reflect the need for affordable housing based upon much more recent trends than the data underwriting the LHN.
- 2.38 However, delivering the number of dwellings required by the standard method will require a different population and household growth than the trend-based population and household growth. This issue is reconciled in Chapter 6. To move from the household growth in Chapter 5 to the total need for dwellings in Chapter 6 requires a series of additional elements. These include:
- » The need to include the impact of vacant and second homes to uplift the household projection to become the need for dwellings;
 - » The need to include an allowance for additional Use Class C2 bedspaces such as nursing homes to ensure that persons otherwise not included in the population and household projections are included within the overall LHN;
 - » The standard method seeks to address housing market pressures, so the ORS model adjusts household formation rates for younger households on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the LHN target.
- 2.39 When all relevant factors have been added, the outputs produced in Chapters 4 and 5 are consistent with the LHN in Chapter 6. Therefore, the figures produced in Chapter 6 are the overall conclusions for housing need based upon the standard method LHN.

¹⁸ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

3. Local Housing Market

Housing trends and cost of housing in Exeter

Introduction

- 3.1 This chapter explores the cost of housing in Exeter and the incomes needed to rent or buy at market prices.
- 3.2 It highlights the potential income gaps and seeks to identify where and how people may fall into affordable housing need. This includes consideration of social and affordable rent and access to housing benefit for those in the rental sector as well as the potential impact of help-to-buy policies.

Housing Tenure Trends

- 3.3 When considering the local housing market, it is worth noting the historic changes to tenure in Exeter, as recorded by past censuses. Figure 11 below provides the detailed census data for Exeter:

Figure 11: Number of Households in Exeter by Tenure 1981-2011 (Source: UK Census of Population)

Tenure	Total Households 1981	Total Households 1991	Total Households 2001	Total Households 2011	Net Change 1981-1991	Net Change 1991-2001	Net Change 2001-2011
Owner occupied	20,941	27,314	31,043	29,913	+6,373	+3,729	-1,130
Private rent	3,973	3,748	7,339	10,943	-225	+3,591	+3,604
Social rent	9,810	8,343	8,191	8,386	-1,467	-152	+195
TOTAL	34,724	39,405	46,573	49,242	+4,681	+7,168	+2,669
Owner occupied as a %	60.3%	69.3%	66.7%	60.7%	9.0%	-2.7%	-5.9%
Private rent as a %	11.4%	9.5%	15.8%	22.2%	-1.9%	6.2%	6.5%
Social rent as a %	28.3%	21.2%	17.6%	17.0%	-7.1%	-3.6%	-0.6%

- 3.4 It should be noted that Figure 1 does not include Shared Ownership, as the amount of shared ownership in Exeter was minimal (less than 500) at the time of the 2011 census; and does not change the analysis presented. Furthermore, it may be noted that social rent covers households that are renting from the council (local authority), and any other cases of social rented households (e.g. housing associations).¹⁹
- 3.5 During the 1981-2011 period the total volume of housing in Exeter had risen from 34,724 to 49,242 households. Notably, the volume of households in social rent had fallen from 9,810 to 8,386 households whilst other forms of tenure had increased in volume.

¹⁹ An example of the minimal impact of shared ownership, and the breakdown of how social rent is presented can be found here: <https://www.nomisweb.co.uk/census/2011/KS402EW/view/1946157359?cols=measures>

3.6 The table also shows that the most notable change was the decline in the proportion of people in social rent, this had reduced by over a third during the period 1981 and 2011 (from 28% to 17%). In contrast, private rent had doubled. Between 1981 and 1991 there was a notable growth in the proportion of owner occupiers, partly as a consequence of the introduction of right to buy policies. This peaked at 69.3% of households and has since fallen to levels closer to those in 1981.

3.7 The PPG recognises the importance of understanding the likely future role of the private rented sector.

Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for private rented sector housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.

Planning Practice Guidance, ID 67-002-20190722

3.8 Growth in the sector seems likely to continue, driven by a combination of demand and supply factors:

- » Increasing demand from more households;
- » Recent reductions in incomes (in real terms);
- » Reducing affordability of owner occupation;
- » Changing bank lending practices;
- » Pension reform: pension drawdowns invested in Buy-to-Let (BTL) property.

3.9 The growth of the sector has been acknowledged as both a growing and long-term option for meeting the nation’s housing need. CLG (with the Intermediary Mortgage Lenders Association) forecast that the private rented sector will increase in size to 35% nationally by 2032.²⁰ On this basis, the number of households renting privately could double again over the next twenty years.

3.10 As the private rented sector expands and other sectors contract, it is clear that many households who would traditionally meet their housing needs in other sectors are now renting privately. This includes many households currently unable to afford their housing costs, which can be seen from the expansion of families receiving Housing Benefit in the sector, in particular since the start of the 2008 recession.

3.11 The Office for Budget Responsibility analysis of the UK’s public finances for Government explicitly recognises a likely growth in the share of housing benefit claimants in the private rented sector in its Economic and Fiscal Outlook (March 2014)²¹:

“The share of [housing benefit] spending accounted for by the private rented sector is forecast to rise from 30 per cent in 2007-08 to 40 per cent by 2018-19... We expect the share of claimants in the private rented sector to continue rising over the forecast period, but for average awards to rise more slowly than nominal GDP per capita due to policy, including on uprating.”

OBR - Economic and Fiscal Outlook (March 2014) paragraphs 4.152-154

²⁰ <http://news.rla.org.uk/rpi-rent-revolution/>

²¹ <http://cdn.budgetresponsibility.org.uk/37839-OBR-Cm-8820-accessible-web-v2.pdf>

- 3.12 The Government sees the private rented sector having an important and long-term role in meeting the housing need of the nation; and although the NPPF and PPG do not mention the current or future role of housing benefit, the policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending.
- 3.13 Policy by both Government and Local Authorities is focused on improving management and maintenance in the sector (via licensing or self-regulation schemes) and expanding supply²² (including the Build to Rent investment scheme²³). The Government published “*Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities*” in March 2019²⁴, and the Foreword by the Minister stated:

“The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue.”

- 3.14 It is important for local authorities to recognise the role of the private rented sector at a local level. Recent changes to letting policies and the reality of pressures on the housing stock make it less likely that single persons aged under 35 years will be allocated to a 1 bedroom social rented or affordable rented property. The private rented sector therefore makes an important contribution towards providing housing options for low-income households, and it is essential for local authorities to understand the full extent of the need for affordable housing in their areas.
- 3.15 The Housing and Planning Act 2016 contained proposals to further the Government’s policy of encouraging home ownership through promoting Starter Homes. Starter Homes were intended to provide affordable housing for first time buyers by selling newbuild properties at a discount of at least 20% below their market prices. The discount was not in perpetuity, so the buyer of the property stood to gain from buying a home at 80% or less than its market price; but owning 100% of the property.
- 3.16 However, Starter Homes regulations that would enable these to be built have not been published. As a result, no Starter Homes have been built, and the Government has now introduced an alternative policy entitled First Homes²⁵.

²² <https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment>

²³ <https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence>

²⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

²⁵ <https://www.gov.uk/government/consultations/first-homes>

- 3.17 First Homes were introduced into guidance through Ministerial Statement in May 2021.²⁶ First Homes will be newbuild properties built as part of wider housing developments which will be sold with a discount of at least 30%, but this could be higher if a local need can be demonstrated. Local authorities will have the ability to prioritise these homes for local people and/or key workers, as required locally. The reduction of at least 30% will remain in perpetuity when the property is sold on the second-hand market, so the buyer will not own more than 70% of the property's open market value at the time of purchase. When the property is to be sold, the home will be independently valued and sold to eligible purchasers with the discount being applied, to ensure the property always remains below local house prices. There will be restrictions on the use of First Homes so that they cannot be used as buy to let or holiday homes.
- 3.18 There are many households residing in the private rented sector in Exeter who aspire to home ownership (see Figure 43) and if affordable First Homes were to be provided for this group it would, potentially, reduce the size of the private rented sector by giving alternative options to renters that aspire to buy, but cannot afford to purchase on the open market. However, the funding for First Homes is to be drawn from the same Section 106 funds which exists to provide all other forms of affordable housing, including affordable housing for rent. Developers are expected to provide a proportion of all properties on larger new developments as First Homes (guidance requires that a minimum of 25% of all affordable housing units secured through developer contributions should be First Homes)²⁷, and thereby sell these at a discount of at least 30%. By taking part of the funding for other forms of affordable housing, the First Homes scheme could potentially reduce the supply of affordable housing for rent in areas with a need for less than 25% affordable home ownership properties. If there were such a shortfall, then households in need for whom First Homes remain out of reach will have few other options than entering the private rented sector.

Cost of Renting

- 3.19 When considering renting in Exeter it is important to reflect on the range of rental options available together with the impact of the housing benefit levels in the area:
- » Median private rent;
 - » Lower quartile private rent;
 - » Local Housing Allowance (LHA) in the applicable broad rental market area (BRMA);
 - » Affordable rent; based on average rents charged for existing dwellings.
- 3.20 The Local Housing Allowance (LHA) is the maximum payment for claimants in receipt of housing benefit. These are based on broad rental market areas (BRMAs). The LHA was previously calculated on the 30th percentile private rent, however more recent increases have been based on consumer price inflation (CPI) and rates were frozen in the July 2015 budget. The rates were increased back to the 30th percentile in April 2020, and the Government have indicated that they will be frozen at their current level (in cash terms) from 2021/22 onwards²⁸.

²⁶ <https://www.gov.uk/guidance/first-homes>

²⁷ <https://www.gov.uk/government/consultations/changes-to-the-current-planning-system/outcome/government-response-to-the-first-homes-proposals-in-changes-to-the-current-planning-system>

²⁸ Office of Budgetary Responsibility – Economic and Fiscal Outlook (November 2020) – page 179: http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf

- 3.21 Figure 12 sets out the median weekly rents for different property sizes in Exeter together with the local housing allowances and the calculated affordable rent rates. In Figure 12, Affordable Rent does not include affordable private rent provided as the affordable housing element of Built to Rent schemes. Affordable Private Rent is discussed in paragraphs 3.50 to 3.51 of this chapter.

Figure 12: Weekly rent thresholds Exeter (Source: Valuation Office Agency 2019-20; SDR 2020²⁹)

EXETER	Median Private Rent	Lower Quartile Private Rent	Local Housing Allowance (Exeter BRMA)	Affordable Rent
1 bedroom	£148.34	£136.84	£131.18	£106.91
2 bedrooms	£183.98	£172.48	£156.49	£126.31
3 bedrooms	£217.33	£201.23	£189.86	£145.31
4+ bedrooms	£498.60	£344.97	£253.15	£160.83

- 3.22 Across all property sizes, the median and lower quartile private rent is higher than the maximum LHA in Exeter. This means that those on housing benefit cannot afford properties of median and lower quartile private rents.
- 3.23 Affordable rent is consistently lower than the maximum LHA rate for the equivalent property. This means that households would currently be able to claim sufficient housing benefit to cover the full cost of affordable rent (where they were entitled to do so).
- 3.24 Households claiming out-of-work benefits are subject to a cap of £384 per week for lone parents and couples or £257 per week for single people (outside of London). This could affect the amount of housing benefit received by some households (especially those with larger families needing larger properties). However, it is important to recognise that the benefit cap does not apply to working households (i.e. those eligible for Working Tax Credit, even if the eligibility amount is £0; and those on Universal Credit with monthly earnings varying from £291 to £542 or more, depending on age) or to households that receive various disability related benefits or armed forces pensions. Given that these households are exempt from the cap, they would be able to claim housing benefit up to the Local Housing Allowance for the size of private rented property that they need in their BRMA.

²⁹ SDR = Statistical Data Return:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/963127/GEO_PRP_TOOL_2020_FINAL.xlsx

Income Needed to Rent Housing

- 3.25 The income needed to rent housing will depend on the monthly rent together with the income multiplier allowed for housing costs. The previous CLG Strategic Housing Market Assessments Practice Guidance (Version 2, August 2007)³⁰ stated:

*“A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their **gross** household income”*

Strategic housing market assessments: practice guidance – CLG 2007, page 42

- 3.26 However, this previous Guidance was rescinded in March 2014 following the publication of the NPPF and the launch of the new PPG. The PPG does not propose a specific multiplier for assessing housing costs; however, it notes that *“care should be taken ... to include only those households who cannot afford to access suitable housing in the market”* (ID: 2a-020-20190220).

- 3.27 The English Housing Survey (EHS) 2015-16³¹ provides information about the percentage of gross household income that households currently spend on their housing costs³²:

- » For the total gross income (including housing benefit) of the Household Representative and partner, households renting privately spends on average 41% of their income on rent, whilst the average is 31% for households in social rent;
- » For the total gross income (excluding housing benefit) of the Household Representative and partner, households renting privately spends on average 48% of their income on rent, whilst the average is 40% for households in social rent;
- » For the total gross income (including housing benefit) from all income earners in the household, irrespective of whether they contribute to the housing cost, households renting privately spends on average 35% of their income on rent, whilst the average is 28% for those in social rent;
- » For the total gross income (excluding housing benefit) from all income earners in the household, irrespective of whether they contribute to the housing cost, households renting privately spends on average 41% of their income on rent, whilst the average is 37% for those in social rent.

- 3.28 The EHS thus demonstrates that many households, in both private and social rented properties, currently pay considerably more than 25% of gross household income on their housing costs. On this basis, it would be reasonable to assume that the proportion of household income allocated to housing costs should be at least 25% but no more than 45% of gross income. This leads to our judgement that 35% of income provides a reasonable basis for calculating what households should reasonably expect to pay for their housing costs³³. Whilst this is notably higher than the 25% proposed by the previous guidance, it is still lower than the 41% average that households renting privately actually pay.

³⁰ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance>

³¹ <https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report>

³² “Annex Table 1.13: Mortgage/rent as a proportion of household income (including and excluding housing benefit) by tenure, 2010-11 to 2015-16”

³³ This is coincidentally also the figure Shelter deem reasonable - <https://blog.shelter.org.uk/2015/08/what-is-affordable-housing/>

3.29 As an example, we can establish the income needed to rent a 1-bedroom property in Exeter private rented sector based on a 35% income multiplier:

- » The median weekly rent recorded was £136.84;
- » Based on a 35% (of gross) income multiplier, a weekly income of £390.97 would be needed which equates to a gross annual income of £20,400.

3.30 To rent the same property based on a 25% income multiplier would increase the gross income required to £28,500 per year whereas households with an annual income of £15,800 per year could afford the rent if 45% of their income was allocated to housing costs.

3.31 Figure 13 shows the gross household incomes needed to afford median and lower quartile private rent, affordable rent and social rent if 35% is spent on housing.

Figure 13: Annual income required to afford to rent properties at the lower quartile and median price based on 35% income multiplier by property size in Exeter (Source: ORS based on Valuation Office Agency data Oct 2019 to Sep 2020; SDR 2020)

Exeter	Private Rent Median	Private Rent Lower Quartile	Affordable Rent (SDR 2020)	Social Rent
1 bedroom	£22,114	£20,400	£15,938	£11,174
2 bedrooms	£27,429	£25,714	£18,831	£12,775
3 bedrooms	£32,400	£30,000	£21,663	£14,131
4+ bedrooms	£74,331	£51,429	£23,977	£17,073

3.32 Although a rental income multiplier is helpful for benchmark purposes, it does not take account of the disposable income available to households after their housing costs have been paid,

3.33 Considering some examples of disposable income (based on 2020-21 income tax and national insurance rates):

- » A single person household with a gross income of £20,000 from employment would have £17,240 (£332 per week) after income tax and national insurance contributions. Housing costs at 35% of gross income would represent 40.6% of their net income and would leave £197 per week as disposable income to cover their other living expenses.
- » A couple with two children with a gross income of £20,000 from employment would have up to £19,880 (£382 per week) after income tax and national insurance contributions (assuming both earned £10,000). Therefore, housing costs at 35% of gross income would represent 35.2% of their net income and would leave £247 per week as disposable income to cover their other living expenses.

3.34 We should also consider the differing potential levels of housing benefit.

- » The maximum amount of weekly income that a single person household can receive before their income starts to affect their housing benefit is currently £73.10 for those aged 25 or over and £57.90 for those aged 16-24.
- » The maximum amount of weekly income that a couple with two children can receive before their income starts to affect their housing benefit is currently £248.65 (if one or both are aged 18 or over).

3.35 When assessing affordable housing need, it is not appropriate to adopt a simplistic income multiplier as this does not take into account different household circumstances. It is better to consider housing benefit eligibility criteria set by the Department for Work and Pensions, which take full account of the different amounts of disposable income for various types of household on different incomes, based on the rents for suitable housing.

3.36 Eligibility for housing benefit will differ based on the type of household and the number of bedrooms needed. Figure 14 sets out the maximum incomes for housing benefit eligibility for different types of households:

Figure 14: Maximum income for households in receipt of housing benefit support by household type
(Source: ORS based on data held by Shelter England³⁴; Valuation Office Agency data³⁵)

Property type	Household type	EXETER BRMA
ROOM ONLY	Single person aged 16-24	£10,780
ROOM ONLY	Single person aged 25-34	£11,574
1 BEDROOM PROPERTIES	Single person aged 35+	£14,345
1 BEDROOM PROPERTIES	Couple (both aged under 18)	£15,096
1 BEDROOM PROPERTIES	Couple (one or both aged 18 or over)	£16,523
2 BEDROOM PROPERTIES	Lone parent (aged 18 or over) with 1 child	£19,867
2 BEDROOM PROPERTIES	Lone parent (aged 18 or over) with 2 children	£23,358
2 BEDROOM PROPERTIES	Couple (aged 18 or over) with 1 child	£22,046
2 BEDROOM PROPERTIES	Couple (aged 18 or over) with 2 children	£25,536

3.37 The data in Figure 14 is presented for purposes of comparison with other income levels that appear later in this chapter.

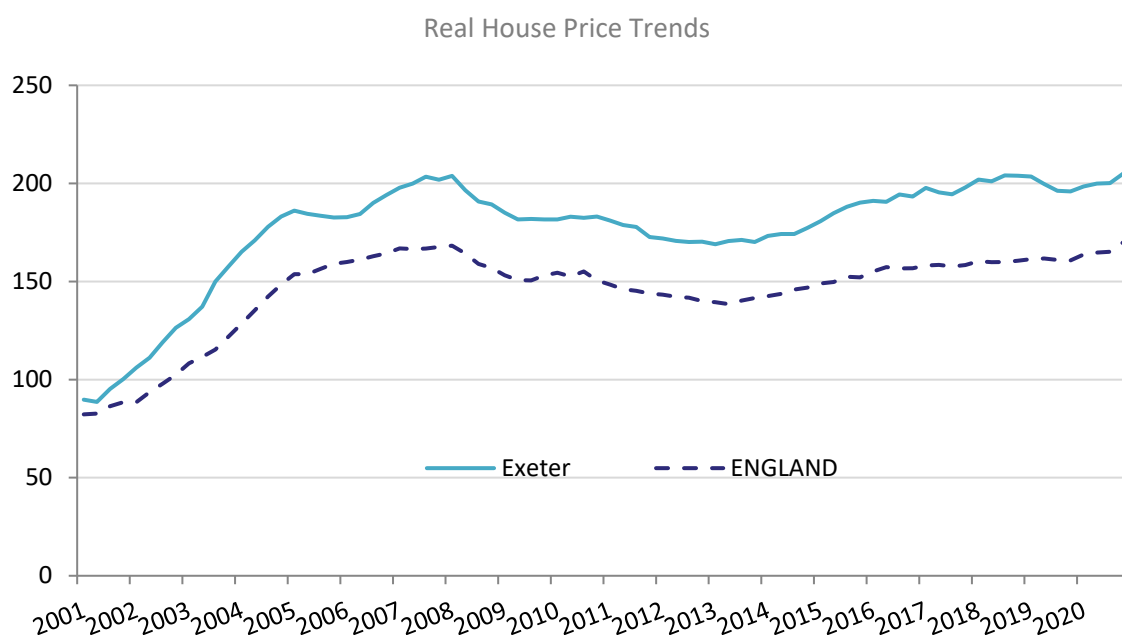
³⁴ [Shelter Legal England - Housing benefit calculation rates 2020 to 2021 - Shelter England](#)

³⁵ <https://lha-direct.voa.gov.uk>

Cost of Home Ownership

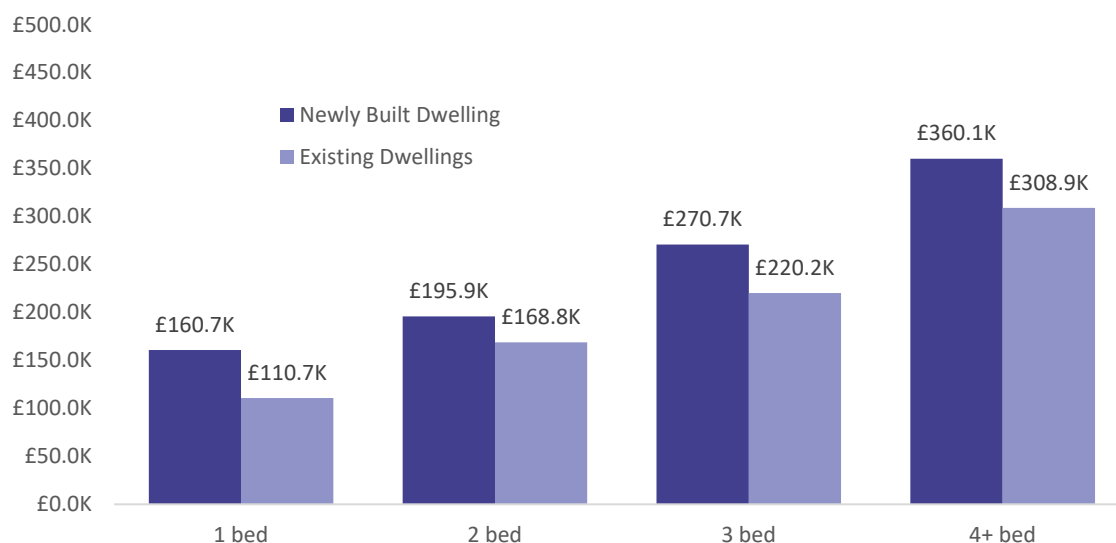
- 3.38 When considering home ownership, it is worth reflecting on house prices during the past twenty years. House price trends (2001-2020) are shown in Figure 15. This is based on lower quartile prices and data is adjusted for inflation so that values reflect real changes in house prices since 2001.
- 3.39 Real house prices in Exeter, whilst somewhat higher, have historically mirrored those in England as a whole. Overall prices increased substantially in the period 2001-2008. Values then reduced from the beginning of 2008 and fell to their low point in late 2013, since when they have grown steadily. Since 2019, prices in Exeter have been similar to the previous peak prices in 2008.

Figure 15: Real House Price Trends: Lower Quartile Prices adjusted to Dec 2020 values using CPI (Source: ONS; Bank of England)



- 3.40 House prices clearly vary in accordance with a range of factors. An important component is the size of the property, with the number of bedrooms being key. Figure 16 shows lower quartile house prices in Exeter by bedroom size.
- 3.41 There is also a difference between existing properties and new build dwellings. New build dwellings generally attract a premium.

Figure 16: Exeter - Lower quartile prices (adjusted by CPI) (Apr 2018-Mar 20) by property size (Source: ORS based on ONS House Price Statistics, Bank of England, Valuation Office Agency and Land Registry Price Paid Data)

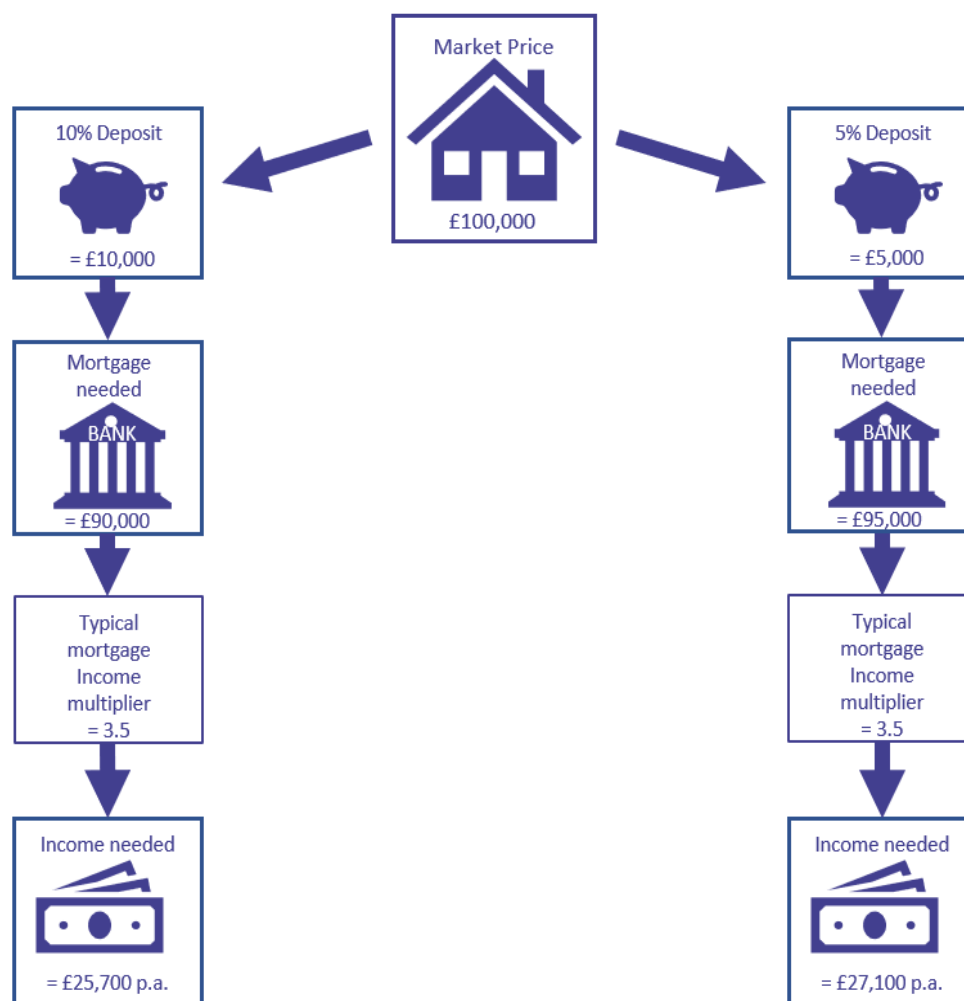


- 3.42 The difference in values between new build and existing properties is likely to be down to a range of factors which include the location of newbuild housing, the relative size of properties, gardens, the availability of parking, comparative quality and condition of existing stock, and other intangible issues such as character.
- 3.43 These differences in value are relevant if we are considering the affordability of the overall housing stock alongside the affordability of new build estates. First time buyers are particularly likely to be newly forming households and seeking one and two bed properties.

Income Needed for Home Ownership

- 3.44 The income needed to purchase market housing will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 3.45 For example, if we consider a property costing £100,000, and assume the buyer could afford a deposit of 10%. The outstanding mortgage requirement would be £90,000. Using a typical income multiple of 3.5 we can calculate an income of just over £25,700 would be needed ($£25,700 \times 3.5 = £90,000$). If the buyer could only afford a 5% deposit (£5,000) then a larger mortgage and larger income would be needed.
- 3.46 Whilst some households will have higher deposits available and others will seek to extend their borrowing as far as possible, the initial assumptions of a 10% deposit and a 3.5 x mortgage multiplier provides a reasonable indication of the income that first-time buyer households are likely to need in order to buy a home in the area.

Figure 17: Example of Calculating income needed for home ownership



3.47 Based on these assumptions, Figure 18 and Figure 19 show the incomes needed for home ownership in Exeter for newly built and existing dwellings. Both of these figures indicate the starting value of the lower quartile price for a dwelling, with Figure 8 representing a 5% deposit applied and Figure 9 representing a 10% deposit applied. After the deposits are applied, both figures then calculate the annual income required based on 3.5 times income multiplier. When purchasing larger homes, households will typically have larger deposits available, often including equity from the sale of another property. On this basis, it is relatively artificial to consider incomes in isolation for larger properties.

Figure 18: Income needed for home ownership with 5% deposit

Size	Lower quartile price of newly built dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum to afford newly built dwelling	Lower quartile price of existing dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum to afford existing dwelling
1 bedroom	£160,700	£152,665	£43,618	£43,700	£110,700	£105,165	£30,047	£30,100
2 bedrooms	£195,900	£186,105	£53,172	£53,200	£168,800	£160,360	£45,817	£45,900

Figure 19: Income needed for home ownership with 10% deposit

Size	Lower quartile price of newly built dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum to afford newly built dwelling	Lower quartile price of existing dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum to afford existing dwelling
1 bedroom	£160,700	£144,630	£41,322	£41,400	£110,700	£99,630	£28,465	£28,500
2 bedrooms	£195,900	£176,310	£50,374	£50,400	£168,800	£151,920	£43,405	£43,500

Income Needed for Other Types of Housing

- ^{3.48} Another housing option that could be made available in Exeter, thereby increasing the variety of products available, is Build to Rent. Build to Rent is defined by the NPPF Glossary as:

Build to Rent: purpose-built housing that is typically 100% rented out.

Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

NPPF 2021 (Glossary)

- ^{3.49} Build to Rent housing tends to be somewhat more expensive than median rents (typically more comparable to upper quartile rents). Occupants tend to be those that can afford these higher rents, but are not currently seeking to own a property, since the income required to service such rents is typically in excess of that required to get onto the housing ladder through Low-Cost Home Ownership options.
- ^{3.50} The National Planning Policy Framework states that affordable housing on Build to Rent schemes should be provided in the form of affordable private rent. The Build to Rent PPG offers a “generally suitable” benchmark that 20% of any given Build to Rent scheme should be provided as affordable private rent (maintained in perpetuity). In terms of setting affordable private rent levels, PPG requires a rent discount of at least 20% for affordable private rent homes relative to local market rents (inclusive of service charges).
- ^{3.51} However, the affordability of affordable private rent is highly dependent on the rent being discounted. At the time of writing, no Build to Rent or affordable private rent housing has been delivered in Exeter, although some is in the pipeline. However, research by JLL³⁶ shows that the average Build to Rent option is 9.3% more expensive than the median rent. If it is assumed that these rent levels are the case in Exeter, and a discount of 20% is applied to these rents (as is suggested by the NPPF) for the affordable units, then the range of rental costs available will be as Figure 20. ORS believes JLL’s assumptions to be reasonable, in the absence of any current evidence of the cost of Build to Rent housing specifically in Exeter. However, if further evidence were to be made available on the cost of such units specifically in Exeter, it would of course change the analysis:

³⁶ <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf>

Figure 20: Weekly rent thresholds in Exeter (Source: Valuation Office Agency 2019-20; SDR 2020, JLL)

Weekly Rent £	Local Housing Allowance	Upper Quartile Private Rent	Build to Rent (Median + 9.3%)	Median Private Rent	Lower Quartile Private Rent	Affordable Build to Rent (20% discount)	Affordable Rent	Social Rent
1 bed	£131.18	£159.84	£162.13	£148.34	£136.84	£129.71	£106.91	£74.95
2 bed	£156.49	£195.48	£201.09	£183.98	£172.48	£160.88	£126.31	£85.69
3 bed	£189.86	£266.78	£237.54	£217.33	£201.23	£190.03	£145.31	£94.79
4+ bed	£253.15	£672.69	£544.96	£498.60	£344.97	£435.97	£160.83	£114.52

^{3.52} The LHA would be sufficient to cover the costs of 1-bed affordable private rent units; and would be covering rents in 2 and 3-bedroom properties. Given that the rental costs of these properties are themselves lower than the equivalent lower quartile private rent, the promotion of Build to Rent could be a potentially useful mechanism for providing affordable 1, 2 and 3-bed properties for rent.

^{3.53} In terms of pricing, full price Build to Rent options in Exeter are roughly equivalent to upper quartile private rent for properties of 3 bedrooms or smaller (as illustrated in Figure 20); but remain more accessible than affordable home ownership options (as illustrated in Figure 21). The assumptions underlying the calculations can be seen in Figure 22 following. While shared ownership mortgages are typically at a higher interest rate due to the retained charge on the property, changes announced in May 2021 see the minimum share lowered to 10%, and this is intended to reduce deposit levels to make home ownership more accessible.

Figure 21: Income required for a variety of housing options in Exeter assuming 35% of income spent on rent, and a 3.5x income multiplier (Source: VOA 2019-2020, Land Registry, ORS model)

Household Incomes Needed by Size	Access Lower Quartile Rent Based on 35% Income	Access Median Rent Based on 35% Income	Access Upper Quartile Rent Based on 35% Income	Build to Rent Based on 35% Income	First Homes (30% discount) Based on 3.5x multiplier	Shared Ownership Based on 3.5x multiplier	Home Ownership Based on 3.5x multiplier
1 bedroom	£20,400	£22,114	£23,829	£24,171	£28,998	£34,339	£41,426
2 bedrooms	£25,714	£27,429	£29,143	£29,979	£35,342	£41,250	£50,488
3 bedrooms	£30,000	£32,400	£39,771	£35,413	£48,838	£55,954	£69,768
4+ bedrooms	£51,429	£74,331	£100,286	£81,244	£64,972	£73,532	£92,818

Figure 22: Assumptions underlying Figure 21

Assumptions	First Homes	Shared Ownership	Home Ownership
Equity share	70%	40%	100%
Deposit	10%	10%	10%
Interest rate	3.5%	4%	3.5%
Mortgage term	30	30	30
Rent on retained equity	0%	2.75%	0%
Weekly service charge	£0	£10	£0

- 3.54 The accessibility of affordable home ownership options is partly due to restrictions on the amount a customer can borrow for mortgage purposes. The often-used standard income multiplier of 3.5x translates to an equivalent of approximately 19% of income being used on housing costs, although it should be noted that many lenders offer larger income multipliers. However, a tenant is not subject to these restrictions, and can pay more of their income towards rent, such as 35% in the example above.
- 3.55 If the rental market were hypothetically subject to the same restrictions as the mortgage market (which of course it is not), i.e. 19% of income is the appropriate amount to spend on housing (equivalent to a 3.5x income multiplier), then renting would be a choice comparable to home ownership options, as demonstrated below:

Figure 23: Approximate income required for a variety of housing options in Exeter assuming 19% of income spent on rent, and a 3.5x income multiplier (Source: VOA 2019-2020, Land Registry, ORS model)

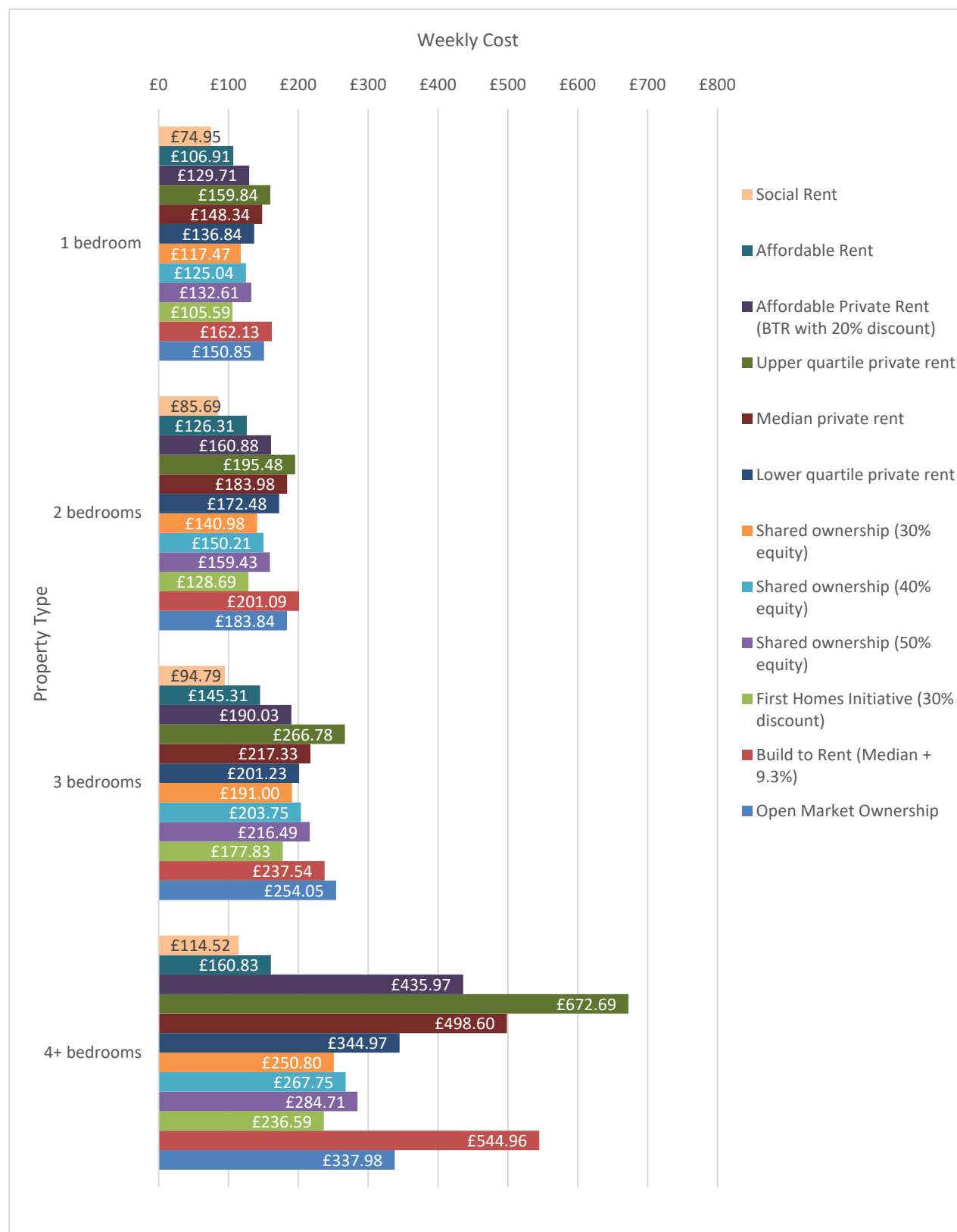
Household Incomes Needed by Size	Access Lower Quartile Rent Based on 19% Income	Access Median Rent Based on 19% Income	Access Upper Quartile Rent Based on 19% Income	Build to Rent Based on 19% Income	First Homes (30% discount) Based on 3.5x multiplier	Shared Ownership Based on 3.5x multiplier	Home Ownership Based on 3.5x multiplier
1 bedroom	£37,579	£40,736	£43,896	£44,526	£28,998	£34,339	£41,426
2 bedrooms	£47,368	£50,527	£53,684	£55,224	£35,342	£41,250	£50,488
3 bedrooms	£55,263	£59,684	£73,262	£65,234	£48,838	£55,954	£69,768
4+ bedrooms	£94,738	£136,926	£184,737	£149,660	£64,972	£73,532	£92,818

- 3.56 In summary, regardless of the home ownership option, affordable or otherwise, the income levels required to access these products are considerably higher than the equivalent to access rented property. This is due to the constraint of mortgage income multipliers. It may be noted that this is not the case in the weekly costs of these mortgage options, which may in some cases be lower than rents on properties of equivalent size.

Summary of Housing Costs

^{3.57} This chapter has considered in some detail the cost of housing depending on tenure type and property size. Figure 24 summarises these costs for each property size.

Figure 24: Comparison of weekly housing costs by property size (Source: VOA 2019-2020, Land Registry, ORS model)



- ^{3.58} Unsurprisingly, for each property size social rent is the cheapest in terms of weekly costs, with Build to Rent being the most expensive in terms of weekly costs for 1 and 2-bedroom properties, and upper quartile private rent being more expensive for 3 and 4 or more-bedroom properties. Lower quartile market rent is more expensive than a 70% First Homes mortgage
- ^{3.59} The cost of shared ownership predictably varies depending on the equity size purchased, however the fact that it is more expensive on a weekly basis than First Homes for all three equity levels illustrated is evidence of the significance of the rent payable on the equity retained (along with service charges) on weekly costs. Nonetheless, 40% shared ownership is generally cheaper than median rents. It is also much more flexible than First Homes and therefore may meet the needs of different households.
- ^{3.60} The cost of occupying a Build to Rent property is more expensive than all forms of affordable home ownership shown. This underscores that occupants of Build to Rent typically have sufficient income to access home ownership options; yet choose not to. This is evident for upper quartile private rent additionally, with the weekly cost being comparable to Build to Rent for 1 and 2-bedroom properties; and being more expensive than Build to Rent for 3, 4 or more-bedroom properties.
- ^{3.61} Overall, compared to rental options, the range of affordable home ownership products shown appear to be relatively accessible, however it should be noted that the chart takes no account of the initial cost of a deposit on a property, which is a barrier to many households that seek to get onto the housing ladder. Furthermore, despite the weekly costs being cheaper, the underlying income necessary to obtain a mortgage on a First Home will be meaningfully higher than the underlying income required to rent a property due to the constraint of mortgage income multipliers discussed previously.

4. Demographic Projections

The baseline for establishing housing need

Introduction

- 4.1 This chapter introduces the ORS demographic projection for Exeter, based on the 10-year variant of the 2018-based population and household projections for Exeter (modified to include the 2019 and 2020 Mid-Year Estimate of population to ensure that it is as current as possible at the time of writing) to illustrate the projected growth of households during the plan period. This overall growth is broken down by age and household type to support planning. This projection forms the basis of the calculation of affordable housing needs (Chapter 5) and the projected household component (see Figure 49) of the LHN disaggregation found in Chapter 6.

Official Household Projections

- 4.2 The first step in analysing housing needs must be to identify the trend-based household projections for Exeter, which are used as the basis for this report.
- 4.3 Figure 25 sets out a range of the various household projections from both CLG and ONS methodologies for purposes of comparison. It also includes the associated outputs using a sensitivity analysis approach.

Figure 25: Household projections 2021-31 for Exeter (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

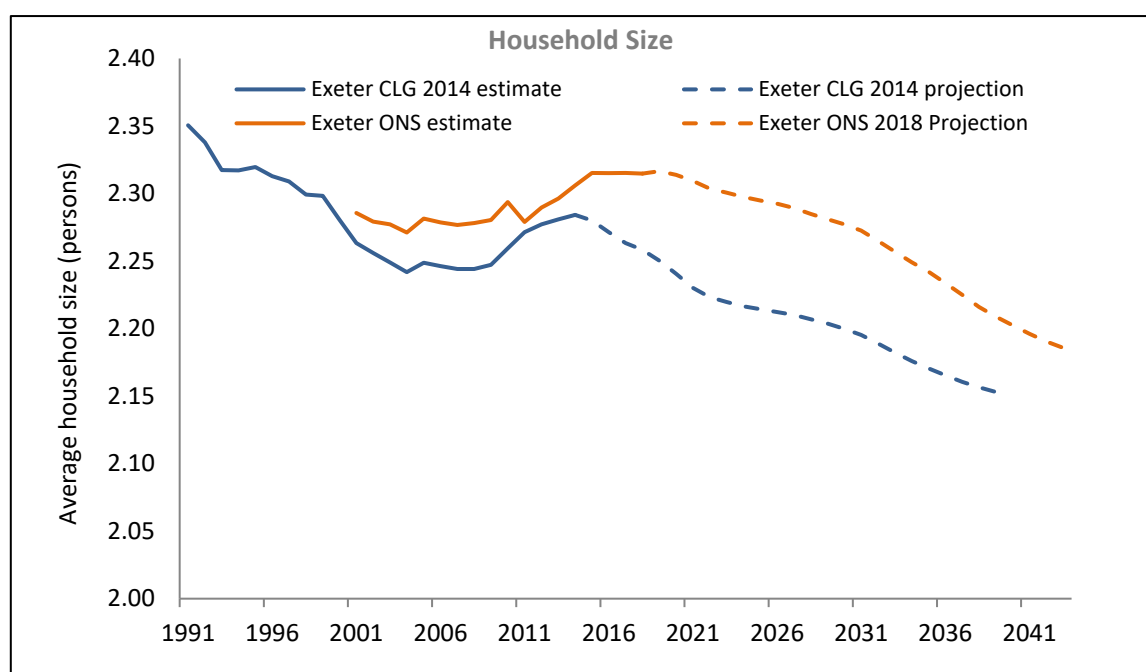
EXETER	Migration trends	10-year change in Households 2021-2031	Annual average change in Households 2021-2031
CLG Household Projections			
2014-based projection: 2014-based population and CLG 2014-based HH formation	2009-14	+4,874	+487
ONS 2016-based Projections			
Principal projection: 2016-based population and ONS 2016-based HH formation	2011-16	+5,028	+503
Sensitivity analysis 1: 2014-based population and ONS 2016-based HH formation	2009-14	+4,476	+448
Sensitivity analysis 2: 2016-based population and CLG 2014-based HH formation	2011-16	+5,272	+527
ONS 2018-based Projections			
Principal projection: 2018-based population and ONS 2018-based HH formation	2016-18	+4,318	+432
Alternative Internal (5-year trend): 2018-based population (alternative internal) and ONS 2018-based HH formation	2013-18	+4,806	+481
10-year trend: 2018-based population (10-year trend) and ONS 2018-based HH formation	2008-18	+3,420	+342

- 4.4 In Exeter, there is a decreased projected household change based on more recent principal projections, and the sensitivity analysis indicates that falling household formation projections have made a contribution to this decrease. In the 2018-based projections, it is notable that the 10-year household change is lower in the projections based on a longer migration trend, primarily due to the impact of a single year of high inward migration in 2015³⁷.

Projected Household Size

- 4.5 The projected household size is calculated using the population and household projections rather than being a variable used to create them. The data (Figure 26) divides the population in the area by the associated household projection.

Figure 26: Average household size estimates and projections for Exeter for the period 1991-2043 (Source: CLG 2014 based projections; ONS 2018 is 2018-based projections)



- 4.6 As the chart shows, average household size is projected to steadily decline over the plan period. This is largely attributable to the aging population within the United Kingdom, as older individuals tend to typically be single persons or couples without children.
- 4.7 The ONS projections suggest that household sizes will remain larger than previously projected by CLG. This difference in household sizes is due to differences between the ONS and CLG's methodologies.³⁸ The key difference is ONS' use of the 2001 and 2011 census in establishing trends in household representative rates, whereas CLG utilised census data dating back to 1971.

³⁷ Source: ONS - Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland – detailed time series: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesandscotlandandnorthernireland>

³⁸ ONS methodology statement can be found at: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/methodologies/methodologyusedtoproducehouseholdprojectionsforengland2018based>

Underlying Trends

- 4.8 Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The PAS OAN technical advice note considers this issue in relation to the ONS population projections (first edition, paragraphs 5.12-5.13):

“To predict migration between local authorities within the UK, the ONS population projections carry forward the trends of the previous five years. This choice of base period can be critical to the projection, because for many areas migration has varied greatly over time. ... The results of a demographic projection for (say) 2011-31 will be highly sensitive to the reference period that the projection carries forward.”

- 4.9 This issue has also been reinforced in PAS advice to Local Authorities³⁹, where it has been emphasised that whilst the CLG household projections provide the starting point, these official projections can be very unstable given that they are based on migration trends covering only five years:

“For migration the base period is only five years:

- Makes the official projections very unstable*
- And recent projections lock in the recession”*

- 4.10 The second version of the PAS OAN technical advice note (July 2015)⁴⁰ has also strengthened the recommendation on the relevant period for assessing migration (second edition, paragraph 6.24):

“In assessing housing need it is generally advisable to test alternative scenarios based on a longer reference period, probably starting with the 2001 Census (further back in history data may be unreliable). Other things being equal, a 10-to-15 year base period should provide more stable and more robust projections than the ONS’s five years. But sometimes other things will not be equal, because the early years of this long period included untypical one-off events as described earlier. If so, a shorter base period despite its disadvantages could be preferable.”

- 4.11 The relevant period for assessing migration trends was considered by an article by Ludi Simpson (Professor of Population Studies at the University of Manchester) and Neil MacDonald (previously Chief Executive of the National Housing and Planning Advice Unit) published in Town and Country Planning (April 2015)⁴¹.

“The argument for using a five-year period rather than a longer one is that the shorter the period, the more quickly changes in trends are picked up. The counter-argument is that a shorter period is more susceptible to cyclical trends, an argument that has particular force when the five-year period in question – 2007-12 – neatly brackets the deepest and longest economic downturn for more than a generation. ... A large number of local authority areas are affected by this issue. For 60% of authorities the net flow of migrants within the UK in 2007-12 was different by more than 50% from the period 2002-07. While this is comparing a boom period with a recession, it serves to indicate the impact of the choice of reference period for trend projections.”

³⁹ “SHLAA, SHMA and OAN aka ‘Pobody’s Nerfect’”, PAS presentation at Urban Design London (July 2015)

⁴⁰ <https://www.local.gov.uk/sites/default/files/documents/objectively-assessed-need-9fb.pdf>

⁴¹ “Making sense of the new English household projections”, Town and Country Planning (April 2015)

- 4.12 The issue has also been referenced by Inspectors examining numerous Local Plans, for example the following comments provided by the Cornwall Inspector in the letter setting out his preliminary findings (June 2015)⁴²:

“3.6 Migration. The demographic model used in the SHMNA and the more recent ONS projection uses migration flows from the previous 5 years only. Given the significance of migration as a component of change for Cornwall and to even-out the likely effect of the recent recession on migration between 2008-2012 a longer period than 5 years would give a more realistic basis for projecting this component. A period of 10-12 years was suggested at the hearing and I consider that this would be reasonable, rather than the 17 year period used in ID.01.CC.3.3. I also consider that the ONS’ Unattributable Population Change component should be assigned to international migration for the reasons given by Edge Analytics in ID.01.CC3.3. This approach was not disputed at the hearing.”

- 4.13 More recently, in considering the ONS 2016-based projections, the Greater London Authority (GLA) expressed its view that 10-year migration trends are the most appropriate to use in its document “GLA 2016-based population projections: Explanatory note and results for the Wider South East” (July 2017)⁴³:

“Variant Migration Scenarios

The GLA believes that for strategic longer-term planning purposes a projection which uses migration rates based on an average of ten years’ past data is more realistic and robust than one based on a shorter five-year period (as is the case with the ONS SNPP). This view is consistent with the wider expert consensus and is supported by Planning Advisory Service guidance...

... For a long-term projection informing strategic planning, a migration rate which is representative of the character of migration across a full economic cycle is, more robust than one which captures only part of that cycle.”

- 4.14 Finally, the Inspector of the Bedford Local Plan Borough Local Plan 2030 considered that 10-year projections were more suitable for use in projecting future household growth (Report on the Examination of the Bedford Borough Local Plan 2030 – December 2019, para 24).

24.Past migration into Bedford has varied significantly from year to year over the past 25 years or so with repeated periods of low/negative in-migration followed by periods of high in-migration. On this basis a ten year migration trend is likely to provide a more reliable basis for projecting future household growth in Bedford than a five year one.

- 4.15 On balance, we consider that:

- » 5-year trend migration scenarios are unreliable: they have the potential to roll-forward short-term trends that are unduly high or low and therefore are also unlikely to provide a robust basis for long-term planning.
- » 10-year trend migration scenarios are more likely to capture both highs and lows and are not as dependent on trends that may be unlikely to be repeated. **Therefore, we favour using the 10-year migration trend variant of the 2018 ONS projections as the basis for our analysis.** (see Figure 25)

⁴² <https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

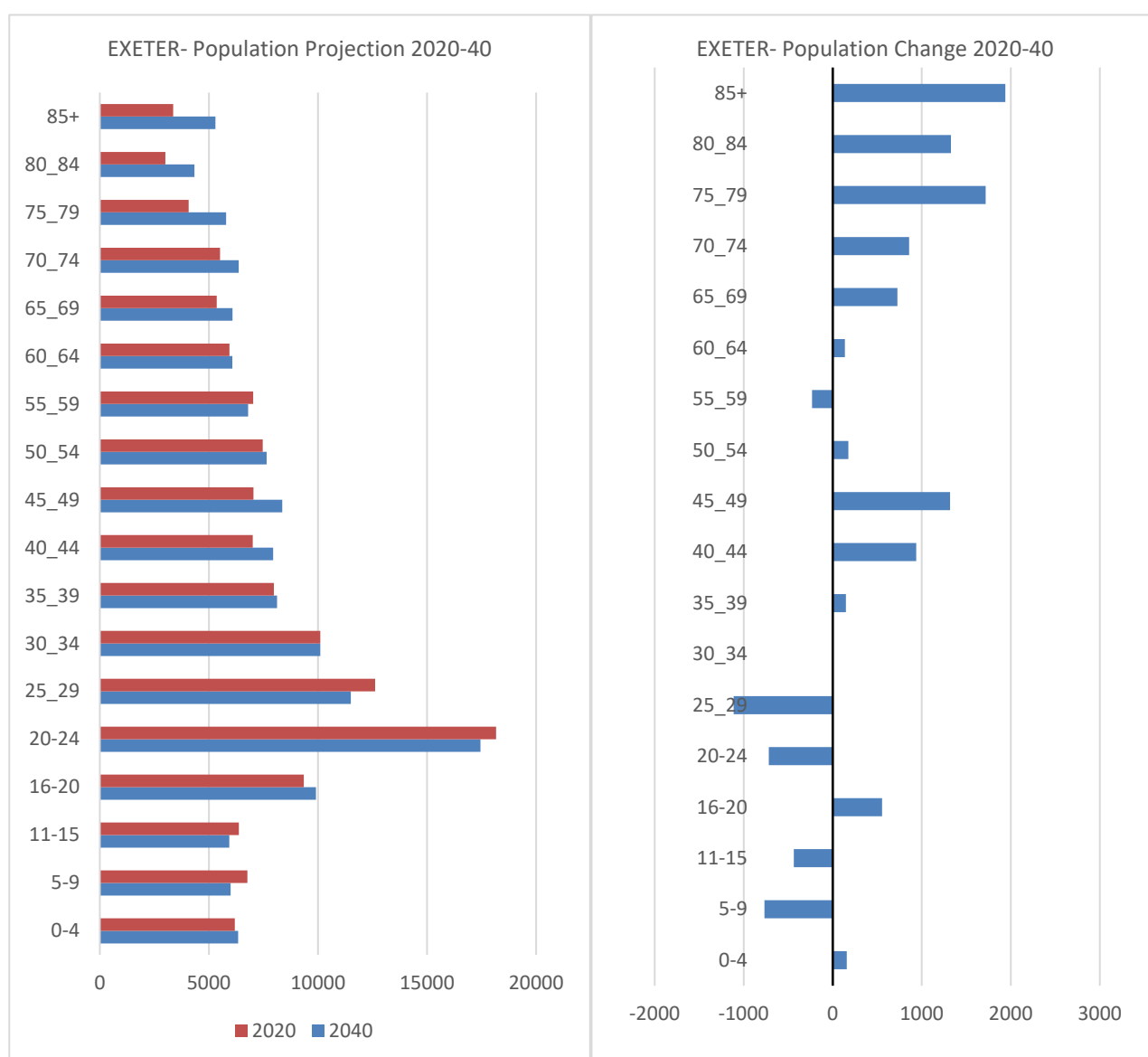
⁴³ https://www.london.gov.uk/sites/default/files/2016-based_projections_wse_results.pdf

- 4.16 Within this report, all demographic reporting is based on a modified 10-year variant of the 2018-based population and trend-based household projections unless otherwise stated. The 10-year variant of the 2018-based projection has been updated by ORS to include the data from the 2019 and 2020 Mid-Year Estimate of Population, ensuring a robust projection including the most up-to-date evidence available.

ONS Projected Population Age Profile

- 4.17 The ONS 2018-based (10-year variant) population projections show that the overall population of Exeter is projected to grow by 8,735 from 131,229 people to 139,964 people between 2020 and 2040 as seen in Figure 25.
- 4.18 The ORS population projection on which all modelling in this document is based incorporates data from the 2019 Mid-Year Estimates to update the 10-year variant of the 2018-based population projections. It shows an increase from 133,300 people to 140,100 people from 2020 to 2040. Figure 27 following shows the resultant 20-year population projections used in the report along with change over the period, by 5-year age group:

Figure 27: Exeter – Population 2020, 2040 and Change 2020-40 by 5-year cohort (Source: ORS)



20 Year Household Projections by Age

- 4.19 An important point to understand in both the population and household growth is the extent to which growth is focused on older people and older households particularly amongst those over 65. The table below considers household projections categorised by the age of the household representative (HRP). Please note that throughout this section figures in the tables are rounded to the nearest 100 to simplify interpretation although all calculations are made using unrounded data.

Figure 28: Total projected households in Exeter for 2020 and 2040 (Note: Figures may not sum due to rounding. Source: ORS Model)

AGE OF HOUSEHOLD REPRESENTATIVE	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	TOTAL
2020	4,500	10,400	8,600	9,000	8,100	6,600	5,200	2,500	54,900
2040	4,400	10,000	9,400	10,000	8,000	7,500	7,400	4,000	60,700
TOTAL CHANGE	-100	-400	+800	+1,000	-100	+1,000	+2,300	+1,500	+5,800

- 4.20 The table shows an overall increase of 5,800 households in Exeter over the 20-year period 2020-2040, with the vast majority of this increase being households headed by somebody over the age of 65. Many of these older households will already be established and living in existing homes, they simply get older during the 20-year period.
- 4.21 It is important to consider household growth in relation to age cohorts. Figure 29 shows the projected number of households in each cohort, showing their age in both the start and the end of the projections. Clearly, no household representatives are aged under 5, but children aged under 5 at the base date of the projection will be aged 15-24 after the twenty years elapse, and thus will be potentially heads of households.

Figure 29: Total projected households in 2020-40 by age cohort of household representative (Note: Figures may not sum due to rounding)

Age in 2020	<5	5-14	15-24	25-34	35-44	45-54	55-64	65+	TOTAL
Age in 2040	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	TOTAL
2020	-	-	4,500	10,400	8,600	9,000	8,100	14,300	54,900
2040	4,400	10,000	9,400	10,000	8,000	7,500	7,400	4,000	60,700
TOTAL CHANGE	+4,400	+10,000	+4,900	-300	-600	-1,500	-700	-10,200	+5,800

- 4.22 For example, in Exeter there were 8,600 households with a household representative aged 35-44 in 2020 and these same households would be aged 55-64 in 2040. The trend-based projection identifies that the total number of households aged 55-64 in 2040 would be 8,000. The projection shows a reduction of 600 households in this cohort due to net migration.
- 4.23 In Exeter, based on the cohort analysis, around 18,400 extra households will be formed over the 20-year period 2020-40 by those who will be aged under 65 in 2040. These extra households are offset against a reduction of 12,400 households aged 65 or over by that time.

- 4.24 In each case, most of the anticipated reduction in the older cohorts is due to household dissolution following death (although some may be due to net migration). Whilst the overall volume increase in households is largely due to a growing older population most of the newly forming households looking for housing will be in their twenties and thirties at the time that they form. Many of these households will buy or rent existing housing, perhaps vacated by an older existing household. New housing stock is not necessarily occupied by newly formed households.

Projected Household Types

- 4.25 When considering future need for different types of housing, it is important to understand that households of different ages are likely to have different needs. Similarly, households of different types (singles, couples and families) within each age group will also have different housing requirements. "Other households" incorporates other multi-person households, such as unrelated adults sharing, student households, multi-family households and households of one family and other unrelated adults, i.e. any household type not encompassed by the other three categories.
- 4.26 Figure 30 shows the household numbers and net change for Exeter from 2020 to 2040 separated out by the age of the household representative person (HRP).

Figure 30: Total projected households for 2020 and 2040 and change by household type and age of household representative for Exeter (Note: Figures rounded to nearest 10; total figures rounded to nearest 100. All calculations based on unrounded data. Figures may not sum due to rounding)

Year	Household Type	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	TOTAL
2020	Single person	210	1,970	2,300	2,910	3,090	2,420	3,300	1,880	18,100
2020	Couple without children	530	3,820	1,440	1,900	3,910	3,740	1,330	440	17,100
2020	Families with child(ren)	360	3,550	4,630	3,860	660	50	30	10	13,100
2020	Other households	3,420	1,030	250	360	420	350	500	200	6,500
2020	TOTAL	4,500	10,400	8,600	9,000	8,100	6,600	5,200	2,500	54,900
2040	Single person	0	1,370	2,600	3,400	3,400	2,560	4,280	3,040	20,600
2040	Couple without children	270	4,220	1,580	640	3,280	4,560	2,190	660	17,400
2040	Families with child(ren)	10	3,310	5,100	5,920	980	70	60	30	15,500
2040	Other households	4,100	1,080	120	80	380	360	880	300	7,300
2040	TOTAL	4,400	10,000	9,400	10,000	8,000	7,500	7,400	4,000	60,700
Change	Single person	-210	-600	+300	+490	+310	+130	+990	+1,160	+2,600
Change	Couple without children	-260	+400	+140	-1,260	-640	+820	+860	+220	+300
Change	Families with child(ren)	-350	-240	+470	+2,050	+320	+20	+40	+20	+2,300
Change	Other households	+690	+50	-130	-270	-40	+10	+380	+100	+800
Change	TOTAL	-100	-400	+800	+1,000	-100	+1,000	+2,300	+1,500	+5,800

- 4.27 In summary, over the 20-year period 2020-40 for Exeter, the projections show (Figure 30):
- » Single person households are nearly half of the overall household growth (2,600) with the majority (2,150) being single people aged over 75;
 - » Couples without dependent children are projected to increase (300) and are primarily over 65 (an increase of 1,900 offset against a decrease of 1,600 in younger age groups);
 - » Families with dependent children make up over 40% of the overall household growth (2,300);
 - » Other types of household contribute a further 800.

- 4.28 Overall, 83% of the household growth is for households aged over 65 suggesting homes meeting older persons requirements are a priority.

5. Affordable Housing Need

Identifying households who cannot afford market housing

Introduction

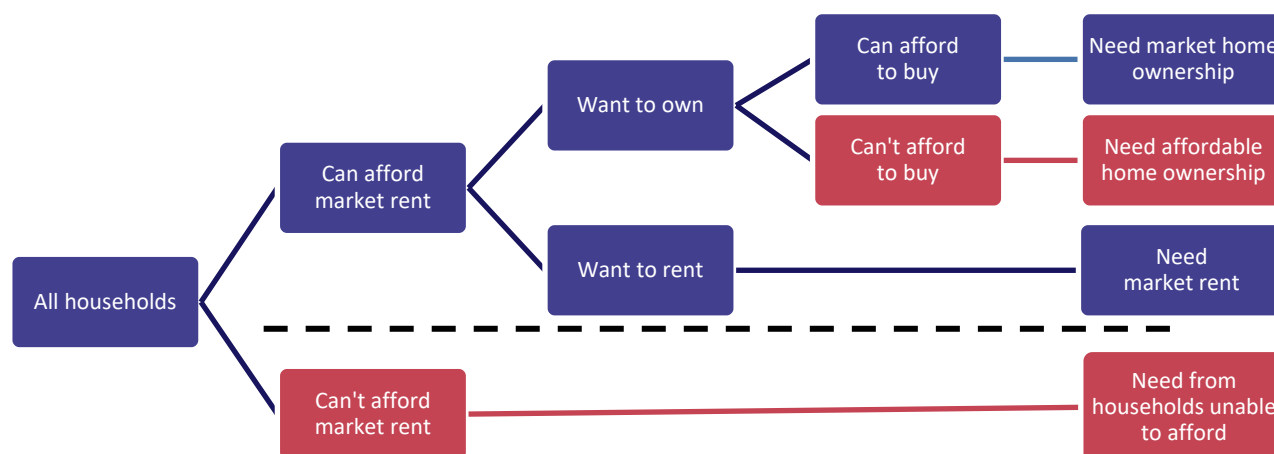
- 5.1 This section represents a technical exercise to comply with the requirements of the NPPF and the PPG. Demographic projections provide the basis for identifying the housing needs for all types of housing, including both market and affordable housing.
- 5.2 The definition of affordable housing was changed by the National Planning Policy Framework in 2018 and this has been carried forward in to the 2021 NPPF, with a specific emphasis now placed on affordable homeownership. The glossary to the 2021 NPPF (Annex 2) contains the following definition of affordable housing:

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)

National Planning Policy Framework 2021, Annex 2

- 5.3 To reflect this change, the PPG confirms that the types of household to be considered in housing need include *“those that cannot afford their own homes, either to rent, or to own, where that is their aspiration”* [PPG ID 2a-020-20190220].
- 5.4 The assessment of affordable housing need therefore needs to consider both those who cannot afford to rent and those households who can afford to rent but would like to buy.

Figure 31: Establishing the need for market and affordable housing



- 5.5 There is a well-established method for assessing the needs of households who cannot afford to own or rent suitable market housing. However, PPG provides no guidance on how the needs of households who can afford to rent but would prefer to own, should be assessed.

Assessing Affordable Housing Needs

- 5.6 Utilising the ORS projection population as discussed in Chapter 4, the ORS Housing Mix Model considers the need for market and affordable housing on a long-term basis that is consistent with trend-based household projections. The model uses a 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.
- 5.7 The model provides robust and credible evidence about the required mix of housing over the full planning period and recognises how key housing market trends and drivers will impact on the appropriate housing mix.
- 5.8 The PPG identifies that “projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need” (ID 2a-021-20190220). **The ORS Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household; and that this will also differ by age.** Therefore, the appropriate proportion is determined separately for each household type and age group.
- 5.9 The affordability percentages in Figure 32 are calculated using detailed information from the 2011 Census alongside data published by the Department for Work and Pensions (DWP) about housing benefit claimants. For each type of household in each age group, the table identifies the percentage of households currently unable to afford their housing costs. This is the proportion of households in each group that either occupy affordable housing or receive housing benefit to enable them to afford market housing.

Figure 32: Assessing affordability by household type and age (Source: Census 2011 and DWP)

EXETER: Percentage unable to afford market housing	Under 25	25-34	35-44	45-54	55-64	65+
Single person household	30%	14%	30%	36%	33%	29%
Couple family with no dependent children	8%	4%	10%	15%	10%	16%
Couple family with 1 or more dependent children	54%	28%	20%	13%	13%	14%
Lone parent family with 1 or more dependent children	81%	73%	60%	43%	34%	22%
Other household type	7%	14%	27%	27%	23%	14%

Current Unmet Needs of Households Unable to Afford

- 5.10 Any exploration of housing need in an area must first give consideration to existing unmet needs. The PPG states:

How should the current unmet gross need for affordable housing be calculated?

Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of:

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in overcrowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
- » *the number of households from other tenures in need and those that cannot afford their own homes.*

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Planning Practice Guidance (February 2019), ID 2a-020-20190220

- 5.11 Households assumed to be unable to afford housing include:
- » All households that are currently **homeless**;
 - » All those currently housed in **temporary accommodation**; and
 - » People in a **reasonable preference category** on the housing register, where their needs have not already been counted.
- 5.12 Given this context, the model includes the needs of all these households when establishing the need for affordable housing at a base date of 2020.
- 5.13 The analysis counts the needs of all households living in overcrowded rented housing when establishing the affordable housing need (which could marginally overstate the requirements) but it does not count the needs of owner occupiers living in overcrowded housing (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in Exeter.
- 5.14 **Concealed families** are an important part of unmet housing need. However, not all concealed families want separate housing. Those with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to be experiencing affordability difficulties or other constraints (although even here not all will want to live independently).

- 5.15 Any concealed families in a reasonable preference category on the housing register will be counted regardless of age. The analysis also considers the additional growth of concealed families with family representatives aged under 55 (even when not on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home).
- 5.16 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Council have a range of statutory enforcement powers to improve housing conditions.
- 5.17 Figure 33 sets out the assessment of current (as of 2020) affordable housing need for Exeter:

Figure 33: Assessing current unmet gross need for affordable housing (Source: CLG P1E returns, Census, EHS, LAHS)

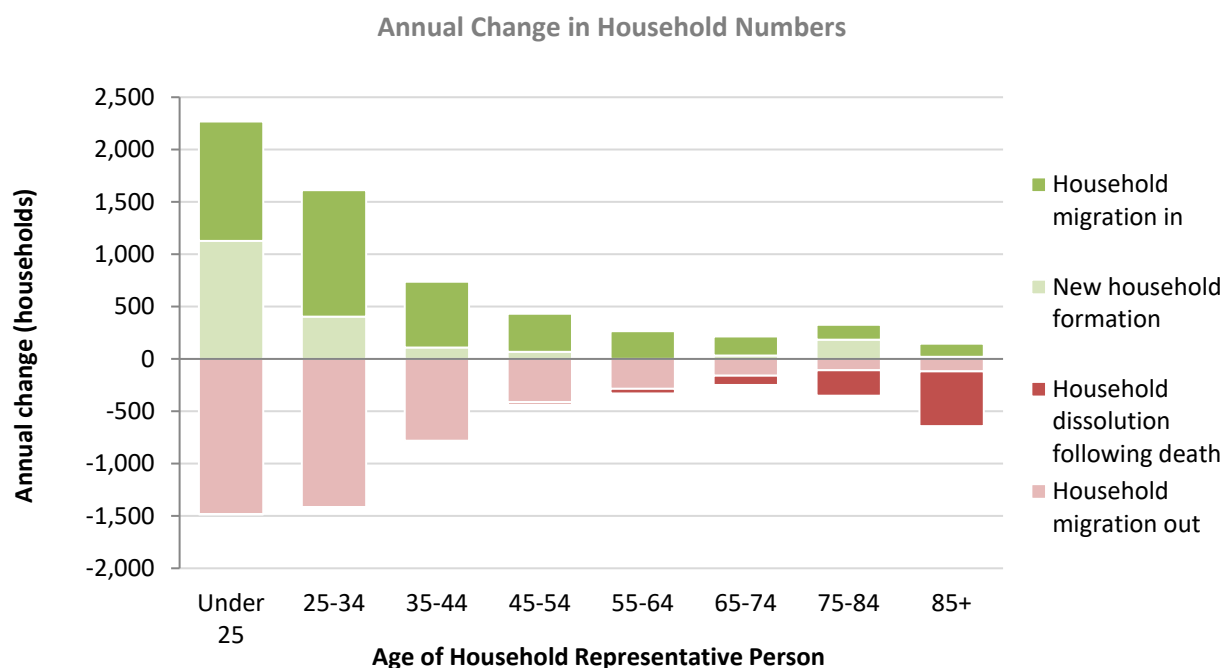
Current unmet need classification	Current status	Affordable Housing Gross Need	Affordable Housing Supply	Affordable Housing Net Need	Increase in Overall Need
Homeless households in priority need [Source: CLG P1E returns]	Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	72		72	72
Homeless households in priority need [Source: CLG P1E returns]	Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	59		59	
Homeless households in priority need [Source: CLG P1E returns]	Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	12	12	0	
Homeless households in priority need [Source: CLG P1E returns]	Households accepted as homeless but without temporary accommodation provided	0		0	0
Concealed households [Source: Census 2001 and 2011]	Growth in concealed families with family representatives aged under 55	432		432	120
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]	Households living in overcrowded private rented housing	616	616	0	
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]	Households living in overcrowded social rented housing	261	261	0	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG LAHS]	People who need to move on medical or welfare grounds, including grounds relating to a disability	536	44	492	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG LAHS]	People who need to move to a particular locality in the borough of the authority, where failure to meet that need would cause hardship	0	0	0	
TOTAL	TOTAL	1,847	672	1,175	192

- 5.18 Based on a detailed review of both the past trends and current estimates our analysis has concluded that 1,847 households in Exeter are currently living in unsuitable housing and are unable to afford their own housing. This assessment is based on the criteria set out in the PPG and avoids double counting as far as possible.
- 5.19 Of these households, 672 currently occupy affordable housing that does not meet the current householders' needs, mainly due to overcrowding. Providing more suitable housing for these households will enable them to vacate their existing affordable housing property, which can subsequently be allocated to another (smaller) household in need of affordable housing.
- 5.20 There is, therefore, a net current affordable housing need of 1,175 households (1,847 less 672 = 1,175). However, depending on property types and size of households in need, a higher number of new homes may be needed to ensure there is no overcrowding.
- 5.21 In providing the net current affordable housing need, 983 dwellings will be released back into the market, mainly in the private rented sector. These dwellings are currently occupied by a total of 983 households, calculated as 1,175 minus the 192 homeless or concealed households (which do not release dwellings). The 192 homeless or concealed households are made up of 72 households currently in temporary accommodation in communal establishments and 120 concealed households from Figure 33.

Projected Future Need of Households Unable to Afford

- 5.22 When considering the number of newly arising households likely to be in affordable housing need, the PPG recommends a “*gross annual estimate*” (ID 2a-021) suggesting that “*the total need for affordable housing should be converted into annual flows*” (ID 2a-024).
- 5.23 Figure 34 show the age structure of each of the components of household change. This analysis is based on changes within each age cohort. Comparisons are based on households born in the same year and relate to their age by the end of 2040. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group. Increases (green bars - household migration in and new household formation) and decreases (pink bars – household migration out and household dissolution following death) are shown. Where there is a larger combined bar above the axis, this indicates a net increase in the number of households with a housing representative of that age group, and a larger bar below a net decrease.

Figure 34: Annual change in household numbers in each age cohort by age of Household Representative Person in Exeter
(Source: ORS Housing Model)



- 5.24 Together with information on household type, this provides a framework for the model to establish the proportion of households who are unable to afford their housing costs. The following table (Figure 35) looks at the impact of different types of household:

Figure 35: Annual components of Household Growth for Exeter 2020-40 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER 2020-40	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Newly forming households	1,945	1,649	296	15%
Households migrating into the area	4,055	3,265	791	19%
All new households	6,001	4,914	1,087	18%

- 5.25 The ORS Model identifies new households projected to form in Exeter each year, along with the number that will be unable to afford their housing costs. The model also considers new households migrating to the area which results in the total new households in need of affordable housing in each authority (Figure 35).
- 5.26 PPG identifies that *“there will be a current supply of housing stock that can be used to accommodate households in affordable housing need”* and that it is necessary to establish *“the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need”* (ID 2a-022).
- 5.27 The model also identifies the households that are likely to dissolve following the death of all household members. Many of these households will own their homes outright, however, some of these are likely to have been unable to afford market housing and will mostly be living in social rented housing (Figure 36).
- 5.28 In addition, some households that are unable to afford housing will migrate away from the area, so their needs should be discounted to ensure consistency with the trend-based household projections. The model identifies the households that will migrate out of the area each year, including those households who are unable to afford their housing costs. A proportion of these will vacate rented affordable housing (which will become available for another household) whereas others that have not yet been allocated an affordable home will reduce the number of households waiting (it should be noted that some might have chosen to stay if housing costs were cheaper or more affordable housing was available).
- 5.29 Figure 36 shows the annual number of households who will vacate dwellings through deaths or will no longer be living in Exeter over the period in question:

Figure 36: Annual components of household growth in Exeter 2020-40 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Household dissolutions following death	937	710	227	24%
Households migrating <u>out</u> of the area	4,767	3,853	914	19%
All households no longer present	5,704	4,563	1,141	20%

- 5.30 PPG also identifies that it is important to estimate *“the number of existing households falling into need”* (ID 2a-021). Whilst established households that continue to live in Exeter will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the model, and the estimate of the number of established households that will fall into need in Exeter each year is shown in Figure 37.
- 5.31 However, established households’ circumstances can also improve. For example:
- » When two single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately).
 - » Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period.

5.32 These improved circumstances can therefore reduce the need for affordable housing over time. The model identifies the number of households whose circumstances will improve such that they become able to afford their housing costs having previously being unable to do so.

5.33 Therefore, considering the changing needs of existing households overall, **there remains a net increase of existing households needing affordable housing each year** (Figure 37).

Figure 37: Annual components of household growth in Exeter 2020-40 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER 2020-40	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Existing households falling into need	-	-331	+331	100%
Existing households climbing out of need	-	+202	-202	0%
Change in existing households	-	-130	+130	-

5.34 The following table (Figure 38) summarises the overall impact of:

- » new households adding to housing need,
- » the households no longer present reducing housing need and
- » the changes in circumstances impacting existing households.

Figure 38: Annual components of household growth in Exeter 2020-40 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

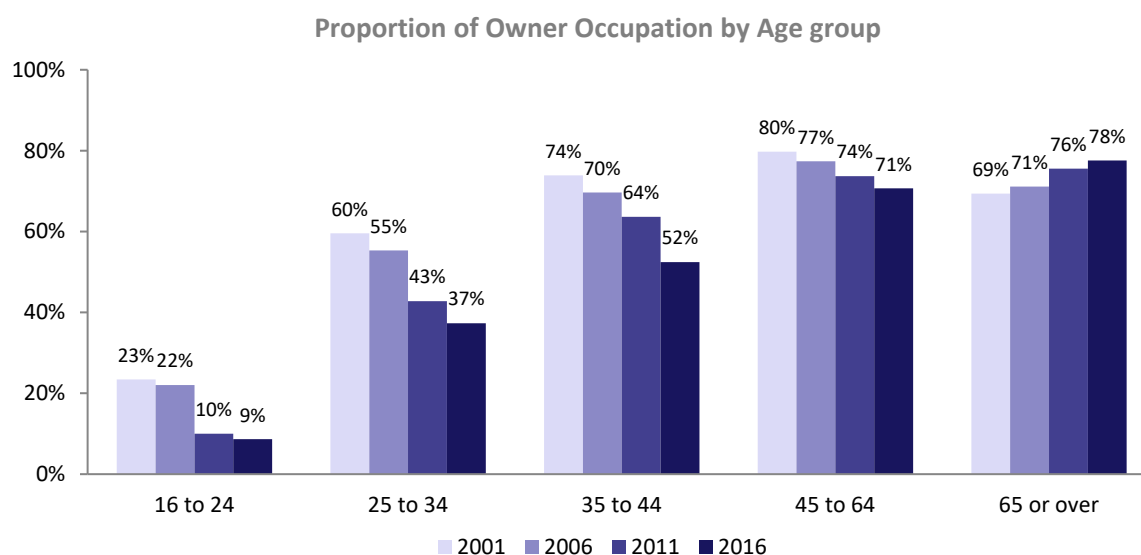
EXETER 2020-40	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	6,001	4,914	1,087
All households no longer present	5,704	4,563	1,141
Change in existing households	-	-130	+130
Future affordable housing need 2020-40 (Annual average)	+297	+222	+75
Future affordable housing need 2020-40 (20 Year change)	+5,941	+4,431	+1,510

5.35 Overall reviewing the contribution of each element amounts to a projected additional 1,510 households needing affordable housing in Exeter over the 20-year period 2020-40.

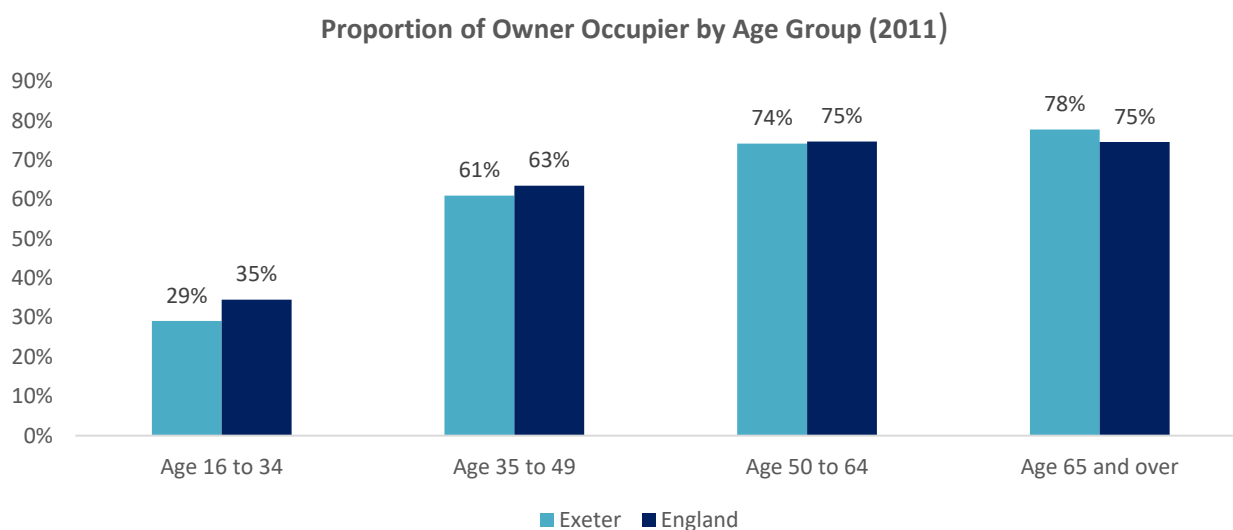
Needs of Households Aspiring to Homeownership

- 5.36 The new emphasis on households that cannot afford to own their home reflects Government concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 69% in 2006 to 65% in 2011 and to 63% by 2016. Over the same period the proportion of households renting from a social landlord also reduced from 19% to 17% whilst the proportion renting privately increased from 12% to 20%.
- 5.37 The proportion of owner occupiers varies by age with younger age groups less likely to own their home than older households. The real change is in the extent to which younger age groups owning their property has fallen over recent years whilst at the upper end of the age scale (aged 65 or over) home ownership has been increasing (Figure 39).

Figure 39: Percentage of Owner Occupiers in England by Age Group 2001-2016 (Source: English Housing Survey)



- 5.38 The English Housing Survey does not contain robust data on owner occupation by age group at the local level, however an indication of the comparison between owner occupation levels by age in Exeter versus the national average can be gathered from the 2011 Census (Figure 40).

Figure 40: Proportion of Owner Occupation by age group 2011 (Source: Census 2011)

- 5.39 Figure 40 identifies that, whilst there are fewer owner occupiers than the national average in Exeter aged between 16 and 34, for older groups (35-64) the percentage is much closer to the national average. Figure 40 also identifies that the percentage of owner occupiers aged 65 and over in Exeter exceeds the average percentage of owner occupiers in England.

Establishing the number of households aspiring to home ownership

- 5.40 English Housing Survey data shows that, unsurprisingly, 96% of households who currently own their property wish to stay as owner occupiers in the long term. In terms of potential demand over half (54%) of households who rent privately and almost a fifth (18%) of those in social rented housing aspire to homeownership.

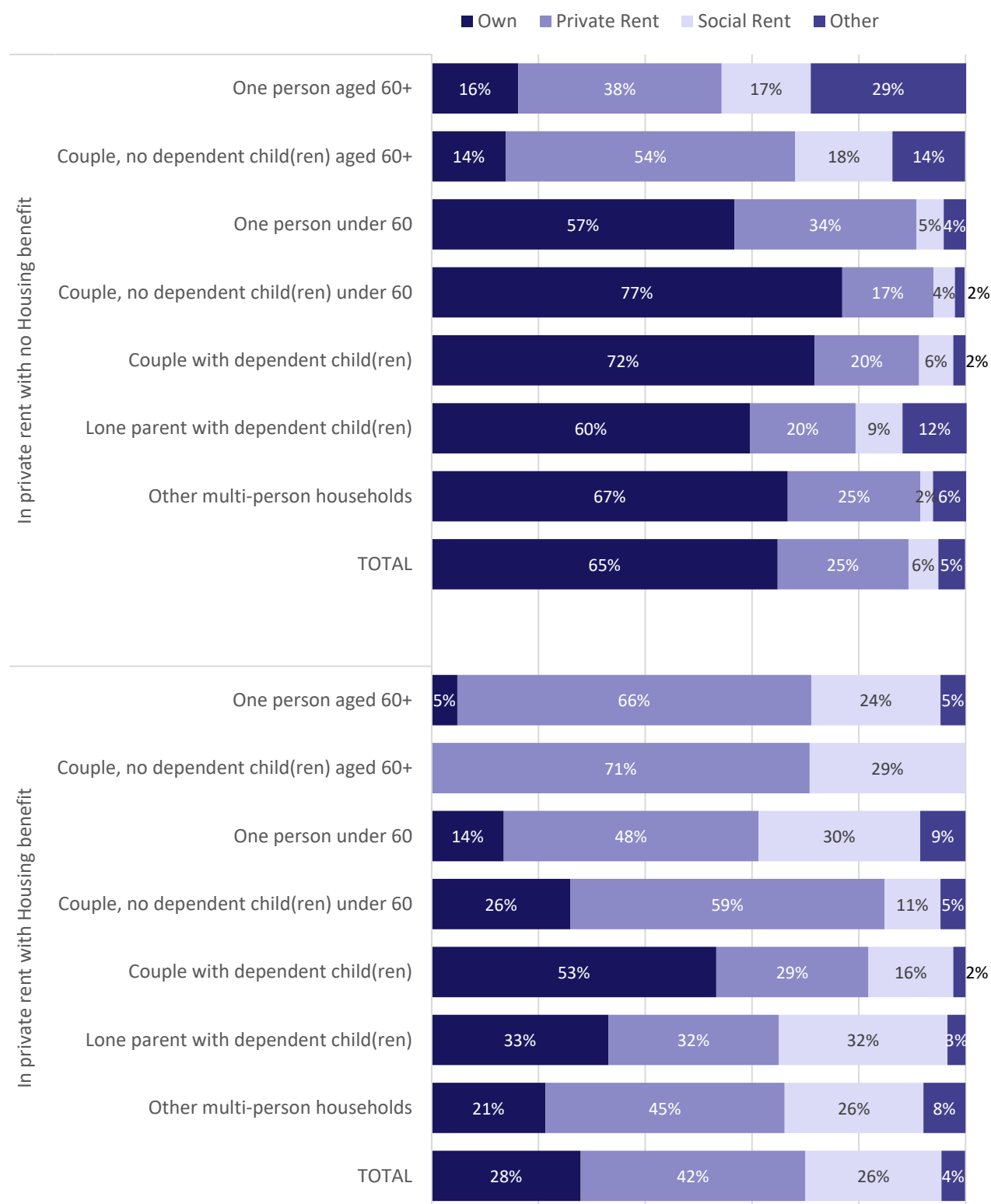
Figure 41: Long-term aspirations (Source: English Housing Survey 2013/14)

Current Tenure	Long-term Tenure Plan to be Owner Occupier	Long-term Tenure Plan for Shared Ownership	Long-term Tenure Plan to Rent from Private Landlord	Long-term Tenure Plan to Rent from Social Landlord	Long-term Tenure Plan is Other
Owner occupied	96.1%	0.4%	0.7%	1.1%	1.6%
Private rent	53.5%	2.6%	28.8%	11.4%	3.8%
Social rent	18.1%	1.8%	1.9%	77.0%	1.1%

- 5.41 These figures relate to aspirations only and there is no test within the data as to whether this aspiration is affordable. It is therefore worth considering the responses of those currently in private rent in more detail with a view to understanding the types of household aspiring to buy.
- 5.42 The following chart (Figure 42) shows long-term tenure expectations of those in private rent by household type as well as whether they are currently in receipt of housing benefit.
- 5.43 Almost two in three (65%) of those who are currently renting privately and not receiving housing benefit expect to buy their own home in the future. The proportion is much lower for those households with an HRP over 60 (averaging 15%) and slightly higher amongst couples under 60 (77% and 72% depending on whether or not there are dependent children in the household).

- 5.44 Just under three in ten (28%) of households in the private rented sector who are in receipt of housing benefit expect to buy their own home in the future. This increases to 53% of couples with dependent children.

Figure 42: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support
(Source: English Housing Survey 2013-14. Note: Own includes shared ownership)



Additional Need for Affordable Homeownership

- 5.45 Through combining data on the number of households of each type in each age group living in private rented housing and paying their own rent in Exeter with the previous data presented in Figure 42, Figure 43 establishes the number of existing households likely to aspire to home ownership that have not been counted in the affordable housing need.

Figure 43: Households currently living in the Private Rented Sector and paying their own rent that aspire to home ownership
(Note: Figures may not sum due to rounding)

Household Type	15-24	25-34	35-44	45-54	55-64	65+	TOTAL
Single person	64	545	362	109	31	5	1116
Couple without children	287	1383	240	68	51	6	2035
Families with child(ren)	36	419	228	117	0	0	799
Other households	1246	411	10	4	4	0	1676
Total Volume	1,633	2,759	841	297	86	11	5,626
<i>Percentage of households</i>	29%	49%	15%	5%	2%	0%	100%

- 5.46 Based on this analysis, we can estimate the total households currently resident in Exeter who cannot afford to own their own home but would aspire to do so (Figure 43).
- 5.47 As previously reported (Figure 11), Census data identified significant increases in households renting privately over the decade 2001-11. More recent EHS data shows that the private rented sector has continued to grow over the years since the Census. On this basis, the number of households in Exeter identified as currently renting privately that aspire to homeownership is consistent with growth of the private rented sector over a 16 to 17-year period.
- 5.48 In addition to the current need, it is also important to consider new households that are projected to form over the 20-year period. Through combining this data with the aspiration data from the EHS in a similar fashion to the calculation of current need, we can derive the further households that will form over the 20-year period who will be able to afford to pay market rent without support from housing benefit; but will be unable to afford to own a market property, despite that being their aspiration.
- 5.49 Overall, the projections in Exeter suggest that there are likely to be 3,879 newly forming households within this category between 2020 and 2040. This equates to a net annual need of 194 households per year (summarised in Figure 44).

Identifying the Overall Affordable Housing Need

- 5.50 Figure 44 brings together the information on assessing the unmet need for affordable housing in 2020 with the future need for affordable housing and those aspiring to home ownership arising over the 20-year period 2020-40. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options.

Figure 44: Assessing total need for affordable housing in Exeter 2020-2040 (Source: ORS Housing Model)

EXETER 2020-40	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2020	1,175	5,626	6,801
Future housing need 2020-40	1,510	3,879	5,388
TOTAL AFFORDABLE HOUSING NEED	2,684	9,505	12,189

- 5.51 On this basis, we can conclude that the overall need for affordable housing for Exeter would comprise a total of 12,189 households over the 20-year period 2020-2040, equivalent to an average of 609 per annum.
- 5.52 This represents a very high share of the overall household growth. This is due to a large proportion of this need being associated with the whole population as opposed to the projected new households, which is recognised by the PPG:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people.

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- » *the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);*
- » *the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and*
- » *the anticipated deliverability of different forms of provision, having regard to viability.*

Planning Practice Guidance, ID 67-001-20190722

- 5.53 The size, type and tenure of homes also needs to be calculated separately from the standard method. PPG states:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people...

Planning Practice Guidance, ID: 67-001-20190722

- 5.54 Given that the need for affordable housing and affordable home ownership in particular is very high, it is necessary to consider how this need can be addressed within the overall need established by the LHN in Chapter 6. It will be important for the local authorities to plan for the needs of **all** households unable to afford to rent or own market housing if they are going to avoid the number of housing benefit claimants living in private rented housing increasing.
- 5.55 It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent without the support of housing benefit. However, these households would not necessarily choose new build affordable home ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. It is also important to recognise that the identified demand could only be realised if affordable home ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes.
- 5.56 Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to homeownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly access affordable homeownership products if they were provided. Whilst a range of affordable homeownership products are available, each with different costs and eligibility criteria, the Government has identified the First Homes product as their preferred discounted market tenure. The First Homes product was introduced via the Ministerial Statement in May 2021:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The First Homes criteria are the minimum requirements a housing unit must meet in order to qualify as a First Home. Affordable Housing Update Written Ministerial Statement published on 24 May 2021, the national standards for a First Home are that:

- a) a First Home must be discounted by a minimum of 30% against the market value;*
- b) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London); and,*
- c) the home is sold to a person who meets the First Homes eligibility criteria, as set out in first 2 paragraphs under First Homes eligibility criteria.*

Planning Practice Guidance, ID: 70-002-20210524

5.57 It goes on at paragraph 4 to outline that:

Can the required minimum discount be changed?

In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.

However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.

In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.

If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.

Planning Practice Guidance, ID: 70-004-20210524

- 5.58 Figure 16 shows that the current lower quartile newbuild price for a 4-bedroom property in Exeter is around £360,000, so 70% of this price would be £252,000. This is slightly in excess of the cap; but is certainly close enough to be within the margin of error in the data. Considering the variation of house prices in different areas of Exeter, we can assume that any 4-bed First Homes will be constructed and located in such a manner that they will cost £250,000 after discount. Therefore, we have not applied any caps on the discount applied to First Homes based upon the maximum £250,000 value.
- 5.59 It is the case that a property discounted by 50% will be much more affordable than one discounted by 30%. Therefore, for the purpose of establishing the plausibility of low-cost home ownership access, we have assumed a maximum discount of 50% on open market prices for properties which are compatible with the First Homes scheme. However, we then assess in Chapter 6 how many of these households can also afford at a 30% discount.
- 5.60 Given this context, Figure 45 identifies those households with income that would be insufficient to afford 50% of newbuild prices at the lower quartile for the local area, those households with savings of less than £5,000, and those households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent.

- 5.61 It should be remembered that, as set out in Figure 24, First Homes (30% discount) are typically more affordable than shared ownership in Exeter, but of course shared ownership does often require a lower deposit. This is based on further analysis of the EHS data which considers the income distribution and savings data for households that rent privately but aspire to homeownership. This data has been updated to reflect current income levels and scaled for Exeter using indices from the ONS gross disposable household income (GDHI) tables.

Figure 45: Aspiring affordable homeownership housing mix by household affordability 2020-2040 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	2,200	399	1,801	634	1,167	770	397
2 bedrooms	3,706	611	3,096	965	2,131	1,636	494
3 bedrooms	3,201	227	2,974	1,220	1,754	1,286	468
4+ bedrooms	397	12	385	207	178	118	60
TOTAL	9,505	1,248	8,257	3,027	5,230	3,810	1,420

- 5.62 Figure 45 shows that of the 9,505 households who can afford to rent, and who aspire to homeownership, there are 1,248 that can afford market home ownership but choose not to purchase (but aspire to do so at some point in the future). There are a further 3,207 households with insufficient income to have a realistic prospect of being able to afford at 50% of open market values. Of the remaining households with incomes above the minimum threshold, 3,810 have savings of less than £5,000 and are therefore unable to afford the assumed deposit (nor the assorted up-front costs) of purchasing a home in Exeter.
- 5.63 On this basis, 1,420 dwellings are needed for households that aspire to homeownership but cannot afford it, who also have at least £5,000 in savings and incomes above the relevant threshold. This is less than 15% of the total that was originally identified. As previously noted, it is likely that the vast majority of these households would be first-time buyers.
- 5.64 Whilst it will be a policy decision as to how much of the additional need for affordable homeownership from households able to afford market rent should be provided, it would seem appropriate to only plan for the needs of those 1,420 households likely to form an effective demand (i.e. those able to afford the various products that could potentially be made available) in addition to the 2,684 households unable to afford to rent or own market housing. Figure 46 provides a breakdown of the planned affordable housing on this basis.

Figure 46: Overall need for Affordable Housing 2020-40, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Affordable Housing (Households)
1 bedroom	496	397	893
2 bedrooms	673	494	1,167
3 bedrooms	1,102	468	1,570
4+ bedrooms	413	60	474
TOTAL HOUSING NEED	2,684	1,420	4,104

- 5.65 The LHNA identifies an overall affordable housing need from 4,104 households over the 20-year period 2020-40 (205 per annum). This includes the needs from all households unable to afford to rent or own market housing and also provides for those households who aspire to homeownership but who cannot afford to buy, where there is a realistic prospect of those households being able to access a 50% First Homes property.
- 5.66 However, it is important to recognise that there are many more households who aspire to homeownership who either do not have sufficient income or savings that would enable them to realise their aspiration. It is also important to recognise that these figures assume that the number of households in receipt of housing benefit to enable them to afford market housing in the private rented sector does not change.

Affordable Rent

- 5.67 Within the overall need of 4,104 affordable homes identified, it is possible to further consider the mix of affordable housing products that would be appropriate based on the mix of households needing affordable housing⁴⁴. In order to profile affordability, income data from the English Housing Survey (2012-14) and ONS Survey of Personal Incomes (2014 and 2018) has been combined and modelled to establish the income distribution by household type and age. This excludes any income from housing benefit, as the analysis seeks to determine to what extent housing benefit would be needed by households in each group.
- 5.68 As discussed in Chapter 4, the types of affordable housing that households can afford is influenced by the percentage of income that is assumed to be available to pay rent or mortgage costs. Figure 13 identified the minimum annual income in Exeter needed to afford Affordable Rents by property size (based on spending up to 35% of total income). This allows for disaggregation of the cohort that are unable to afford market rents to be disaggregated into those who can, and those that cannot afford Affordable Rents. Figure 47 presents the same data as Figure 46, but with those unable to afford disaggregated in this manner. The household aspiring to own figure is based upon those who can access a First Homes property at 50%, but as shown in Figure 24 this is typically more affordable than shared ownership, but it is less flexible. Therefore, additional households may be able to access shared ownership as a means to home ownership.
- 5.69 530 of the 4,104 households identified in Figure 46 (13%) could afford Affordable Rent without housing benefit support. This is 20% of the 2,684 identified as being unable to afford housing costs, and the remaining 2,154 would require social rent or similar.

⁴⁴ Note that this section is about need and not supply. The supply to deliver against the need may be affected by such factors as thresholds for affordable housing on individual sites where, for example, a smaller proportion of affordable housing or none may be required on smaller sites.

Figure 47: Overall need for Affordable Housing 2020-40 disaggregated based on ability to access affordable rents, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER	Affordable Housing Need Households unable to afford	Affordable Housing Need Households able to afford	Households aspiring to home ownership (Figure 46)	Planned Affordable Housing (Households)
1 bedroom	447	49	397	893
2 bedrooms	556	117	494	1,167
3 bedrooms	852	250	468	1,570
4+ bedrooms	298	115	60	474
TOTAL HOUSING NEED	2,154	530	1,420	4,104
Overall Percentage	53%	13%	34%	100%

Future Policy on Housing Benefit in the Private Rented Sector

- 5.70 The analysis recognises **the importance of housing benefit and the role of the private rented sector**. It is assumed that the number of households in receipt of housing benefit in the private rented sector will remain constant; however, this is a national policy decision which is not within the Council's control.
- 5.71 It is important to note that private rented housing (with or without housing benefit) does not meet the NPPF definition of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.
- 5.72 The analysis adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The assessment does not count any dwellings in the private rented sector as affordable housing supply;** however, it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.
- 5.73 PPG (both the current version and the previous version) states that *"care should be taken to ... include only those households who cannot afford to access suitable housing in the market"* [ID 2a-020-20190220]. Given that households in receipt of housing benefit receive a specific payment to enable them to afford suitable housing in the market, these households should only be counted as part of the affordable housing need if that payment was withdrawn. That would be a policy decision, albeit at a national level.
- 5.74 It is well-established that housing need should be established leaving aside policy considerations,⁴⁵ so it would be wrong to assume housing benefit was to be withdrawn from households renting privately when assessing the level of affordable housing need. The approach taken by the LHNA is policy neutral, assuming no change in the number of claimants. Evidently, it would be a policy-on position to assume that the position was going to radically change, so that could not form part of the assessment of need. However, when establishing the affordable housing requirement – i.e. a figure which also reflects any policy considerations – a local planning authority could seek to reduce the number of households renting privately and in receipt

⁴⁵ Gallagher Homes v Solihull MBC; [2014] EWHC 1283 (Admin)

of housing benefit as a policy aspiration. That wouldn't change the need, but it could influence the affordable housing policy target.

6. Overall Housing Need

Local Housing Need based on the Standard Method

Introduction

- 6.1 The NPPF confirms that planning authorities should normally use the standard methodology to establish a minimum LHN figure, unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. More detail on the method by which the minimum LHN is calculated, along with a review of the inputs, can be found in Appendix A, which also concludes that there is currently no clear-cut evidence in Exeter to justify a departure from the standard methodology. Using the process set out in PPG for Housing Need Assessment [ID2a-004-20201216] the minimum annual LHN figure for 2021 can be established as follows:

Figure 48: Establishing the minimum LHN figure for Exeter (Source: CLG, ORS; Note: Annual housing figures are rounded to the nearest whole number)

Local Authority	CLG 2014-based Avg Annual HH Increase 2021-31	Afford Ratio 2019	SM Uplift	40% Cap applies?	Annual HH Increase x Uplift	35% uplift applies?	Final Annual LHN (inc 35% uplift where applicable)	20 yr LHN (LHN x 20)
Exeter	487	8.57	1.29	No	627	No	627	12,540

- 6.2 Based on these calculations, the minimum LHN figure across Exeter is 627 dwellings per annum. This translates to 12,540 dwellings (627 x 20) across the twenty-year period⁴⁶.

Establishing the Housing Target

- 6.3 The LHN provides the starting point for establishing the final housing requirement which will be planned for through strategic policies. This is confirmed by PPG at the outset of the section on assessing housing and economic development needs:

Housing need is an unconstrained assessment of the number of homes needed in an area. Assessing housing need is the first step in the process of deciding how many homes need to be planned for. It should be undertaken separately from assessing land availability, establishing a housing requirement figure and preparing policies to address this such as site allocations.

Planning Practice Guidance, ID 2a-001-20190220

- 6.4 In determining the local plan housing target, it will be necessary for the local authority to consider whether the LHN could be met within their area, taking account of other relevant factors, such as any constraints on land availability.

⁴⁶ In March 2022, after the modelling in this document was conducted, the ONS released updated affordability ratios for 2020. Using this ratio, and the CLG 2014-based Avg Annual HH Increase 2022-32, the most up-to-date output of the standard method for Exeter at the time of writing is 650 dwellings per annum, or 13,000 over 20 years.

In such cases the housing need for the defined area should at least be the sum of the local housing need for each local planning authority within the area. It will be for the relevant strategic policy-making authority to distribute the total housing requirement which is then arrived at across the plan area.

Planning Practice Guidance, ID 2a-013-20201216

- 6.5 Where local authorities are unable to meet their LHN in full, it will be necessary for them to engage with neighbouring authorities through the Duty to Co-operate discussion. This should establish if any of the identified housing need that isn't able to be delivered locally (the "unmet need") could be provided for in other areas.
- 6.6 The Exeter LHNA will be updated in advance of the Local Plan submission in order to determine whether any adjustments to the LHN are appropriate, such as in the event that Exeter would be required to take on the unmet need from neighbouring authorities through the Duty to Co-operate.

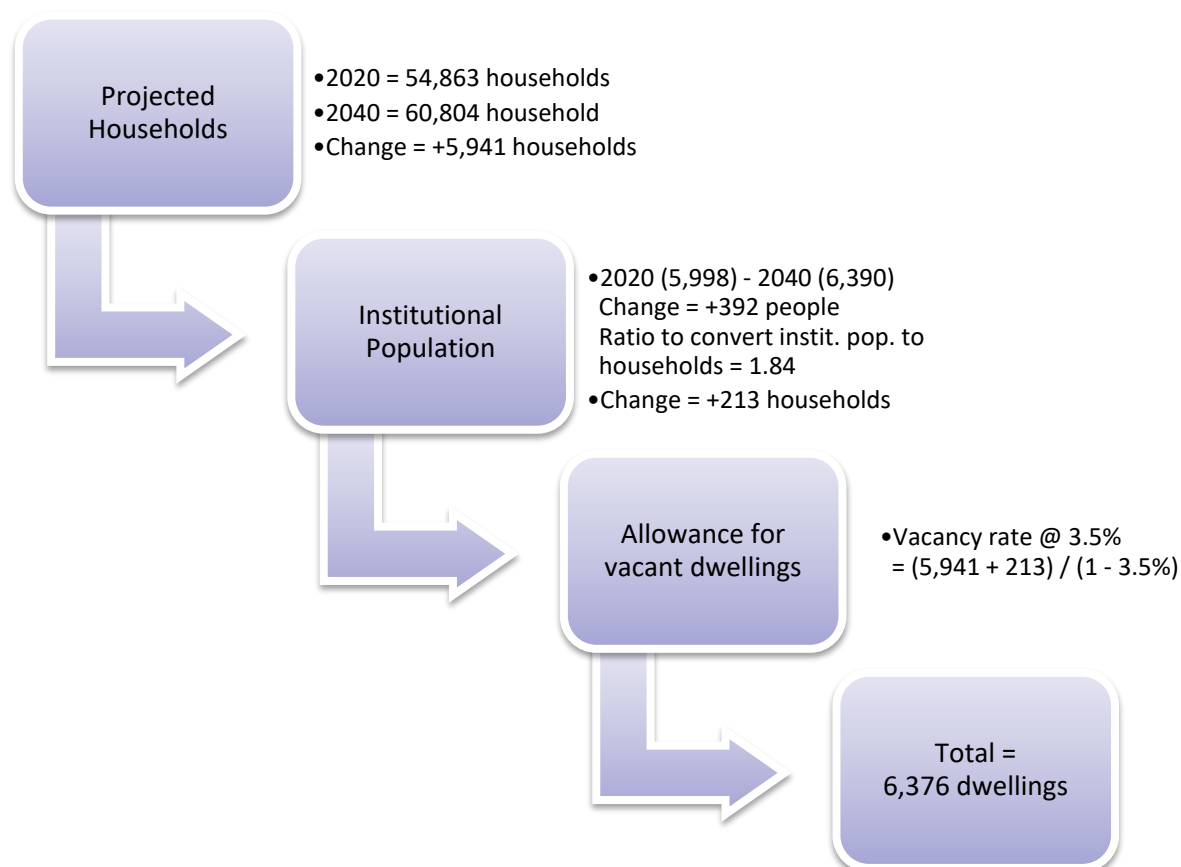
Disaggregating the Minimum Local Housing Need figure for Exeter 2020-40

- 6.7 Although the LHN figures are informed by the trend-based household projections, the affordability adjustment (29%) means that the LHN figure is higher than the household projection-based estimate of housing need. This increase is designed to help respond to housing market pressures which may have suppressed past rates of household formation.
- 6.8 Given this context, delivering the number of homes that the minimum LHN identifies will yield a different population and household growth to that projected using past trends alone. In assessing the appropriate mix of housing, it is necessary to establish demographic projections to align with the number of homes identified by the standard method.
- 6.9 The demographic projections for the LHNA are based on the latest official projections and cover the 20-year period 2020-2040. They are informed by the latest ONS mid-year estimates⁴⁷, and take account of the most up-to-date fertility and mortality rates and the latest migration trends. Whilst recent trends provide the starting point, the model aligns household growth with the LHN target through varying two key assumptions:
- » Household formation rates for younger households are adjusted on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the LHN target.

⁴⁷ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

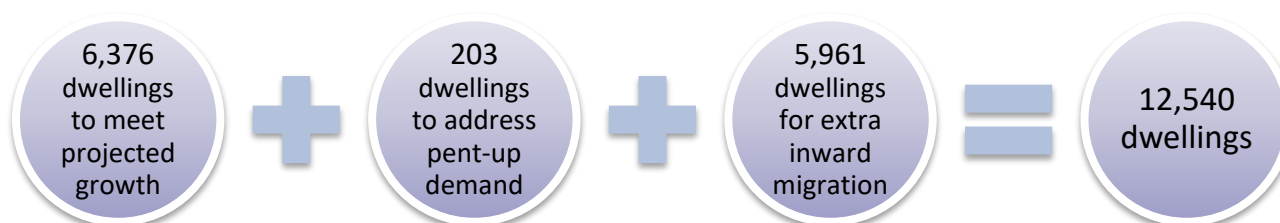
- 6.10 Figure 49 sets out the initial elements of housing need based on the demographic baseline projection that will contribute to the LHN. These include:
- » Household growth over the 20-year period calculated on trend-based projections;
 - » Institutional population growth over the 20-year period needing communal accommodation;
 - » Dwellings without a usually resident household (either vacant homes or second homes);
- 6.11 Institutional population growth refers to the increase in the population living in communal establishments, such as care homes, prisons, defence bases and student halls of residence. This group are not counted within the household population (those that live as a household in a dwelling); but are within the total population.
- 6.12 The Housing Delivery Test Measurement Rule Book⁴⁸ requires that communal accommodation is included as part of delivery. The calculation used to establish the communal accommodation requirement (i.e. convert the communal population to a household equivalent) is the change in communal/institutional population divided by the average number of adults per household based on Census data. For Exeter, the average number of number of adults per household is 1.84. Figure 49 calculates the total dwellings based on the ORS demographic projection outlined in Chapter 4, combined with data from ONS in regard to institutional population, and further uses the vacancy rate derived from the 2011 Census.

Figure 49: Elements of housing need – Exeter (Source: CLG, ONS, ORS; Note: All figures presented unrounded for transparency)



⁴⁸ <https://www.gov.uk/government/publications/housing-delivery-test-measurement-rule-book>

- 6.13 At this point in our reporting, we are referring to dwellings rather than households. A dwelling is usually occupied by a single household although in some cases two households may share a dwelling (see glossary). Importantly, we need to make an allowance for an inevitable base level of vacant properties and the word household becomes misleading.
- 6.14 Thus, the number of dwellings needed between 2020 and 2040 to deal with the projected household and institutional population growth is 6,154. However, if we assume that just under 3.5%⁴⁹ of dwellings will be unoccupied at any one time this means that a total of 6,376 dwellings are required.
- 6.15 The LHN has already been identified as 627 dwellings per annum, which translates to 12,540 dwellings (627 x 20) across the twenty-year period. This leaves a difference between the housing need figure of 12,540 dwellings and the demographically projected need of 6,376 dwellings.
- 6.16 This additional need is made up from two elements
- » Enabling more households to form⁵⁰ (from the pent-up housing demand) = 203 dwellings
 - » Enabling more net inward migration⁵¹ = 5,961 dwellings



- 6.17 These 12,540 overall dwellings can be separated into market and affordable housing. A component of affordable housing as outlined in Chapter 5 is affordable home ownership for those that aspire to own. Some of the 6,164 (203 + 5,961) extra dwellings for pent-up demand and in-migration to meet the LHN beyond projected growth will inevitably be occupied by residents that aspire to home ownership, and the impact of this group on the affordable housing numbers calculated in Chapter 5 is calculated below.

Figure 50: Extra households from pent-up demand and in-migration beyond projected (LHN scenario): Affordable homeownership housing mix by household affordability 2020-2040 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford and have savings of £5,000 or more
1 bedroom	202	37	165	58	107	71	36
2 bedrooms	340	56	284	89	195	150	45
3 bedrooms	294	21	273	112	161	118	43
4+ bedrooms	36	1	35	19	16	11	6
TOTAL	872	115	757	278	480	350	130

⁴⁹ Based on 2011 Census data at a local authority level

⁵⁰ Based on the assumption that household formation rates for all age groups under 45 are currently constrained and allowing them to return to the equivalent rates recorded in 2001

⁵¹ Once household formation rates reach the 2001 level any additional uplift is assumed to provide housing for an additional population based on increased net migration

- ^{6.18} Figure 50 applies the same calculation to the extra residents as was presented in Figure 45 for households that formed projected growth. Dwellings suitable for 130 extra households are needed to accommodate those that aspire to homeownership that have at least £5,000 in savings and have incomes above the relevant threshold (see Figure 21).
- ^{6.19} The previous analysis (Figure 45) identified 1,420 households that could afford an affordable homeownership option and had savings of £5,000 or more. Combined with the 130 extra households identified in Figure 50, this totals 1,551⁵² households that will aspire to homeownership and have the financial means to be able to afford First Homes at a 50% discount. Application of the affordable vacancy rate (under 1%)⁵³ yields 1,573 affordable homeownership dwellings (Figure 51).

Figure 51: Summary of households likely to be able to access affordable home ownership in LHN scenario (Source ORS Housing Model, Census. Note that figures may not sum due to rounding)

EXETER	Households able to afford and have savings of £5,000 or more (Base Scenario)	Households able to afford and have savings of £5,000 or more (Uplift for LHN)	Households	Dwellings (including a vacancy rate)
1 bedroom	397	36	434	440
2 bedrooms	494	45	539	547
3 bedrooms	468	43	511	519
4+ bedrooms	60	6	66	67
TOTAL	1,420	130	1,551	1,573

- ^{6.20} Figure 52 shows the result of applying the vacancy rate for affordable homes to the summary of households in Figure 47 and Figure 51, and further disaggregates those that aspire to homeownership into:
- » Those that can afford First Homes with a 30% discount (“able to afford 70% first homes”) and;
 - » Those that can afford First Homes with a 50% discount, but not with a 30% discount (“unable to afford 70% first homes”).
- ^{6.21} This latter group will therefore require the provision of a more accessible product than 70% First Homes (e.g. a form of shared ownership, first homes with a larger discount, or similar). The total affordable dwellings are subtracted from the overall dwelling need, therefore disaggregating the number of homes implied by the LHN into market and affordable. The category labelled unable to afford market rent includes both social and Affordable Rent and is broken down in more detail in Figure 47.
- ^{6.22} The figures also contain market needs which represents the need for Use Class C2 bedspaces, such as care homes, converted to dwellings. The Class C2 figure is outlined in Figure 49 which considers the projected growth in those in Class C2 in the population and household projections. It is important to note that we are not assuming that the equivalent of 221 dwellings in Exeter are delivered as Class C2 bedspaces. Instead, the population and household projections assume that the equivalent of 221 dwellings will be vacated by those moving to Class C2. If these moves do not occur because Class C2 bedspaces are not delivered, then 221 more Class C3 dwellings will be required. If Class C2 bedspaces are delivered, they can be counted at a ratio of 1.84 bedspaces equals 1 dwelling in the LHN figures.

⁵² Note that the 1,420 from Figure 45 and 130 from Figure 50 are rounded values. When the underlying figures are summed the total value rounds to 1551.

⁵³ Affordable vacancy rate data from Regulator of Social Housing - Statistical Data Return 2019

Figure 52: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size
(Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 70% First Homes	Unable to afford market ownership but able to afford 70% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	454	49	138	303	943	548	1,491
2 bedrooms	564	118	182	365	1,230	1,691	2,921
3 bedrooms	865	253	234	285	1,637	4,722	6,359
4+ bedrooms	303	116	33	34	486	1,063	1,549
DWELLINGS	2,186	538	586	987	4,296	8,023	12,319
C2 Dwellings	-	-	-	-	-	221	221
LHN	2,186	538	586	987	4,296	8,243	12,540

- 6.23 It may also be noted that given that the LHN represents almost twice the need implied by the demographic trend alone (see paragraph 6.16), that **there is no basis in these figures, nor in the NPPF/PPG itself, to uplift the LHN due to any previous under-delivery of housing.** The affordable housing need as calculated fully enumerates the current and future affordable housing needs, and the current need component itself encompasses those households impacted by any previous under-delivery of affordable dwellings.
- 6.24 Figure 53 shows the components of housing need presented in Figure 52 as percentages of the 12,540 overall dwelling need calculated with the proposed standard method in Figure 48.

Figure 53: Overall need for Market and Affordable Dwellings as percentages of the LHN (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 70% First Homes	Unable to afford market ownership but able to afford 70% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	3.6%	0.4%	1.1%	2.4%	7.5%	4.4%	11.9%
2 bedrooms	4.5%	0.9%	1.5%	2.9%	9.8%	13.5%	23.3%
3 bedrooms	6.9%	2.0%	1.9%	2.3%	13.1%	37.7%	50.7%
4+ bedrooms	2.4%	0.9%	0.3%	0.3%	3.9%	8.5%	12.4%
DWELLINGS	17.4%	4.3%	4.7%	7.9%	34.3%	64.0%	98.2%
C2 Dwellings						1.8%	1.8%
LHN	17.4%	4.3%	4.7%	7.9%	34.3%	65.7%	100.0%
%age of total affordable	50.9%	12.5%	13.6%	23%	100%		

- 6.25 The 2021 NPPF states at paragraph 64 that:

Provision of affordable housing should not be sought for residential developments that are not major developments⁵⁴, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.

NPPF 2021: Paragraph 64

- 6.26 On this basis, not every site in Exeter will necessarily deliver affordable housing at 34.3% (Figure 53), so a higher level of affordable housing may need to be delivered on those sites capable of doing so, in order to meet the overall identified need. This higher level should be set such that it is sufficient to offset those smaller/brownfield developments on which less affordable housing is sought.

Sensitivity Testing First Homes

- 6.27 The following section sensitivity tests the impact of introducing a larger discount on First Homes as a percentage of affordable housing; and goes on to examine other potential strategies for meeting the Government requirement for First Homes.

- 6.28 Government guidance on First Homes states⁵⁵:

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

Guidance: First Homes - Para 1

- 6.29 It also states that the First Homes discount can be varied from a standard 30% discount to 40% or 50% if there is a demonstrable need:

...the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this.

Guidance: First Homes - Para 4

- 6.30 As can be seen in Figure 53, a calculation based purely on ability to access the product that assumes a 70% First Homes discount results in only 23% of affordable homes being First Homes, as opposed to the Government's requirement of 25%. There is therefore a clear need for more households to be able to access First Homes to meet the 25% level.
- 6.31 One way to achieve the Government's requirement would be to increase the proposed discount, since this would increase the number of households that can afford the product, potentially to the point that 25% of households in affordable need could access First Homes in accordance with the Government's preference.

⁵⁴ The 2021 NPPF defines the term "major development" in its glossary (Annex 2) as "For housing, development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more." (page 68)

⁵⁵ <https://www.gov.uk/guidance/first-homes>

- 6.32 The effect of increased discounts is essentially to reduce the need for alternative tenures for those that can afford to rent but cannot afford a First Home, i.e. those that would form a market for alternative affordable home ownership products such as shared ownership if a 30% discount were made available.

Sensitivity Test 1 – 40% Discount

Figure 54: Sensitivity Test 1 (adapted from Figure 52) - Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size where a 40% First Homes discount is made available (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and unable to afford 60% First Homes	Unable to afford market ownership but able to afford 60% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	454	49	0	441	943	548	1,491
2 bedrooms	564	118	104	443	1,230	1,691	2,921
3 bedrooms	865	253	122	397	1,637	4,722	6,359
4+ bedrooms	303	116	19	48	486	1,063	1,549
DWELLINGS	2,186	538	244	1,329	4,296	8,023	12,319
C2 Dwellings	-	-	-	-	-	221	221
LHN	2,186	538	244	1,329	4,296	8,243	12,540

Figure 55: Sensitivity Test 1 (adapted from Figure 53) - Overall need for Market and Affordable Dwellings as percentages of the LHN (including affordable home ownership products) by property size, where a 40% First Homes discount is made available (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 60% First Homes	Unable to afford market ownership but able to afford 60% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	3.6%	0.4%	0.0%	3.5%	7.5%	4.4%	11.9%
2 bedrooms	4.5%	0.9%	0.8%	3.5%	9.8%	13.5%	23.3%
3 bedrooms	6.9%	2.0%	1.0%	3.2%	13.1%	37.7%	50.7%
4+ bedrooms	2.4%	0.9%	0.2%	0.4%	3.9%	8.5%	12.4%
DWELLINGS	17.4%	4.3%	1.9%	10.6%	34.3%	64.0%	98.2%
C2 Dwellings	-	-	-	-	-	1.8%	1.8%
LHN	17.4%	4.3%	1.9%	10.6%	34.3%	65.7%	100.0%
%age of total affordable	50.9%	12.5%	5.7%	30.9%	100.0%		

- 6.33 Offering a 40% First Homes discount would increase the number of dwellings for households that can access the product by 342 (1,329 in Figure 54 vs 987 in Figure 52).

- 6.34 Given that the methodology used to establish affordable homeownership eligibility assumes that affordable home ownership options would have a maximum discount of 50% (see LHNA para 5.59), then a 40% discount increases the identified households able to afford. As a consequence, this reduces the need for an alternative affordable homeownership product (e.g. shared ownership), as 342 more of households under “unable to afford market ownership” would be able to afford First Homes. This increased discount increases the percentage of overall affordable dwellings that would be First Homes to 30.9%, which is well above the 25% government requirement.

Sensitivity Test 2 – 50% Discount

Figure 56: Sensitivity Test 2 (adapted from Figure 52) - Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size where a 50% First Homes discount is made available (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 50% First Homes	Unable to afford market ownership but able to afford 50% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	454	49	-	441	943	548	1,491
2 bedrooms	564	118	-	547	1,230	1,691	2,921
3 bedrooms	865	253	-	519	1,637	4,722	6,359
4+ bedrooms	303	116	-	67	4686	1,063	1,549
DWELLINGS	2,186	538	-	1,573	4,296	8,023	12,319
C2 Dwellings	-	-	-	-	-	221	221
LHN	2,186	538	-	1,573	4,296	8,243	12,540

Figure 57: Sensitivity Test 2 (adapted from Figure 53) - Overall need for Market and Affordable Dwellings as percentages of the LHN (including affordable home ownership products) by property size, where a 50% First Homes discount is made available (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 50% First Homes	Unable to afford market ownership but able to afford 50% First Homes	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	3.6%	0.4%	-	3.5%	7.5%	4.4%	11.9%
2 bedrooms	4.5%	0.9%	-	4.4%	9.8%	13.5%	23.3%
3 bedrooms	6.9%	2.0%	-	4.1%	13.1%	37.7%	50.7%
4+ bedrooms	2.4%	0.9%	-	0.5%	3.9%	8.5%	12.4%
DWELLINGS	17.4%	4.3%	-	12.5%	34.3%	64.0%	98.2%
C2 Dwellings	-	-	-	-	-	1.8%	1.8%
LHN	17.4%	4.3%		12.5%	34.3%	65.7%	100.0%
%age of total affordable	50.9%	12.5%		36.6%	100.00%		

- 6.35 Offering a 50% First Homes discount would increase the number of dwellings for households that can access the product by 586 (1,573 in Figure 56 vs 987 in Figure 52).

- 6.36 Given that the methodology used to establish affordable homeownership eligibility assumes that affordable home ownership options would have a maximum discount of 50% (see para 5.59), then a 50% discount means that all the identified households would be able to afford. As a consequence, this reduces the need for an alternative affordable homeownership product (e.g. shared ownership) to zero, as all the identified households would all be able to afford First Homes. This increased discount increases the percentage of overall affordable dwellings that would be First Homes to 36.6%, which well above the 25% government requirement.

Sensitivity Test 3 – 30% Discount and Reduction in Market Homes

- 6.37 As previously stated in paragraph 6.21, those in Figure 52 that can afford First Homes with a 50% discount, but not with a 30% discount (“unable to afford 70% first homes”) form a potential market for the provision of a more accessible product than 70% First Homes (e.g., a form of shared ownership, first homes with a larger discount, or similar). If it were the Council’s choice to maintain the First Homes discount at a 30% level (thus retaining the need for alternative products at the level presented in Figure 52), then this implies a reduction in market homes to achieve the Government’s 25% criteria.
- 6.38 Sensitivity test 3 in Figure 58 following shows the number of First Homes that would need to be planned for to meet the 25% criteria (an extra 117 30% discount First Homes beyond that in Figure 52), with a corresponding reduction in the number of market homes. It may be noted that one effect of this strategy is that the total number of affordable dwellings increases (and market dwellings reduce), as First Homes are classed as affordable dwellings. This serves to increase the overall affordable housing percentage beyond the 19.7% of LHN seen in Figure 52 to the 25% criterion required.

Figure 58: Sensitivity Test 3 (adapted from Figure 52 and Figure 53) - Overall need for Market and Affordable Dwellings (including affordable home ownership products) where a 30% First Homes discount is made available and the number of first homes is increased to meet a minimum level of 25% of overall affordable housing with a corresponding decrease in market homes (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and unable to afford 70% First Homes	Unable to afford market ownership but able to afford 70% First Homes	Affordable Housing	Total Market Housing	Total Housing
LHN	2,186	538	586	1,104	4,414	8,126	12,540
LHN %age	17.4%	4.3%	4.7%	8.8%	35.2%	64.8%	100.0%
%age of Tot AH	49.5%	12.2%	13.3%	25.0%	100.0%		

Sensitivity Test 4 – 10% Affordable Home Ownership

6.39 The 2021 NPPF states at paragraph 65:

Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the total number of homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups....

NPPF 2021: Paragraph 65

6.40 Paragraph 65 goes on to list a number of further exceptions to this requirement. Recalling that the term “major development” is defined by the NPPF as “where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more.” (see footnote 54), it is clear that this 10% stipulation will not apply to all sites. However, if we were to hypothetically assume that all development was major development, and that none of the other exceptions within or that follow paragraph 65 were to apply, we can derive a tenure mix based on 10% of the standard method total being affordable home ownership, and the numbers of social and affordable rent remaining as they have in the previous tests (Figure 59):

Figure 59: Sensitivity Test 4 (adapted from Figure 52 and Figure 53) - Overall need for Market and Affordable Dwellings in Exeter (including affordable home ownership products) assuming a hypothetical 10% of all housing is delivered as affordable homeownership (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market social rents	Unable to afford market affordable rents	Unable to afford market ownership and Unable to afford 70% First Homes	Affordable Housing	Total Market Housing	Total Housing
LHN	2,186	538	1,254	3,978	8,562	12,540
LHN %age	17%	4%	10%	32%	68%	100%
%age of Tot AH	55%	14%	32%	100%		

6.41 The above is calculated through taking 10% of the standard method total for the “unable to afford market ownership column”, adding to this the social and affordable rent to obtain total affordable housing, and simply subtracting this from the LHN to derive the remaining market housing.

6.42 If 32% of the LHN were delivered as affordable dwellings, then the social and affordable rent needs could be met, as could the 10% affordable homeownership stipulation. Furthermore, this level of affordable housing provision would allow for 32% of affordable housing to be in the form of affordable homeownership products, allowing for the 25% First Homes requirement to be comfortably met, whilst still allowing for 7% of affordable delivery to be in the form of other affordable homeownership products (e.g. shared ownership, rent to buy).

However, it should be again noted that non-major developments are excluded from the 10% requirement, and there are several other exemptions stated both within and following paragraph 65 of the NPPF. Since the above does not take into account these exceptions and other associated planning factors, Figure 59 should be considered to contain hypothetical figures provided only to assist the Council in their decision making rather than constituting any concrete expression of need.

7. Needs of Different Groups

An exploration of need for target groups

Introduction

- 7.1 Paragraph 62 of the 2021 NPPF requires that local planning authorities consider the needs of a range of groups within the population and this chapter considers the specific groups in turn.

62. Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).

2021 NPPF, paragraph 62

- 7.2 However, the needs of families with children and those who rent their homes have already been considered in detail within both the affordable housing and overall housing need chapters (5 and 6) and are therefore not repeated. An assessment of the needs of Gypsies and Travellers is being developed by the Greater Exeter (East Devon, Exeter, Mid Devon and Teignbridge collectively) authorities separately, and an assessment of the housing needs of students in Exeter is being prepared separately by Exeter City Council. There are no other distinct groups in Exeter with significant housing needs who require consideration beyond those mentioned in the NPPF.
- 7.3 As discussed in Chapter 6, the number of dwellings implied by the LHN calculation is in excess of the housing need implied by the demographic household projection set out in Chapter 4. An LHN-based dwelling-led population/household projection has been derived based on the projected in-migrating population that would occupy these extra dwellings being added to the trend-based demographic projection, in tandem with the extra households that would be expected to form due to release of pent-up housing demand (see paragraph 6.16). The remainder of this chapter discusses the needs of both the current population and the needs of the future population growth implied by this LHN-based dwelling led projection.

Housing for Older People

- 7.4 The UK population is aging, and people can expect to live longer healthier lives than previous generations. The older population is forecast to grow by 3.8 million 2020-40 for the over 65s, and from 5.8m (2020) to 8.1m by 2040 for the over 75s.⁵⁶
- 7.5 Based on the dwelling led LHN projection discussed in Chapter 6, the number of over 75s in Exeter is projected to increase by around 5,750 in the period 2020-40; of which approximately 2,200 will be over 85 years old (Figure 60).

Figure 60: Projected population aged 75+ (Source: LHN dwelling-led population projections)

EXETER	75-84	85+	TOTAL
2020	7,077	3,359	10,436
2040	10,623	5,564	16,187
CHANGE	+3,546	+2,205	+5,751

- 7.6 Given this context, PPG recognises the importance of providing housing for older people. Additional PPG “Housing for older and disabled people” was published on 26th June 2019, which states:

The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector ... Evidence from Joint Strategic Needs Assessments prepared by Health and Wellbeing Boards can also be useful. The assessment of need can also set out the level of need for residential care homes.

Planning Practice Guidance, ID 63-004-20190626

- 7.7 It is important to plan housing which is suitable for this increase in older people within the population with a key requirement being to predict the type of housing which will best meet their needs. Whilst most will remain living in the same area and many will not move from their current homes, those that do move in their later years are likely to be looking for housing suitable for older people.
- 7.8 This housing comes in a number of different forms and the distribution between these different types needs to be explored. The Older People housing options considered in this section follow the definitions in the 2012 “Housing Our Ageing Population” report (HAPPI2).⁵⁷ This defines specialist provision as mainstream (including adapted and wheelchair homes), specialised housing (including Extra Care and sheltered housing) and Care Homes (including both Registered Nursing and Registered Care Homes).

⁵⁶ ONS 2018-based UK national population projections (principal variant).

⁵⁷ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Other_reports_and_guidance/Housing_our_Ageing_Population_Plan_for_Implementation.pdf

- 7.9 The Housing Learning and Improvement Network (LIN) published “More Choice, Greater Voice: a toolkit for producing a strategy for accommodation with care for older people”⁵⁸ in February 2008; and subsequently published the “Strategic Housing for Older People (SHOP)”⁵⁹ resource pack in December 2011. Both the toolkit and the resource pack provide standardised rates for estimating the demand for specialist older person housing products per 1,000 people aged 75 or over. These toolkits have informed the evidence base for many adopted Local Plans.
- 7.10 These rates provide a useful framework for understanding the potential demand for different forms of older person housing, but neither publication provides any detail about the derivation of the figures. There is no single correct answer when estimating the need for older person housing, however the rates provide a basis for identifying the potential levels of demand.
- 7.11 In this report we have chosen to use the Housing Learning and Improvement Network (Housing LIN) SHOP resource pack methodology (2012), as this is the most recent iteration of the toolkit.⁶⁰ This forecasts the population and then applies a benchmark need for particular housing types per thousand people aged 75+ (Figure 61).

Figure 61: Strategic Housing for Older People (SHOP) Resource pack – benchmark need per thousand persons aged 75+

Provision Type	Owned (per 1000)	Rented (per 1000)	TOTAL (per 1000)
Leasehold scheme for the Elderly (LSE)	120	0	120
Conventional Sheltered Housing	0	60	60
Sheltered ‘plus’ or ‘Enhanced’ sheltered (provision with some care needs)	10	10	20
Extra care	30	15	45
Dementia	0	6	6
TOTAL	160	91	251

- 7.12 More information concerning the property types presented in Figure 61 can be found in the Strategic Housing for Older People (SHOP) Resource pack⁶¹ and the Housing LIN website. Housing LIN defines these property types as:

- » Leasehold Scheme for the Elderly (LSE) - Exclusively for older people on the basis that it might be more suitable to their needs by virtue of location, type, design and adaptations. Typically a warden is provided or similar;

⁵⁸ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

⁵⁹ <http://www.housinglin.org.uk/library/Resources/Housing/SHOP/SHOPResourcePack.pdf>

⁶⁰ www.housinglin.org.uk/housinginlaterlife_planningtool

⁶¹ <https://www.housinglin.org.uk/assets/Resources/Housing/SHOP/SHOPAweb.pdf>

- » Conventional Sheltered Housing - Independent, self-contained accommodation with its own front door in a development where other residents are older people. Support, in the form of practical assistance with a range of tasks and activities, can be provided either on-site or via floating provision;
- » Enhanced sheltered housing - Care provision is between levels in sheltered extra care housing. There may be 24/7 staffing cover, at least one daily meal will be provided and there may be additional shared facilities;
- » Extra care housing - Independent living in a home of your own, with care services on hand if required;
- » Dementia – Housing specifically intended to meet the complex needs of people with dementia.

7.13 The dwelling-led population projections for Exeter show a substantial increase in the older population during the period 2020-2040 (Figure 60). The population aged 75+ is likely to increase by around 5,750 persons across Exeter based on providing the number of homes required to meet the LHN.

7.14 The data published by the Elderly Accommodation Counsel (EAC)⁶² identifies that there is currently a total of 1,416 specialist Older Person homes across Exeter. However, it should be noted that a large retirement village (sheltered housing, or LSE) was completed in Exeter over the period 2013/14 to 2018/19 comprising 215 units, and a further 53-unit extra care development was completed in 2021/22. Only a portion of the first and none of the second are included within the EAC data. Nevertheless, since the EAC is the only data source extant for the totality of Specialist Older Person Housing for Exeter at a given point in time, we are forced to work with these figures; whilst noting that the real level of existing stock may be somewhat higher.

Figure 62: Existing Stock of Specialist Older Person Housing for Exeter (Source: EAC 2015)

EXETER: Property Type	Owned	Rented	TOTAL
Housing with support	617	799	1,416
Housing with care	0	0	0
TOTAL	617	799	1,416

7.15 The SHOP model can be used to assess that there is already a shortfall in the provision of housing for elderly people. As shown in Figure 63, Exeter's current population of 10,436 people aged 75+ requires 2,619 specialist homes whilst data shows that just 1,416 exist, resulting in an unmet need of around 1,200 homes already in the area. Therefore, existing provision is less than half of the idealised need, but this is not unusual with ORS not being aware of any local authority in England having an existing provision as high as 251 per 1,000 persons aged 75+ years.

⁶² <http://www.housingcare.org/downloads/eac%20stats%20on%20housing%20for%20older%20people%20March%202015.pdf>

The EAC 'acknowledges both the rented and private sectors contain a wide range of housing types intended for older people. The social sector has traditionally distinguished these as Category 1, 2 etc., but the private sector tends to refer to them all simply as "retirement housing". The EAC report looks only at schemes that fall within the following definition: "a group of dwellings intended for older people and served by a resident or non-resident warden/scheme manager with specific responsibility for the group". It is important to note that a proportion of specialist housing intended for older people, such as care homes (C2 bedspaces), falls outside of this definition and is therefore not reflected in these figures. Extra care, assisted living, and other forms of 'housing with care' are included.

Figure 63: Modelled Existing Demand for Older Person Housing in Exeter based on the Housing LIN Toolkit (Source: Housing LIN Toolkit, EAC 2015)

EXETER	Idealised Rate per 1,000 persons aged 75+	Supply per 1000 persons aged 75+	Gross need 2020	Existing supply	Unmet need in 2020
Owned Sheltered Housing	120	59	1,252	617	+635
Rented Sheltered Housing	60	77	626	799	-173
Owned Extra Care	40	0	417	0	+417
Rented Extra Care	31	0	324	0	+324
TOTAL	251	136	2,619	+1,416	+1,203

- 7.16 If we then consider the increase in need by 2040 by applying the SHOP formula (per 1,000) to the additional people aged 75+ that are projected to exist in Exeter by the end of the projection we can calculate the additional need for elderly housing (Figure 64):

Figure 64: Modelled Demand for Additional Specialist Older Person Housing Exeter 2020-40 (Source: Housing LIN Toolkit)

EXETER	Owned	Rented	Total
Leasehold schemes for the Elderly (LSE)	690	-	690
Conventional Sheltered housing	-	345	345
Sheltered 'Plus' or 'Enhanced'	58	58	115
Extra care	173	86	259
Dementia	-	35	35
TOTAL	920	523	1,444

- 7.17 The toolkit identifies future need for 2,647 specialist older person additional housing units over the period 2020-2040. The table below (Figure 65) summarises the potential requirement for new specialist older person housing, taking account of the current stock, unmet demand and population growth for the period.

Figure 65: Modelled Demand for Older Person Housing in Exeter 2020-40 based on Housing LIN Toolkit

EXETER	Rate per 1,000 persons aged 75+	Gross need 2020	Existing supply	Unmet need in 2020	Additional need 2020-40	Overall need
Owned Sheltered Housing	120	1,252	617	+635	+690	+1,325
Rented Sheltered Housing	60	626	799	-173	+345	+172
Owned Extra Care	40	417	0	+417	+230	+647
Rented Extra Care	31	324	0	+324	+178	+502
TOTAL	251	2,619	1,416	+1,203	+1,444	+2,647

- 7.18 The model assumes a continuation of current types of housing although it is unclear if Older People will aspire to these types of specialist housing in the future. Some types of housing may experience lower demand than others, and other, newer types of provision may appear to meet changing aspirations. A policy aim of supporting people at home for longer along with assistive technology could also reduce or alter demand.
- 7.19 In practice, the level of delivery identified as being required is likely to be unachievable given that it represents around a third of the overall LHN based on the standard method. However, it is important to

recognise that the provision of dedicated older person housing schemes will form an important part of the overall housing mix.

- 7.20 However, it should be stressed that these figures are based upon idealised outcomes for Exeter. If current rates of provision were to continue a further 780 specialist older person dwellings would be required (Figure 66), which represents 6% of the overall LHN. Therefore there is a very large range of potential levels of need for specialist older person housing.

Figure 66: Additional older persons housing need based on maintaining current rates of provision (Source: Figure 60 + Figure 63)

EXETER	Existing supply	Current Rate per 1,000 persons aged 75+	Additional need 2020-40 based on maintaining current rate per 1,000
Owned Sheltered Housing	617	59	340
Rented Sheltered Housing	799	77	440
Owned Extra Care	0	-	-
Rented Extra Care	0	-	-
TOTAL	1,416	136	780

- 7.21 The delivery of specific schemes for specialist older person housing need should be considered in partnership with other agencies, in particular those responsible for older person support needs. It will be important to consider other factors and constraints in the market:

- » **Demographics:** the changing health, longevity and aspirations of Older People mean people will live increasingly healthy longer lives and their future housing needs may be different from current needs;
- » **New supply:** development viability of schemes, and the availability of revenue funding for care and support services, need to be carefully considered before commissioning any new scheme. It will also be important for the Council and its partners to determine the most appropriate types of specialist older person housing to be provided in the area;
- » **Existing supply:** this may be either inappropriate for future households or may already be approaching the end of its life. Other forms of specialist older person housing may be more appropriate than conventional sheltered housing to rent when considering future needs;
- » **Other agencies:** any procurement of existing supply needs to be undertaken with other agencies who also plan for the future needs of Older People, particularly local authority Supporting People Teams and the Health Service; and
- » **National strategy and its implications for Older People:** national strategy emphasises Older People being able to remain in their own homes for as long as possible rather than specialist provision, so future need may, again, be overstated.

Housing for People with Disabilities

- 7.22 The Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the Building Regulations 2010 Approved Document Part M: Access to and use of buildings (2015 edition incorporating 2016 amendments – for use in England).⁶³
- 7.23 Three standards are covered:
- » M4(1) Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties;
 - » M4(2) Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes;
 - » M4(3) Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible.
- 7.24 In terms of new developments, Part M states that: *"Where no condition is imposed, dwellings only need to meet requirements M4(1)"* (Paragraph 0.3). Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for M4(2) Category 2 and M4(3) Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability.
- 7.25 PPG for Housing: Optional Technical Standards explains that local authorities are expected to plan for households with specific needs and therefore need to be able to quantify the volume of demand. It provides a summary of the data sources which should be used to inform any calculations, and this forms the basis of the approach used in this report:

Based on their housing needs assessment and other available datasets it will be for local planning authorities to set out how they intend to approach demonstrating the need for Requirement M4(2) (accessible and adaptable dwellings), and / or M4(3) (wheelchair user dwellings), of the Building Regulations.

To assist local planning authorities in appraising this data the Government has produced a summary data sheet. This sets out in one place useful data and sources of further information which planning authorities can draw from to inform their assessments. It will reduce the time needed for undertaking the assessment and thereby avoid replicating some elements of the work.

Planning Practice Guidance, ID 56-007-20150327

⁶³ <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

7.26 The PPG states:

Multiple sources of information may need to be considered in relation to disabled people who require adaptations in the home, either now or in the future. The Census provides information on the number of people with a long-term limiting illness and plan-makers can access information from the Department for Work and Pensions on the numbers of Personal Independence Payment⁶⁴ (replacing Disability Living Allowance) / Attendance Allowance⁶⁵ benefit claimants. Whilst these data sources can provide an indication of the number of disabled people, not all of the people included within these counts will require adaptations in the home. Applications for Disabled Facilities Grant⁶⁶ (DFG) will provide an indication of levels of expressed need, although this will underestimate total need, as there may be a large number of people who would want or need an adaptation but would not have applied to the DFG.

Engagement at all levels can help plan-makers identify the housing needs of people with disabilities. This could include with occupational therapists and specialist access or inclusive design officers. Discussions with disabled people and disabled people's groups can also provide insights into the types of impairments and number of people likely to require accessible homes in the future.

Planning Practice Guidance, ID 63-005-20190626

- 7.27 For this section we have considered existing propensity rates for people who have their housing needs affected by health problems to consider the need for adapted homes.

Assessing need for M4(2) Category 2: Accessible and adaptable dwellings

- 7.28 In establishing the need for M4(2) Category 2 housing it is important to consider the population projections and health demographics of the area.
- 7.29 Building Regulations for M4(2) Category 2: Accessible and adaptable dwellings states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

"The provision made must be sufficient to-

(a) meet the needs of occupants with differing needs, including some older or disabled people, and;

(b) to allow adaptation of the dwelling to meet the changing needs of occupants over time."

Access to and use of buildings: Approved Document M v1, Page 10

- 7.30 The English Housing Survey explores the number of households which contain someone with a limiting long-term illness (LLTI) or disability which impacts their housing need. This identifies that most (71%) of households have no limiting long-term illness (LLTI) or disability and a further fifth (20%) where illness or disability does not affect their housing need.

⁶⁴ Personal Independence Payments (PIPs) started to replace the Disability Living Allowance from April 2013. They are awarded to people aged under 65 years who incur extra costs due to disability (although there is no upper age limit once awarded, providing that applicants continue to satisfy either the care or mobility conditions).

⁶⁵ Attendance Allowance contributes to the cost of personal care for people who are physically or mentally disabled and who are aged 65 or over.

⁶⁶ Disabled Facilities Grants (DFG) are normally provided by Councils and housing associations to adapt properties for individuals with health and/or mobility needs who are owner occupiers, or renting from a private landlord, housing association or council. Grants cover a range of works, ranging from major building works, major adaptations to the property and minor adaptations. It should be noted that DFGs typically relate to adaptations to the existing housing stock rather than new housing provision.

- 7.31 Overall, 8.8% of households (around 1 in every 12) have one or more persons with a health problem which requires adaptations to their home. This proportion is markedly higher in affordable housing than in market housing (19.8% and 6.5% respectively - Figure 67).

Figure 67: Households with a long-term illness or disability that affects their housing needs (Source: English Housing Survey)

	Market housing	Affordable housing	TOTAL
Households without limiting long-term illness or disability	75.2%	50.2%	70.9%
Households with one or more persons with a limiting long-term illness or disability			
Does not affect their housing need	18.3%	29.9%	20.3%
Current home suitable for needs	5.4%	16.2%	7.3%
Current home requires adaptation	0.6%	1.6%	0.8%
Need to move to a more suitable home	0.5%	2.0%	0.7%
Total households where a limiting long-term illness or disability affects their housing need:	6.5%	19.8%	8.8%

- 7.32 Within this group, the substantial majority of households live in a home that is suitable for their needs (either having already moved or adapted their existing home). This leaves 1.5% of households either requiring adaptations or needing to move to a more suitable home.
- 7.33 The ORS model uses the national English Housing Survey together with data about relative levels of limiting long-term illness and disability in Exeter to estimate the number of households likely to require adaptations or needing to move to a more suitable home.

Figure 68: Households with a long-term illness or disability in Exeter in 2020 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER	TOTAL
Households with one or more persons with a limiting long-term illness or disability	15,851
Does not affect their housing need	10,841
Current home suitable for needs	4,150
Current home requires adaptation	420
Need to move to a more suitable home	440
Total households where a limiting long-term illness or disability affects their housing need:	5,011

- 7.34 The model (Figure 68) identifies that there were 15,851 households living in Exeter in 2020 with one or more persons with a limiting long-term illness or disability. In 10,841 of these households, this does not affect their housing need, but in 5,011 households an illness or disability does impact on housing need.
- 7.35 Amongst those households where it does affect housing needs, 4,150 households are already living in a suitable home (having moved or made adaptations). This leaves 420 households needing adaptations to their current home and 440 households needing to move to a more suitable home. These households needing to move represent an existing **unmet need** for M4(2) housing and some may actually be wheelchair users needing M4(3) housing.
- 7.36 The identified need at the start of the period is based on households' current needs. Even without any growth in the number of households, the proportion with one or more persons with a limiting long-term illness or disability can be expected to increase as the population ages.

- 7.37 Based on household projections and the overall dwelling-led housing need, we can establish the future need for adapted housing (M4[2] and M4[3]) based on the projected household growth and the changing demographics of the area. Figure 69 shows our calculation that there will be an additional 7,583 households either needing adaptations to their existing housing or suitable new housing to be provided by the end of the period in question.

Figure 69: Households with a long-term illness or disability in Exeter 2020-2040 affecting their housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER	TOTAL
Existing households in 2020 likely to develop health problems that affect their housing need within 10 years	2,163
Additional households in 2040 projected to experience problems or likely to develop problems within 10 years	5,420
Additional households in 2040 where illness or disability affects their housing need or will develop within 10 years	7,583
Unmet Need in 2020 for an adapted home (from Figure 68)	440
Total need for adapted housing	8,023

- 7.38 To provide M4(2) housing for all of the identified need would require housing for up to 8,023 households to be provided. However, not all households will want to move to new housing – some will adapt their current homes and others will move to another dwelling in the existing stock.
- 7.39 Although some households would prefer not to move, the EHS identifies that many existing homes are not suitable for adaptation to meet the M4(1) Category 1 standard and others would require major works. Still fewer dwellings would be adaptable to the M4(2) Category 2 standard given the additional requirements. Based on the housing mix in Exeter in combination with this EHS data, a robust estimate of the number of dwellings that could be converted to meet the M4(1) standard can be derived.
- 7.40 Whilst the proportion that could be converted to meet the M4(2) standard would be lower, this provides a reasonable upper estimate of the number of households likely to be able to adapt existing homes rather than move to new housing. On this basis, we can calculate the need for adapted housing that could not be met by adaptation of existing homes; these households should be added to the households identified as needing to move at the start of the period (Figure 70). This figure clearly has a significant overlap with the need for older persons dwellings set out in the preceding section of this report. Therefore, there is a need for a high number of homes which can be used to accommodate people as their health deteriorates.

Figure 70: Households with a long-term illness or disability in Exeter by effect on housing need (Source: ORS Housing Model.
Note: Figures may not sum due to rounding)

EXETER	Affordable	% of Total Affordable (Figure 50)	Market	% of Total Market (Figure 50)	TOTAL	% of Total LHN (Figure 50)
Existing need in 2020						
Households where an existing illness or disability affects their housing need and need to move in 2020	235	-	205	-	440	-
Projected future need 2020-40						
Additional households in 2040 where illness or disability affects their housing need or will develop within 10 years	2,450	-	5,133	-	7,583	-
Maximum need for adapted housing 2020-40 (households)	2,685	63%	5,338	65%	8,023	66%
Less households living in dwellings adaptable to M4(1) standard	1,271	-	2,664	-	3,935	-
Minimum need for adapted housing 2020-40 (households)	1,413	33%	2,675	32%	4,088	34%

- 7.41 Therefore the need for adapted housing 2020-40 can be expressed as a range between 4,088 and 8,023 dwellings (between 204 and 401 dwellings per annum). There is inevitably uncertainty about how many households will be able to meet their housing needs without moving and how many will move to existing homes rather than new housing.
- 7.42 Given the number of households likely to need to move due to a limiting long-term illness or disability affecting housing need (a significant proportion when compared to the LHN, see Figure 70), the evidence supports consideration of a high proportion of affordable homes being built to at least M4(2) standards. This is further impacted by the rates of limiting long-term illness or disability affecting housing need being much higher in affordable tenures (see Figure 67). The data indicates that there is a clear need for a similar proportion of market homes to be built to M4(2) standards also (Figure 70).
- 7.43 It is important to recognise that the range presented in Figure 70 represents the combined need for both M4(2) Category 2 and M4(3) Category 3 housing; for households with a wheelchair user would be included within those households counted as having a health problem or disability that affects their housing need.
- 7.44 It should be noted that the Government have stated in their response to the September 2020 consultation on raising accessibility standards of new homes: "Raising accessibility standards for new homes: summary of consultation responses and government response"⁶⁷ that their intent is to change the building regulations so that M4(2) is the default minimum standard for new homes. M4(1) will apply by exception only:

⁶⁷ Raising accessibility standards for new homes: summary of consultation responses and government response – updated July 2022: <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/outcome/raising-accessibility-standards-for-new-homes-summary-of-consultation-responses-and-government-response#government-response>

73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.

Raising accessibility standards for new homes: summary of consultation responses and government response

- 7.45 The timescale for this proposed change has not yet been released, however the Council may choose to implement a policy to make M4(2) the default minimum standard (i.e. 100% M4(2) with appropriate exceptions, as stated above) to anticipate this change to the regulations. This would ensure that the future need for M4(2) Category 2 housing in Exeter would be met in full.

Housing for Wheelchair Users

- 7.46 The overall need calculated in the previous section represents the combined need for both M4(2) Category 2 and M4(3) Category 3 housing. Households with a wheelchair user are included within the definition of households having a health problem or disability that affects their housing need.
- 7.47 Building Regulations for M4(3) Category 3: Wheelchair user dwellings states that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

“The provision made must be sufficient to-
(a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs, or;
(b) to meet the needs of occupants who use wheelchairs.”

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- 7.48 In establishing the need for M4(3) Category 3 housing it is again important to consider the LHN dwelling-led population projections and health demographics of the area, but with specific reference to households with wheelchair users.
- 7.49 The CLG guide to available disability data⁶⁸ referenced by PPG [ID 56-007-20150327] shows that around one in thirty households in England (3.3%) currently has at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). The rates are also higher for older households. Figure 71 identifies the proportion of households in England with a wheelchair user currently living in market housing and affordable housing by age of household representative.

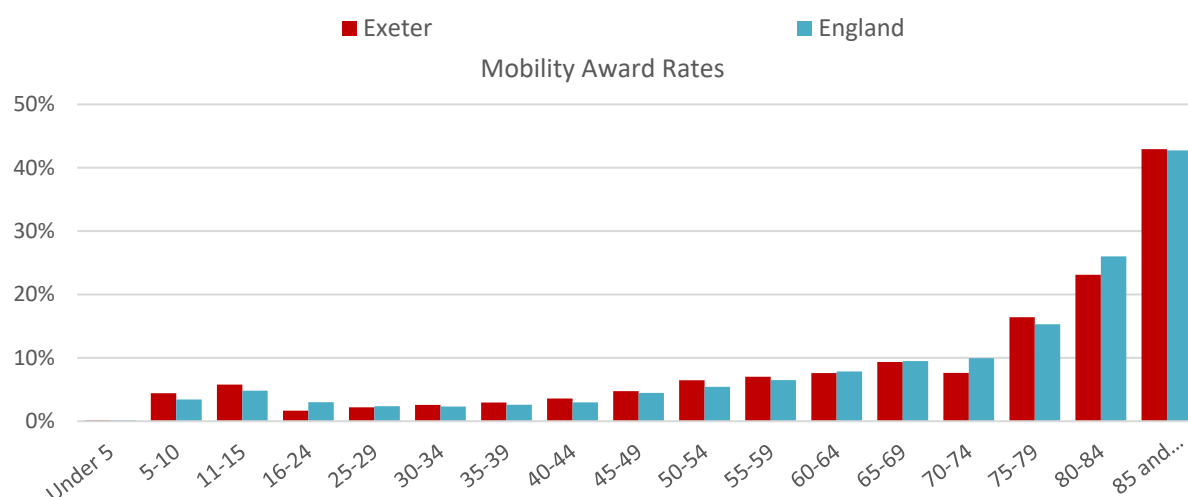
Figure 71: Percentage of households with a wheelchair user by type of housing and age of household representative
 (Source: English Housing Survey 2013-14)

AGE OF HOUSEHOLD REPRESENTATIVE	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	9.3%
Affordable housing	0.3%	2.0%	2.9%	6.0%	6.0%	10.3%	12.7%	19.9%

⁶⁸ <https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data>

- 7.50 To gain a better understanding of the local data, Figure 72 compares the proportion of disability benefit claimants in receipt of mobility award (the majority of whom will be wheelchair users) for Exeter against the figures for England.

Figure 72: Disability benefit claimants in receipt of mobility award by age in Exeter and England (Source: DWP, May 2020)



- 7.51 Through combining the information on local rates with the national data, we can establish the proportion of households in Exeter likely to have a wheelchair user by the age of the household representative in market housing and affordable housing (Figure 73):

Figure 73: Percentage of households with a wheelchair user in Exeter, by type of housing and age of household representative (Source: EHS, DWP)

AGE OF HOUSEHOLD REPRESENTATIVE	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	3.9%	6.0%	9.3%
Affordable housing	0.3%	2.0%	3.0%	6.0%	6.0%	10.1%	12.6%	19.8%

- 7.52 If we apply these proportions to the population and household data for the area, then we can identify the net change in the number of households with a wheelchair user over the period 2020 to 2040 (Figure 74). Using this approach, we can calculate the number of households likely to need wheelchair adapted housing in Exeter is likely to increase by 590 over the 20-year period. Note that these are gross figures, and many of the households identified in 2020 are likely to already live in wheelchair adapted housing.

Figure 74: Households needing wheelchair adapted housing in Exeter (Source: ORS Housing Model. Note: Figures may not sum due to rounding. Percentage of tenure in LHN column is calculated by dividing net change for a given tenure by the total identified need for that tenure in the LHN, as indicated by row labels.)

EXETER: Gross Modelled Need for Wheelchair Adapted Housing	2020	2040	Net change 2020-40	%age of tenure in LHN
Market housing	1,020	1,380	+360	3.8%
Affordable housing	750	990	+230	8.7%
Total	1,770	2,360	+590	4.9%

- 7.53 Importantly, as the model has included household age, it is possible to identify that a significant proportion of this growth comes from households which are aged over 75. This can be seen in Figure 75.

Figure 75: Households needing Wheelchair Adapted Housing by age (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

EXETER: Modelled Need for Wheelchair Adapted Housing	Households in 2020 aged under 75	Households in 2040 aged under 75	Net change 2020-40	Households in 2020 aged over 75	Households in 2040 aged over 75	Net change 2020-40
Market housing	600	710	+110	420	670	+250
Affordable housing	490	560	+70	260	420	+160
Total	1,090	1,270	+180	680	1,090	+410

- 7.54 This means that there are likely to be some people who are identified in both categories – wheelchair adapted housing and specialist older person housing.
- 7.55 Whilst not all over 75 households needing wheelchair adapted housing will live in specialist older person housing, it is likely that at least a 7.1%⁶⁹ of those moving to specialist older housing will need wheelchair adapted homes. It is also likely that some older households will progress to using a wheelchair whilst living in specialist housing due to a deterioration in their health. Considering that a given older persons residence may house multiple residents in its lifetime, it becomes even more likely that at some stage a resident will require a wheelchair. Furthermore, it may be noted that where it is possible to retrospectively adapt residences, this may be costly or difficult.
- 7.56 On this basis it may be appropriate to adopt a target of 100% wheelchair accessibility (where viable) for specialist accommodation for older people to avoid potential inequality of provision. This could also reduce the proportion of general needs housing that would need to meet the M4(3) Category 3 requirements.
- 7.57 The evidence (Figure 74) supports at least 8.7% of all new affordable housing for rent to be wheelchair adapted, as the Council will be able to allocate affordable rented households with wheelchair needs to appropriate homes. However, the Council may consider a slightly higher target (e.g. 10%, subject to viability), to ensure that a situation does not arise in which a property is not available for a wheelchair user in affordable need.
- 7.58 In market housing, the evidence supports at least 3.8% of all market housing being fully (and simply) adaptable⁷⁰ to the needs of a wheelchair occupant. However, since the Council cannot allocate market wheelchair homes, it is likely that some of these dwellings may be occupied by households that do not contain a wheelchair user. To avoid there being insufficient market homes that are fully wheelchair adaptable to meet the needs of the wheelchair using population, it is reasonable to plan for a higher proportion of fully wheelchair adaptable homes, (e.g. 10%), subject to viability and similar constraints.

⁶⁹ Given an increase of 5,751 households over 75 (Figure 60), of whom 410 will require a wheelchair adapted home (Figure 75), this is approximately 7.1% of all households over 75. It is therefore reasonable to assume that if 7.1% of all older persons will need a wheelchair adapted home, then at least 7.1% of older persons in specialist older housing will require a wheelchair adapted home.

⁷⁰ See quote following para 7.47

Co-living Housing

- 7.59 One startling statistic from the demographic data for Exeter is that single person households aged 15-24 years are projected to fall by 210 households to a rounded figure of zero by 2040, with a drop of 600 for those aged 25-34 years (Figure 30). At the same time, the number of 'Other' households headed by someone aged 15-24 years is projected to rise by 690 households in the same timeframe, with a rise of 50 households for those aged 25-34 years. Therefore, there is going to be a significant decline in headship rates for single persons aged 15-34 years in Exeter. At the heart of this issue in Exeter is the growing student population combined with the increasing pressures for social housing and rising private rents, which have seen fewer young households living on their own and more living in HMO type accommodation. Changes to the benefit system introduced in the past 10 years have seen these pressures amplified.
- 7.60 One type of housing that may address this issue is high quality co-living or co-housing comprising small purpose-built homes with shared amenity space, rather than traditional HMOs. A succinct definition of co-housing is:
- "Cohousing, a generic term, covers various forms of housing, owned and rented, that are developed and/or owned and/or managed by their residents as a distinct community"*⁷¹
- 7.61 While more specifically, the definition of co-living that we are using here is:
- "the practice of living with other people in a group of homes that include some shared facilities"*⁷²
- 7.62 This study works to the definition above so as to be clear what is meant by the term co-living without tying in to any particular model. Nevertheless, co-living can involve a greater level of community involvement:
- "Co-living is a type of intentional community providing shared housing for people with shared intentions. This may simply be coming together for activities such as meals and discussion in the common living areas, yet may extend to shared workspace and collective endeavours such as living more sustainably"*⁷³.
- 7.63 Given that Exeter is projected to see a decline in single young person households, then the household projections would envisage little role for this type of dwelling, and this is reflected in our modelled size and tenure mix. However, as a policy led response to the increasing lack of housing for younger people in the area the schemes offer greater opportunities for groups such as recent graduates looking to establish themselves in Exeter as an alternative to living in HMOs.
- 7.64 At the same time, the Private Rental Sector (PRS) is an important tenure that has grown since 1991 to house a significant proportion of other households. It may be that dwellings are currently being built as family housing but are being occupied by sharing young households. In the future these properties could be re-used as family housing if high quality purpose built co-living schemes could be developed for single person or couples housing.

⁷¹ http://www.cih.org/resources/PDF/Wales%20Events/older_peoples_housing/Jon%20Stevens.pdf

⁷² <https://dictionary.cambridge.org/dictionary/english/co-living>

⁷³ <https://en.wikipedia.org/wiki/Coliving>

- 7.65 It is difficult to project a need for studio apartments or co-living schemes because it may be that many young people prefer to share and save for their own property rather than have their own more expensive separate unit. However, the scale of the student numbers in Exeter would suggest that there is a market for post-student self-contained units and that this is likely in turn to reduce the need for larger market properties to be converted to HMOs. However, as with any active policy, there are risks of an over-supply of small dwellings which would exclude the ability of families to form in the area.

Service Families

- 7.66 Paragraph 62 of the NPPF identifies that local planning authorities should plan for the needs of different groups in the community, including service families. Local planning authorities should:

Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes

National Planning Policy Framework February 2019, Paragraph 62

- 7.67 Ministry of Defence (MoD) annual location statistics⁷⁴ show that there have not been significant changes to MoD personnel stationed in Exeter. Unless any significant changes are planned, the needs of service personnel will not impact the identified LHN.

Figure 76: MoD personnel in Teignbridge 2012-2020 (Source: MoD Annual location statistics 2020)

Exeter	Apr 2012	Apr 2013	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019	Apr 2020
Military – Officers	10	10	10	10	10	10	10	10	10
Military – Other Ranks	40	40	50	50	50	50	40	30	30
Total	50	60	60	60	60	60	50	40	40
Civilians – Non Industrial	50	50	40	40	40	40	40	40	40
Civilians – Industrial	10	10	10	10	10	10	10	10	10
Civilians – Trading Funds	-	-	-	-	-	-	-	-	-
Total	60	50	40	40	50	50	50	50	40
Grand Total	110	110	110	100	110	100	100	80	80

- 7.68 As part of the plan making process, the council may choose to engage with the MoD to establish what (if any) housing need future personnel may comprise as part of the LHN, however the publicly available evidence indicates that there will be no meaningful impact.

⁷⁴ <https://www.gov.uk/government/statistics/location-of-uk-regular-service-and-civilian-personnel-annual-statistics-2020>

People Wishing to Build their Own Homes

- 7.69 PPG requires that people wishing to build their own homes are considered and states:

How can self-build and custom housebuilding needs be assessed?

Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements. For further details, see guidance on self-build and custom housebuilding registers.

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, 'Need-a-Plot' information available from the Self Build Portal and enquiries for building plots from local estate agents.

Planning Practice Guidance, ID: 67-003-20190722

- 7.70 Over half of the UK population (53%) say that they would consider building their own home⁷⁵ (either directly or using the services of architects and contractors); but it's likely that this figure conflates aspiration with effective market demand. Self-build currently represents only around 7-10% of housing completions in the UK⁷⁶, compared with rates of around 40% in France and 70 to 80% elsewhere in Europe.
- 7.71 The attractiveness of self-build is primarily reduced costs; however, the Joseph Rowntree Foundation report "The current state of the self-build housing market" (2001) showed how the sector in the UK had moved away from those unable to afford mainstream housing towards those who want an individual property or a particular location.
- 7.72 "Laying the Foundations – a Housing Strategy for England" (HM Government, 2011)⁷⁷ redefined self-build as 'Custom Build' and aimed to double the size of this market, creating up to 100,000 additional homes over the decade. "Build-it-yourself? Understanding the changing landscape of the UK self-build market" (University of York, 2013) subsequently set out the main challenges to self-build projects and made a number of recommendations for establishing self-build as a significant contributor to housing supply. The previous Government also established a network of 11 Right to Build 'Vanguards' in 2014 to test how the 'Right to Build' could work in practice in a range of different circumstances. Individual local authorities produced their own reviews of their experiences⁷⁸, but no detailed review of all 11 Vanguards was produced.
- 7.73 In the Budget 2014, the Government announced an intention to consult on creating a new 'Right to Build', giving 'Custom Builders' a right to a plot from councils. The Self-Build and Custom Housebuilding Act⁷⁹ 2015 places a duty on local planning authorities to:
- » Keep a register (and publicise this) of eligible prospective 'custom' and self-build individuals, community groups and developers;

⁷⁵ Building Societies Association Survey of 2,051 UK consumers 2011

⁷⁶ Self-build and custom build housing (England) House of Commons Brief Paper March 2017

⁷⁷ <https://www.gov.uk/government/publications/laying-the-foundations-a-housing-strategy-for-england--2>

⁷⁸ [Right to Build Vanguard.pdf](#) and [Version-02-APPG-Enquiry-SCDC-response-to-circ.pdf](#) (cambridgeshireinsight.org.uk)

⁷⁹ <http://services.parliament.uk/bills/2014-15/selfbuildandcustomhousebuilding.html>

- » Plan to bring forward sufficient serviced plots of land, probably with some form of planning permission, to meet the need on the register and offer these plots to those on the register at market value; and
- » Allow developers working with a housing association to include self-build and custom-build as contributing to their affordable housing contribution.

7.74 The 2015 Act was amended by the Housing and Planning Act 2016⁸⁰ which placed a duty on local planning authorities to provide serviced plots which have planning permission that allows for self-build or custom housebuilding

An authority to which this section applies must give suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority's area arising in each base period.

Housing and Planning Act 2016 Section 2(a)(2)

7.75 The 2015 Act does not make a clear distinction between self-build and custom housebuilding, so both are considered together within policy.

February 2021 Policy Update

7.76 In February 2021 the Government updated PPG in the form of Self-build and custom housebuilding⁸¹. The new guidance offers an updated definition of self-build and custom-housebuilding and also seeks to set out how the need can be assessed and met. The new guidance defines self-build and custom housebuilding as:

Self-build and custom housebuilding covers a wide spectrum, from projects where individuals are involved in building or managing the construction of their home from beginning to end, to projects where individuals commission their home, making key design and layout decisions, but the home is built ready for occupation ('turnkey')

The Self-build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) provides a legal definition of self-build and custom housebuilding. The Act does not distinguish between self-build and custom housebuilding and provides that both are where an individual, an association of individuals, or persons working with or for individuals or associations of individuals, build or complete houses to be occupied as homes by those individuals.

When reading this guidance, reference should be made to the:

[Self-build and Custom Housebuilding Act 2015 \(as amended by the Housing and Planning Act 2016\)](#)

[Self-build and Custom Housebuilding Regulations 2016](#)

[Self-build and Custom Housebuilding \(Time for Compliance and Fees\) Regulations 2016](#)

In considering whether a home is a self-build or custom build home, relevant authorities must be satisfied that the initial owner of the home will have primary input into its final design and layout.

⁸⁰ <http://services.parliament.uk/bills/2015-16/housingandplanning.html>

⁸¹ [Self-build and custom housebuilding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/self-build-and-custom-housebuilding)

Off-plan housing, homes purchased at the plan stage prior to construction and without input into the design and layout from the buyer, are not considered to meet the definition of self-build and custom housing.

Self-build and Custom Housebuilding Guidance - Paragraph: 016 Reference ID: 57-016-20210208

- 7.77 Within this definition, it is clear that conversions can be counted as self-build and custom housebuilding if they involve the first occupant developing them, but homes bought directly off-plan cannot. However, it does seem to leave a situation where the initial occupier can choose from a range of options before building commences as being custom build. If this is the case, this will make comparisons with an area such as Germany more valid, because of the 70%-80% of German homes considered to be self-build and custom housebuilding, many are bought off plan to individual specifications and built by small builders.
- 7.78 Alongside the updated guidance, MHCLG have published detailed data from the registers for the period 2016 to 2019, with 10,700 new entries being recorded in 2018/19. The number of households joining the registers varies across the country. Households can appear on more than one register, but it is also likely that the figures do not fully reflect the demand for self-build and custom housebuilding as many households will address their own needs without appearing on any register.
- 7.79 As noted above, it is considered that in 2017 around 7% - 10% of housing completions comprised self-build and custom housebuilding schemes on allocated and windfall sites. This represents around 15,000-22,000 dwellings, but MHCLG statistics indicate that only around 10,100 plots were given planning permission in 2018/19. Therefore, alongside registers potentially underestimating the demand for self-build and custom housebuilding plots, it may also be the case that in some local authority areas, only those schemes which were explicitly granted planning permissions as self-build and custom housebuilding plots were being counted. The guidance also confirms that the uses of the self-build and custom housebuilding registers include:

Relevant authorities must give suitable development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area. There is no duty on a relevant authority to permission land which specifically meets the requirements expressed by those on the register. Relevant authorities should use preferences expressed by those on the register to guide their decisions when looking at how to meet the duty to grant planning permission etc. This will help ensure that relevant authorities permission land suitable for self-build and custom housebuilding which people are actually keen to develop.

Self-build and Custom Housebuilding Guidance - Paragraph: 028 Reference ID: 57-028-20210208

What does having a 'duty to grant planning permission etc' mean?

Relevant authorities must give suitable development permission to enough suitable serviced plots of land to meet the demand for self-build and custom housebuilding in their area. The level of demand is established by reference to the number of entries added to an authority's register during a base period.

The first base period begins on the day on which the register (which meets the requirement of the 2015 Act) is established and ends on 30 October 2016. Each subsequent base period is the period of 12 months beginning immediately after the end of the previous base period. Subsequent base periods will therefore run from 31 October to 30 October each year.

At the end of each base period, relevant authorities have 3 years in which to permission an equivalent number of plots of land, which are suitable for self-build and custom housebuilding, as there are entries for that base period.

Self-build and Custom Housebuilding Guidance - Paragraph: 023 Reference ID: 57-023-20210208

- 7.80 Therefore, there is an expectation that planning authorities must grant enough permissions to meet the numbers on their register with a 3-year time lag. A failure to deliver sufficient plots can be considered as a material consideration in planning appeals. The level of demand is measured in 'base periods' that run from 31st of October until 30th of October in the following year; and local authorities have three years from the end of each base period to permission enough serviced plots to meet the demand shown in the respective base periods.
- 7.81 The plots granted planning permission do not have to explicitly be for those who are on the register, so plots could be granted and then sold to households not on the register. This is recognised in the guidance which states that:

What is the relationship between the register and the Strategic Housing Market Assessment?

Assessment of local housing need as a whole should be conducted using the standard method in national planning guidance. Within this context, the size, type and tenure of housing needed for different groups should be assessed including people wishing to self-build or custom-build their own homes.

Local planning authorities should use the demand data from the registers in their area, supported as necessary by additional data from secondary sources (as outlined in the housing and economic development needs guidance), to understand and consider future need for this type of housing in their area. Secondary sources can include data from building plot search websites, enquiries for building plots recorded by local estate agents and surveys of local residents. Demand assessment tools can also be utilised.

Plan-makers will need to make reasonable assumptions using the data on their register to avoid double-counting households.

Self-build and Custom Housebuilding Guidance - Paragraph: 011 Reference ID: 57-011-20210208

- 7.82 The guidance is clear that planning authorities should meet the demand for plots from their register, but also should consider a different level of provision if it is clear that there is a demand for this.

April 2021 Self and Custom Build Action Plan

^{7.83} In April 2021, MHCLG produce a new action plan to further support the development of the self-build and custom housebuilding sector.⁸² This focused upon four key areas:

- » **Mortgage finance:** – a multi-year funding for ‘Help to Build’ was announced at the 2020 Spending Review. In April the government confirmed an initial £150 million over 4 years to support the scheme to deliver low deposit mortgages and improve affordability of home ownership for self and custom builders similar to Help to Buy.
- » **Developer finance:** The Home Building Fund, offers £2.5 billion in short term loan finance targeted at small and medium sized builders, innovation and custom build. Funding is available to custom build developers bringing forward serviced plots on sites of 5 units or more.
- » **Access to land:** As part of the 2020 Spending Review, the government announced additional funding for local authorities to release their surplus brownfield land through the Brownfield Land Release Fund (BLRF). The £75 million BLRF will allocate up to £25 million to local authorities to enable them to bring forward serviced plots for self and custom build on public sector land. The ‘Planning for the Future’ White Paper also included specific proposals that allow local authorities to identify sites for self-build and custom housebuilding and community-led housing in their local plan, including ensuring sufficient provision to meet requirements identified in their self-build register, and proposals to explore how publicly owned land disposal can support SMEs and the self-build sector.
- » **Expertise/knowledge gap:** The National Custom and Self Build Association’s (NaCSBA) Right to Build Task Force was established to help local authorities, community groups and other organisations help deliver self and custom build housing projects across the UK. Since 2020 it has been funded by government to provide expertise and support to local authorities on the implementation of the Right to Build and how to secure self and custom build delivery.

Review into Scaling up Self and Custom Housebuilding

^{7.84} As part of the April 2021 Action Plan, the government commissioned an independent review into the scaling up of self and custom housebuilding. This report was published in August 2021⁸³ and the government responded to this review in June 2022⁸⁴.

^{7.85} The review focuses primarily on supply side factors limiting the delivery of self and custom housebuilding and produced 6 key recommendations which were broadly supported by the government:

- » Greater role for Homes England;
- » Raise awareness of the Right to Build;
- » Support community-led housing, diversity of supply and Levelling Up;
- » Promote greener homes and more use of advanced manufacturing;
- » Support custom and self-build housebuilding through the planning reforms; **and**
- » Iron out any tax creases.

⁸² [Self and custom build action plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/self-and-custom-build-action-plan)

⁸³ [Independent review into scaling up self-build and custom housebuilding: report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report)

⁸⁴ [Government response to the independent review into scaling up self-build and custom housebuilding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/94444/government-response-to-the-independent-review-into-scaling-up-self-build-and-custom-housebuilding)

Evidence for Exeter

- 7.86 Exeter have put arrangements in place to comply with the Self-Build and Custom Housebuilding Act, including providing a self-build and custom housebuilding register.
- 7.87 Figure 77 shows that as of October 2020, Exeter has not provided enough self and custom housebuilding plots to meet the needs identified on the register. The delivery of plots is calculated from CIL exemptions. For a property to qualify for a CIL exemption, the final occupier must have a significant input into either the design or construction of the property; and must declare that the house will be their sole or main residence for a period of 3 years from completion. Therefore, this is a quite restrictive definition of self and custom housebuilding which rules out many properties which have some customisation attached to them, but where the developer cannot guarantee that the final occupier will remain in situ for at least 3 years.

Figure 77: Self-build and Custom Housebuilding Register and Plot Provision (Source: Local Authority Data. Note: * is not recorded)

Self-build and Custom Housebuilding Register and Plot Provision	Up to October 2016	Oct 2016- Oct 2017	Oct 2017- Oct 2018	Oct 2018- Oct 2019	Oct 2019- Oct 2020	Oct 2020- Oct 2021
New applicants on the register	5	21	9	15	17	57
Number of new self and custom housebuilding exemptions issued	*	13	7	2	8	12

Future Need for Self-build and Custom Housebuilding

- 7.88 As highlighted above, Exeter is currently not providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. A key reason for this is that the Exeter Core Strategy was adopted some years in advance of the Self-Build and Custom Housebuilding Act coming into play; therefore the Council currently has no policy to promote serviced plots and no requirement for a proportion of plots on larger sites to be made available. The other authorities in the Greater Exeter area (East Devon, Mid Devon and Teignbridge) do all have existing policies to promote self and custom housebuilding. Therefore, the existing policy cannot be said to be operating successfully against the government policy requirement.
- 7.89 The Councils across the Greater Exeter area commissioned a study of self-build demand in 2018 entitled, Custom and Self-Build Demand Assessment Framework July 2018. This identified a demand for around 88 self and custom housebuilding plots each year in Exeter based upon the population characteristics of the area.
- 7.90 As noted earlier, PPG recommends that alternative sources of data beyond the register, such as Need a Plot, can be considered to highlight the need for self and custom housebuilding plots. However, this now reverts back to council registers, so the only recorded information on the demand for self and custom housebuilding is the housing register and the actual up take of plots.

- 7.91 The first priority of the Council should be to ensure that they are complying with national policy and meet the demand from the self and custom housebuilding register. This would amount to providing around 14 plots per annum, which in turn amounts to around 2% of the LHN. The evidence from areas like Germany indicate that the demand for self and custom housebuilding can be close to the total housing supply and that delivery is more supply constrained, with small and medium size builders delivering many of the custom housebuilding plots. It is these supply constraints that much of government policy is now focused towards addressing.
- 7.92 We recommend that more information is gathered on the number of self-build and custom housebuilding dwellings which are provided currently in Exeter. This information can potentially be gathered as part of the process for gathering information on the 5-year land supply and newbuild delivery.
- 7.93 We would note that our experience across the country has been that the self-build and custom housebuilding sector works relatively well for households who are seeking to build bespoke properties on single plot sites and as part of multi-plot sites. There is less evidence that those with lower budgets are having their needs met because the price of plots remains high. This in turn can be taken as a reflection that the market for self and custom housebuilding is supply constrained and that suitable plots attract a premium which is offsetting any reductions from CIL exemptions. Within this group there are likely to be some households who are seeking to help design their own house, often from customising the interior of a set exterior. Meanwhile, other households will be seeking affordable homeownership dwellings where they can be heavily involved in the building of their final property. The government's new help to build scheme may help to make self and custom housebuilding more accessible and affordable.
- 7.94 It is for these two groups that Exeter could seek to work more proactively. There is potential for builders to deliver market homes which can either be customised at the outset, or which could be built as exteriors with the interior to be completed by the final occupant. Both of these approaches can be considered to fit within the definition of custom-built housing; and could both be encouraged with the provision of small and larger sites.
- 7.95 Meanwhile, Exeter could also seek to work with developers and Registered Providers to assess the potential demand for affordable to own self-build and custom housebuilding. This would be in lieu of providing completed affordable housing; but would allow households to help deliver their own affordable home ownership properties. This element could range from providing serviced plots at cost or partially completed dwellings which are sold to Registered Providers at cost.

Essential Local Workers

- 7.96 Annex 2 of the 2021-Revised NPPF also mentions the needs of essential local workers in its definition of affordable housing:

Affordable housing: *Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers);*

Essential local workers: *Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.*

NPPF 2021 – Annex 2

- 7.97 It is notable that the definition provided by the 2021 NPPF is similar to the definition of Key Workers which was utilised prior to the adoption of the original 2012 NPPF. Under this definition, being classified as an essential worker in need correlates directly with being unable to afford home ownership.
- 7.98 Therefore, these households will already be counted in the affordable housing need because they cannot afford market rents, or because they wish to own their own property but cannot afford to do so. Because of this, the needs from this group will not add to the total need for affordable housing, but they are likely to require separate consideration on the housing register and it may be appropriate to consider whether or not some affordable properties should be set aside solely for essential local workers in need.

Appendix A

Reviewing the Standard Method

Establishing the context

1. The Government currently has policy objectives to deliver a million homes in England over this Parliament and to increase housing delivery in England to 300,000 homes annually on average by the mid-2020s.
2. To work towards this objective, the Government has introduced a “Standard Method” formula for calculating LHN. The formula, set out in PPG, uses a prescriptive approach with area-based inputs from the CLG 2014-based household projections, the most recent ONS median workplace-based affordability ratios and the current status of relevant strategic policies for housing.
3. The first step of the Standard Method calculation uses the household projections to set a baseline, using average annual household growth over a 10-year period with the current year used as the starting point. The second step applies an adjustment based on local affordability. The third step (which caps the level of any increase) and the fourth step (the cities and urban centres uplift) do not currently apply in Exeter.
4. The Standard Method calculation for Exeter is set out below for the 10-year period 2021-31 in Figure 78.

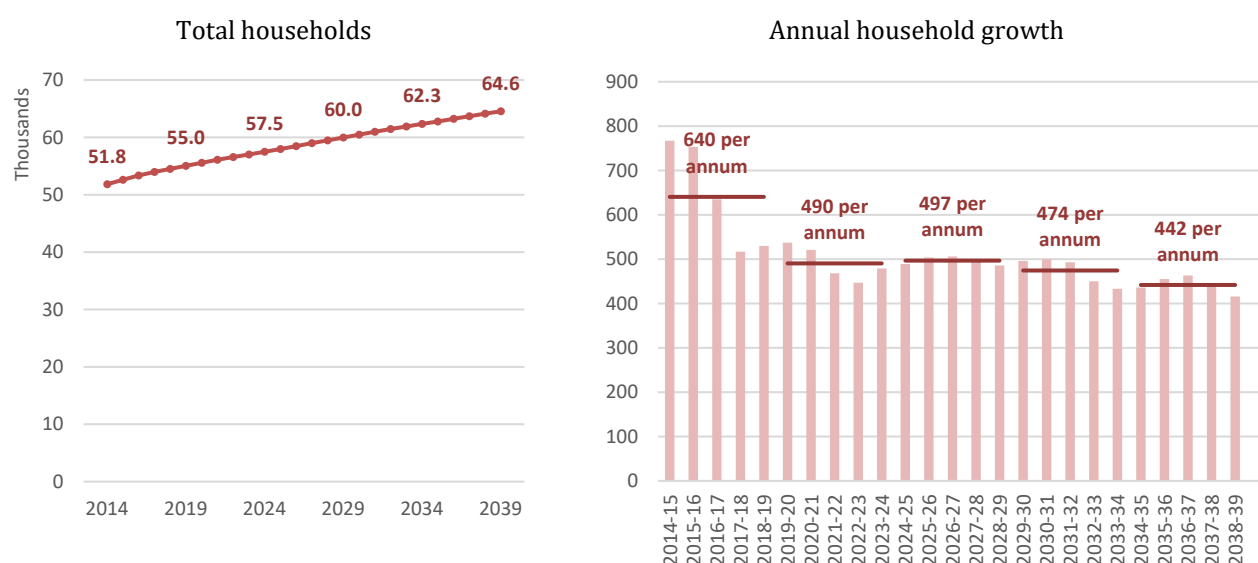
Figure 78: Annual Local Housing Need for 2021-31 (uncapped) based on the “Standard Method” calculation (Source: 2014-based Household Projections, CLG; Ratio of median house price to workplace-based earnings, ONS)

Calculation	Exeter
Total households in 2021	56,098
Total households in 2031	60,972
Household growth 2021-to 2031	4,874
Average annual household growth	487
ONS median workplace-based affordability ratio for 2020	8.57
Adjustment factor	1.286
Minimum annual local housing need figure	627

2014-based Projections for Exeter

5. The standard method for LHN is based upon the 2014 based CLG household projections, which in turn built on the 2014 based ONS population projections. These have now been superseded by the 2016 based and 2018 based ONS household projections. The projections for what would happen after 2014 have also been superseded by midyear population estimates for every subsequent year. It is therefore possible to evaluate how well the 2014 based population and household projections have tracked the real growth in population and households in Exeter. In the section below we consider the projections and how they compare with observed data to assess if the standard method is consistent with the observed data for Exeter; or whether a higher or lower figure should be considered.
6. An issue we would highlight is that the Office for Statistics Regulation undertook a recent review of ONS population estimates and projections⁸⁵ and found that, "In some smaller cities that had a large student population, the population estimates did appear to be inconsistent with, and potentially higher than local evidence suggests. More needs to be done to investigate the root and scale of this issue." Exeter is clearly one of these student cities, so their data has been considered in the section below.
7. It is important to stress that when we consider the need for affordable and other housing needs, the ORS Housing Mix model uses the most up to date data derived from the 2018 based ONS Household Projections, updated with the 2019 Mid-year estimates (see paragraph 4.18). We use the 2014 based population and household projections for the standard method for LHN and then when the overall housing need is determined, we then use the most recent data to analyse the mix of homes needed.
8. The 2014-based household projections identified that there were 51,800 households resident in Exeter in 2014 and projected that this would increase to 64,600 over the 25-year period to 2039 (Figure 79). This was based on average growth of 640 households annually from 2014-19 and 490 households each year from 2019-24, which was then projected to progressively reduce to an average of 442 households per year by the end of the period.

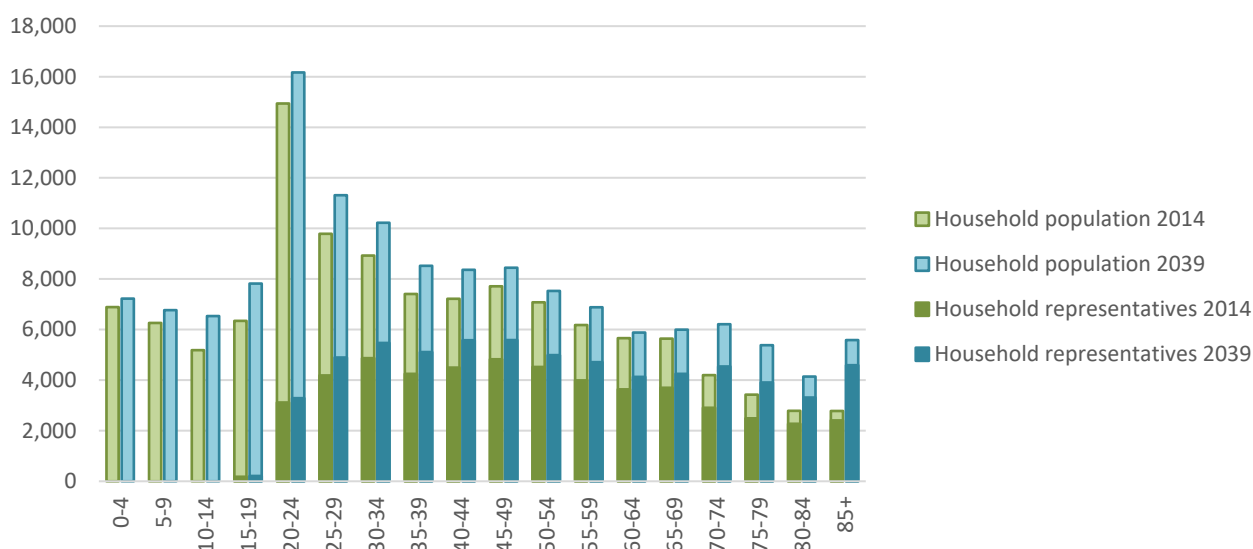
Figure 79: Total projected households and annual household growth, Exeter 2014 to 2039 (Source: 2014-based Household Projections, CLG)



⁸⁵ [ONS publishes its review of population estimates and projections produced by the Office for National Statistics – Office for Statistics Regulation \(statisticsauthority.gov.uk\)](https://statisticsauthority.gov.uk)

9. The household projections use population projections to establish the household population (those people who live in households) and the household population is used to calculate the number of households, based on the number of Household Representatives. The projections show that many of the additional household representatives will be in older age groups (Figure 80):

Figure 80: Projected household population and household representatives by age, Exeter 2014 and 2039 (Source: 2014-based Household Projections, CLG)



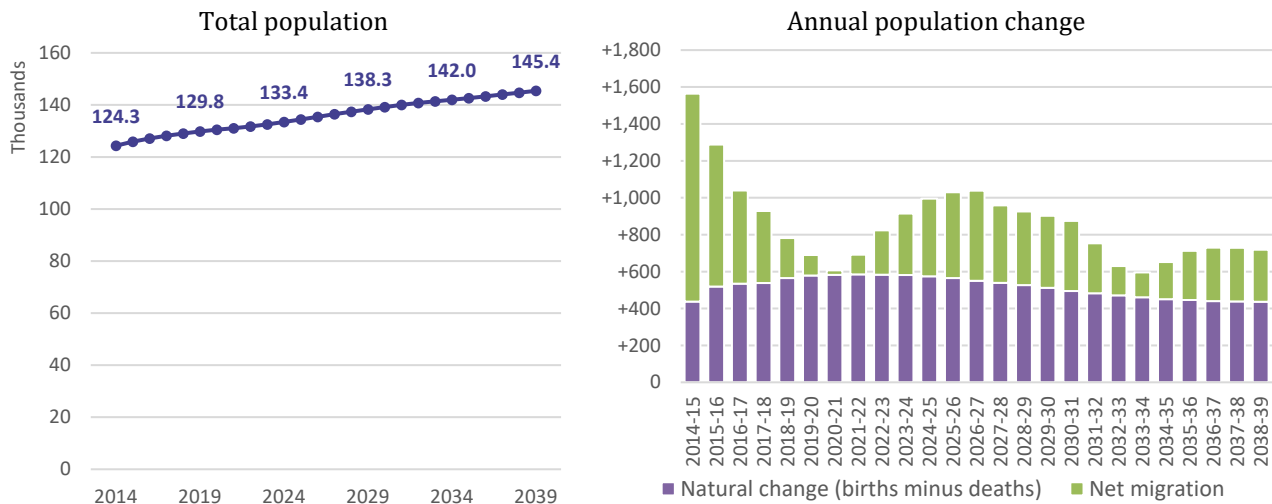
10. An important point is that the rate of household growth is higher in the period 2021-31 than it is in subsequent years. This is a very common pattern, where the impact of an increasing ageing population is that household dissolution gradually rises in the 2030s when compared to household formations, and the net growth rate of households slows. This is important because the standard method for LHN uses the average growth rate between 2021 and 2031. If this period were to be extended, then the average growth rate would be lower and the LHN figure would be lower. As previously stated, this is a common pattern, therefore, the test of 'exceptional circumstances' required by PPG to justify a lower than standard method LHN is not met.

Population growth

11. The 2014-based sub-national population projections that informed the household projections identified 124,300 persons resident in Exeter in 2014 and projected that this would increase to 145,400 over the 25-year period to 2039 (Figure 81).
12. The annual population growth comprised both natural growth and net inward migration.
- Natural growth (the number of births less the number of deaths) was projected to yield a net gain of 437 persons in 2014-15 rising to a net gain of 584 persons in 2021-22, then decreasing to 436 persons by 2038-39.
 - Net migration showed gains of 1,127 persons in 2014-15 which was then projected to decrease progressively to a gain of 24 persons in 2020-21 before rising again.

13. The data for Exeter is very unstable over time, particularly for migration.

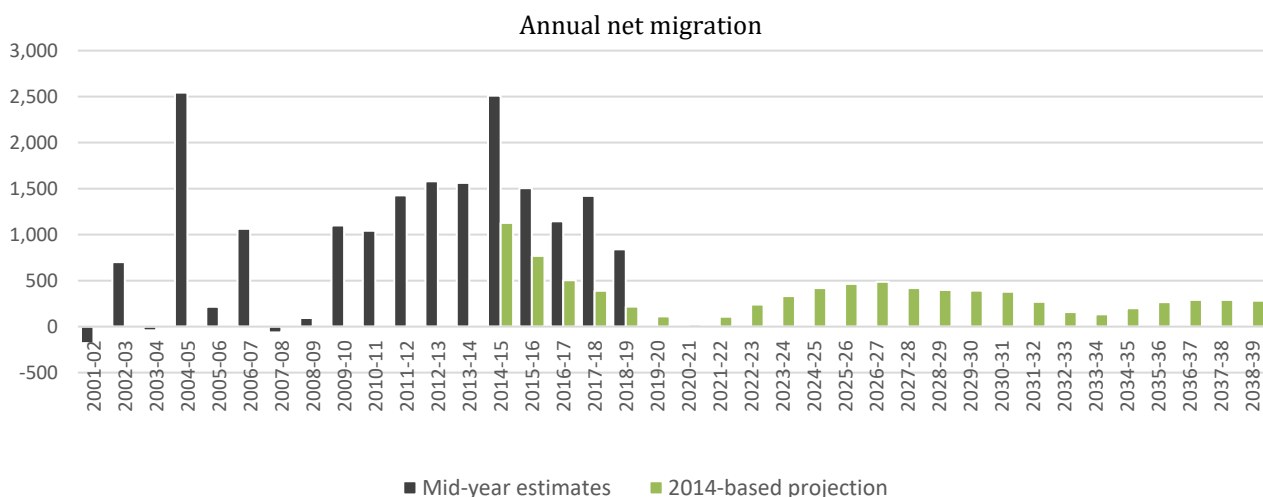
Figure 81: Total projected population and components of annual population growth, Exeter 2014 to 2039 (Source: 2014-based Sub-National Population Projections, ONS)



Migration trends

14. Net migration has a significant influence on the household total and the number of new homes needed, but whilst there are official records of births and deaths, it is far more difficult to accurately estimate migration trends and establish reliable future projections.
15. Figure 62 shows the 2014-based projected net migration for Exeter and the ONS mid-year population estimates from 2014 onwards. The mid-year population estimate is higher between 2014 and 2019 than projected by the 2014-based household projection. This reduces the likelihood that the 2014-based projection is significantly over-estimating growth in the Exeter.

Figure 82: Recorded and projected net migration by year, Exeter 2001-02 to 2038-39 (Source: Mid-year Population Estimates, ONS; 2014-based Sub-National Population Projections, ONS)

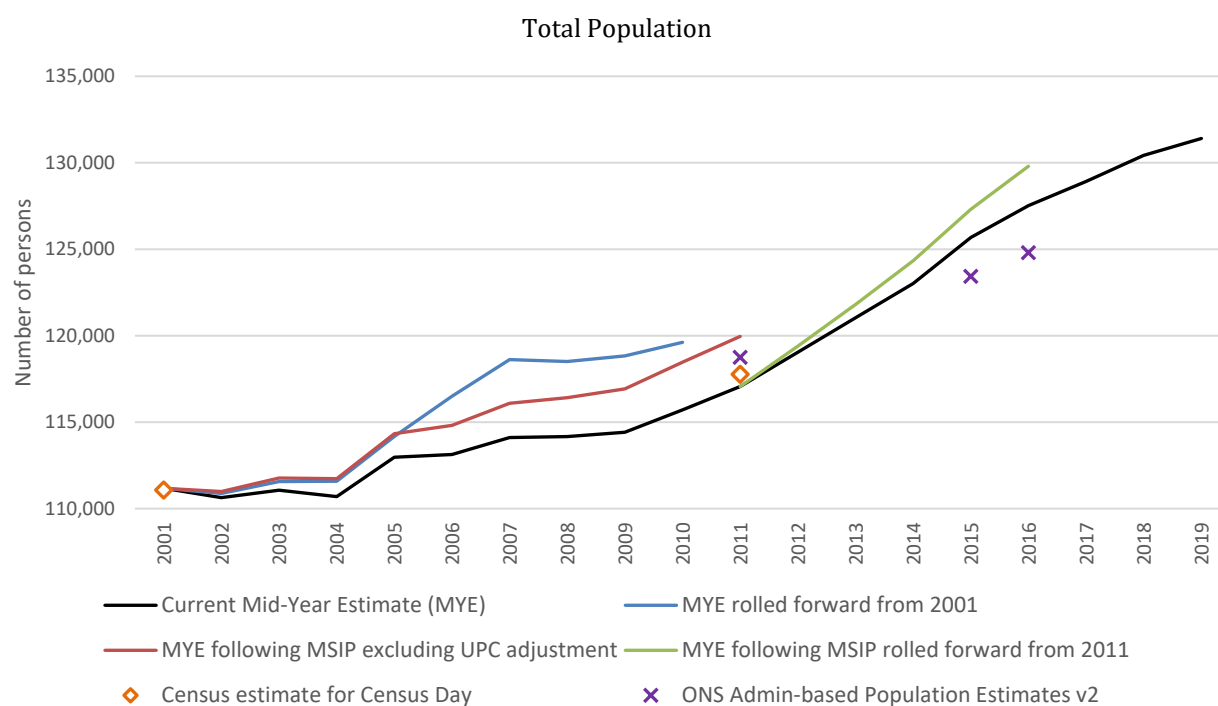


Total Population

16. The 2014-based projection was based on migration trends covering the period 2009-2014 for domestic and 2008-2014 for international flows, which is problematic for two reasons:
 - The 2014-based subnational population projections (SNPP) was published before the ONS had reissued the population estimates for Mid-2012 to Mid-2016, so the projection relies on the original population estimates for 2011-2014 that are derived from an old methodology with data that has since been improved
 - The 2014-based SNPP made no allowance for the Unattributable Population Change (UPC) adjustment included within the population estimates for 2008-2011, despite this being needed to correct for errors in the component of change data in many areas
17. The UPC adjustment was introduced by the ONS for the periods 2001-02 to 2010-11 to ensure that the mid-year population estimates reconcile with the population estimates for the two Census years.
18. The mid-year population estimates identified an increase of 8,780 persons resident in Exeter in between mid-2001 and mid-2011. **However, the population of Exeter did not actually increase by 8,780 people; in fact, the 2011 census confirmed an increase of only 5,883 persons over the decade – a difference of 2,897 persons.**
19. As the Census provides the more reliable estimates, a downward UPC revision was deemed necessary. The following chart sets out the various population estimates that the ONS has published for Exeter since 2001. These include:
 - » The current Mid-Year Estimates (MYE) for each year (the black line on the chart)
 - » Previous MYE figures that have since been superseded, including:
 - Mid-2002 to Mid-2010 estimates based on a legacy methodology, with components of population change applied to data rolled-forward from the previous year and the 2001 Census providing the original baseline (the blue line on the chart)
 - Mid-2012 to Mid-2016 estimates based on the MSIP methodology, with components of population change applied to data rolled-forward from the previous year and the 2011 Census providing the original baseline (the green line on the chart)
 - » The current MYE figures for Mid-2002 to Mid-2011 excluding the adjustment for Unattributable Population Change (UPC) (the red line on the chart)
 - » Estimates from the 2001 and 2011 Census (the orange diamonds on the chart)
 - » Estimates from the ONS Admin-based Population Estimates (ABPE) v2 (which are research outputs and not National Statistics) (the purple crosses on the chart)
20. Based on the Census figures, it is apparent that the mid-year estimates overstated the actual level of population growth in Exeter from 2001 to 2011. Given that there are accurate records of births and deaths, any error in the mid-year estimates would inevitably be associated with the estimates for migration.

21. It is also notable that Exeter population growth rates have not tracked the ONS admin-based population estimates from 2011 onwards. The growth rate in the mid-year population of Exeter has increased since 2011, but that has not been matched by the admin-based data. This would suggest that the population of Exeter may not be growing as strongly as official data shows, but admin-based data is itself imperfect and therefore relatively small points of divergence between it and official data is to be expected.

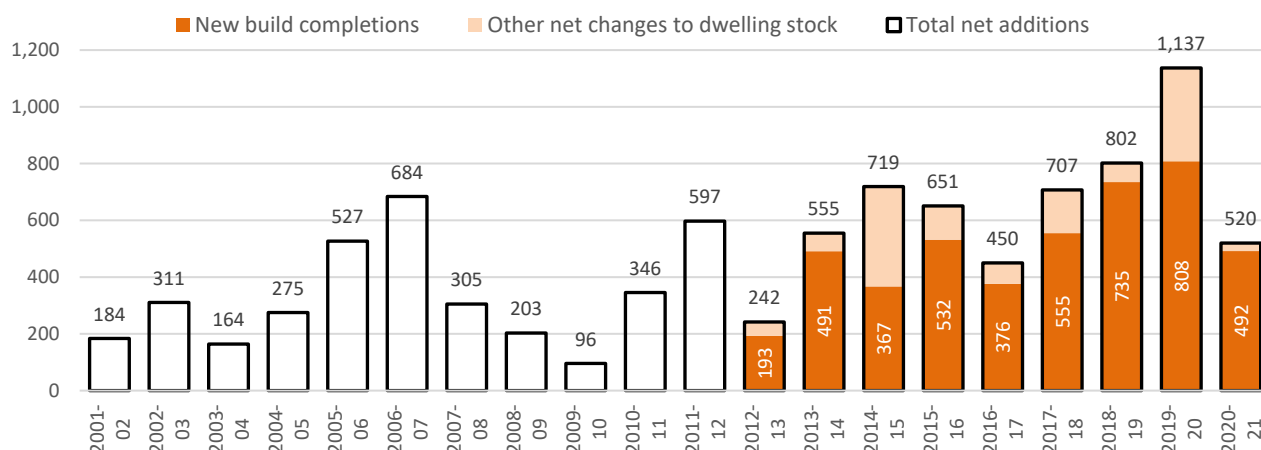
Figure 83: Estimates of Total Population, Exeter 2001 to 2019 (Source: Mid-year population estimates, ONS; Census of population, ONS; Admin-based population estimates, ONS)



Housing supply, house prices and affordability

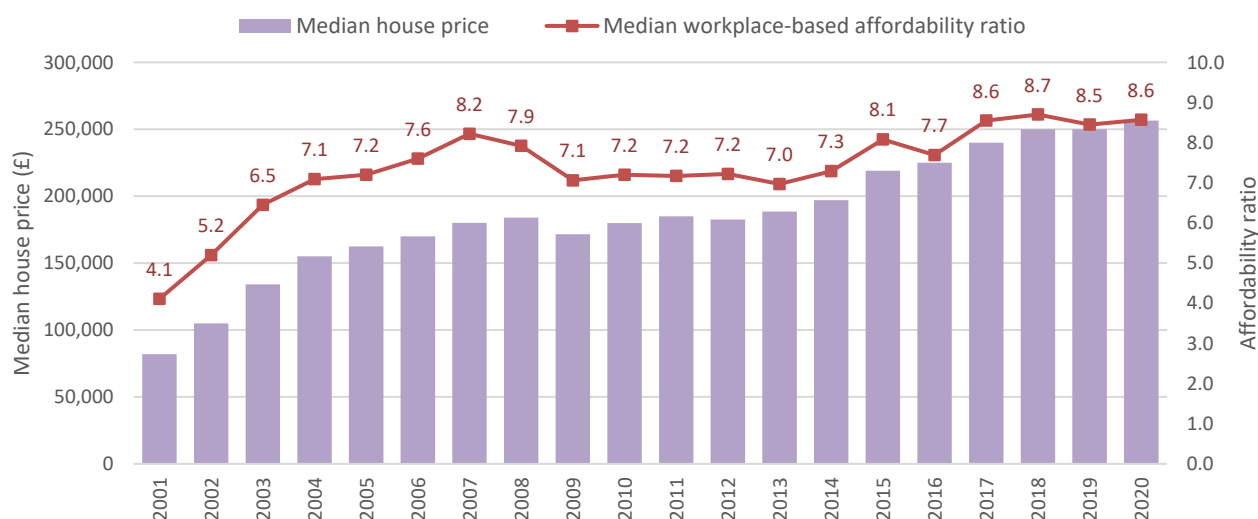
22. Figure 84 shows net additions to the dwelling stock each year. There was a sharp rise in the number of completions in Exeter from 2014-15 onwards, with the decline in 2020/21 likely to be attributable to short-term impacts on the construction industry of Covid-19 lockdowns.

Figure 84: Components of net housing supply, Exeter 2001-02 to 2019-20 (Source: Live Table 122 and 123, Department for Levelling Up, Housing and Communities)



23. Despite the increased level of housing supply, median house prices have continued to rise in Exeter. The ratio of median house price to median gross annual workplace-based earnings has dipped marginally in Exeter in recent years. This ratio is used to determine the adjustment to take account of affordability at step 2 of the Standard Method calculation.

Figure 85: Median house price and ratio of median house price to median gross annual workplace-based earnings, Exeter 2001 to 2020 (Source: Ratio of median house price to workplace-based earnings, ONS)



Conclusions

- ^{24.} As noted in Chapter 2, the 2021 NPPF Paragraph 61 identifies that “strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach”. The evidence set out in this appendix indicates that in Exeter, UPC was significant for the period 2001-2011 and also that the population growth since the 2014 based population projections has been lower than projected. This is a very common situation in small cities with large student populations; but seeking to apply the exceptional circumstances test to calculate a lower housing need figure is a risky approach and requires very strong evidence. While there is some evidence that the standard method LHN for Exeter is too high, it is still the case that recent dwelling delivery has been sufficient to meet the LHN, so the case for adopting a lower housing need figure is not clear-cut and therefore has not been adopted in this report. However, this does not rule out that a higher housing need figure may be required to balance jobs and workers. This issue is considered separately in Appendix C.
- ^{25.} We would also note that the LHNA may need to be updated in advance of Local Plan submission to take account of the results of the 2021 Census and, potentially, to any ONS and Government response to the Office for Statistics Regulations review of ONS population estimates. The existence or otherwise of exceptional circumstances to justify a departure from the standard method will be reviewed as part of the LHNA Update.

Appendix B

Housing Market Area – Functional Housing Markets in Greater Exeter

An evidence base to identify functional housing markets

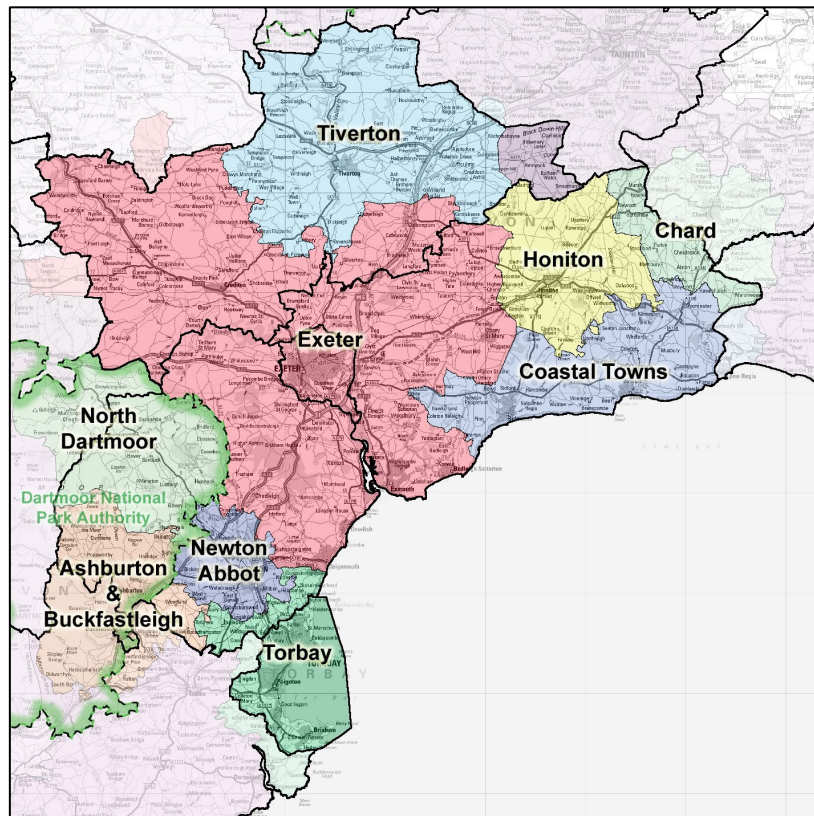
26. The National Planning Policy Framework (NPPF, July 2018) refers to the need for Local Plans to “as a minimum, provide for objectively assessed needs for housing and other uses, as well as any needs that cannot be met in other areas” (paragraph 11, emphasis added) and this has been carried over in to the NPPF 2021. It should be noted that unlike the previous iteration of the NPPF (March 2012), the new version no longer makes reference to housing market areas for purposes of defining need, instead referencing the area of the Local Planning Authority as the norm for assessment. It also refers to the standardised method in national planning guidance which itself assesses at a local authority level. Therefore, the role of HMAs has become less significant in housing needs assessments since 2018 and ORS have observed very little discussion of housing market areas at Local Plan examinations since this time.
27. This assessment of housing market area follows the definitions set out in the March 2014 guidance. This PPG⁸⁶ required that “Needs should be assessed in relation to the relevant functional area: i.e. housing market area...” (PPG 2a-008). The identification of the Housing Market Area (HMA) is therefore the first relevant building block in the evidence for identifying housing needs for the study.
28. We would note that the Housing Market Areas of Greater Exeter (East Devon, Exeter, Mid Devon and Teignbridge collectively) were considered in detail in the Exeter and Torbay SHMA 2007⁸⁷ which reviewed the best available evidence from the 2001 Census. These have been reproduced below with the local authority boundaries in black. This concluded that 9 different Housing Market Areas could be found in Greater Exeter, but that most of these housing market areas were quite small; or based in local authorities outside of the study area and their fringes extended into Greater Exeter. Therefore, Greater Exeter as a whole could be considered a single overarching HMA with smaller sub-areas. The data was then reassessed in the Greater Exeter SHMA 2015⁸⁸ which again concluded that Greater Exeter could be considered as a single HMA.

⁸⁶ At the time of writing – Published Nov 2016, updated July 2018

⁸⁷ Exeter & Torbay Strategic Housing Market Assessment 2007 – Dec 2007 - <https://www.torbay.gov.uk/media/1755/hmamainreport.pdf>

⁸⁸ Exeter Housing Market Area Strategic Housing Market Assessment Final Report 2014/15 – March 2015 - <https://exeter.gov.uk/planning-services/planning-policy/current-evidence-base/strategic-housing-market-assessment/>

Figure 86: Housing Market Areas for Greater Exeter (Source: Exeter and Torbay SHMA 2007, Figure 6)



29. Since the time that the Exeter and Torbay SHMA 2007 was produced, much new data has become available to help to confirm or reconsider the housing market area boundaries in and around Greater Exeter. Also, the way that housing market areas are considered has evolved over time, so they are now more likely to be considered for planning purposes at local authority boundary areas to help to understand how Duty to Cooperate should operate.
30. This chapter considers the historic and current evidence about housing market areas relating to Greater Exeter, particularly in light of more recent data.

Functional Housing Market Areas

31. The definition of a functional housing market area is well-established as being “...the geographical area in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay” (MacLennan et al, 1998)⁸⁹.
32. Planning Practice Guidance (PPG) on Plan Making (July 2019) reflects this existing concept, confirming that the underlying principles for defining housing markets are concerned with the functional areas in which people both live and work:

A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work.

Planning Practice Guidance (July 2019), ID 61-009

⁸⁹ Local Housing Systems Analysis: Best Practice Guide. Edinburgh: Scottish Homes

33. Therefore, PPG requires an understanding of the housing market area and says this can be defined using three different sources of information:
- » House prices and rates of change in house prices
 - » Household migration and search patterns
 - » Contextual data (e.g. travel to work area boundaries, retail and school catchment areas)
34. PPG para 018 Reference ID: 61-018-20190315 lists suggested data sources. These sources are well-established, being consistent with those previously identified in the CLG advice note “Identifying sub-regional housing market areas” published in 2007⁹⁰.

Geography of Housing Market Areas (NHPAU/CURDS)

35. CLG also published a report on the ‘Geography of Housing Market Areas’ in 2010⁹¹ which was commissioned by the former National Housing and Planning Advice Unit (NHPAU) and undertaken by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University. This study explored a range of potential methods for calculating housing market areas for England and applied these methods to the whole country to show the range of housing markets which would be generated. The report also proposed three overlapping tiers of geography for housing markets:
- » Tier 1: framework housing market areas defined by long distance commuting flows and the long-term spatial framework within which housing markets operate;
 - » Tier 2: local housing market areas defined by migration patterns that determine the limits of short-term spatial house price arbitrage: i.e. households moving without changing jobs;
 - » Tier 3: sub-markets defined in terms of neighbourhoods or house type price premiums.
36. The report recognised that migration patterns and commuting flows were the most relevant information sources for identifying the upper tier housing market areas, with house prices only becoming relevant at a more local level and when establishing housing sub-markets. The report also outlined that no one single approach (nor one single data source) will provide a definitive solution to identifying local housing markets; but by using a range of available data, judgements on appropriate geography can be made.
37. Advice published in the Planning Advisory Service (PAS) technical advice note about Objectively Assessed Need (OAN) and Housing Targets (originally published in June 2014, with a second edition⁹² in July 2015) also suggests that the main indicators will be migration and commuting (second edition, paragraph 5.4).
- “The PPG provides a long list of possible indicators, comprising house prices, migration and search patterns and contextual data including travel-to-work areas, retail and school catchments. In practice, the main indicators used are migration and commuting.”*
38. The PAS OAN technical advice note also suggests that analysis reported in the CLG report “Geography of Housing Market Areas” (CLG, November 2010) should provide a starting point for drawing HMAs (Figure 87).

⁹⁰ Identifying sub-regional housing market areas (CLG, March 2007); paragraph 1.6

⁹¹ Geography of Housing Market Areas (CLG, November 2010)

⁹² <http://www.pas.gov.uk/documents/332612/6549918/OANupdatedadvicenote/f1bfb748-11fc-4d93-834c-a32c0d2c984d>

42. Figure 88 shows the defined TTWAs (2015) in blue; these are based on the commuting flow data from the 2011 Census. This places almost all of Greater Exeter's main settlements in the same TTWA, with the exception of those in the South East area of East Devon which are in an area covering part of Dorset. Meanwhile part of West Devon is also in the Exeter HMA. From a pragmatic point of view, HMAs typically follow local authority boundaries and this issue was discussed in the 2016 Inspectors' Report on the Plymouth and South West Devon Joint Local Plan which considered the issue of defining the strategic Plymouth HMA at paragraph 45:

"We are satisfied that it provides an appropriate geographical area for establishing the OAN, i.e. the Plymouth HMA does include that part of the Exeter TTWA in West Devon District."

Figure 88: ONS Travel to Work Areas (Source: ONS 2015)

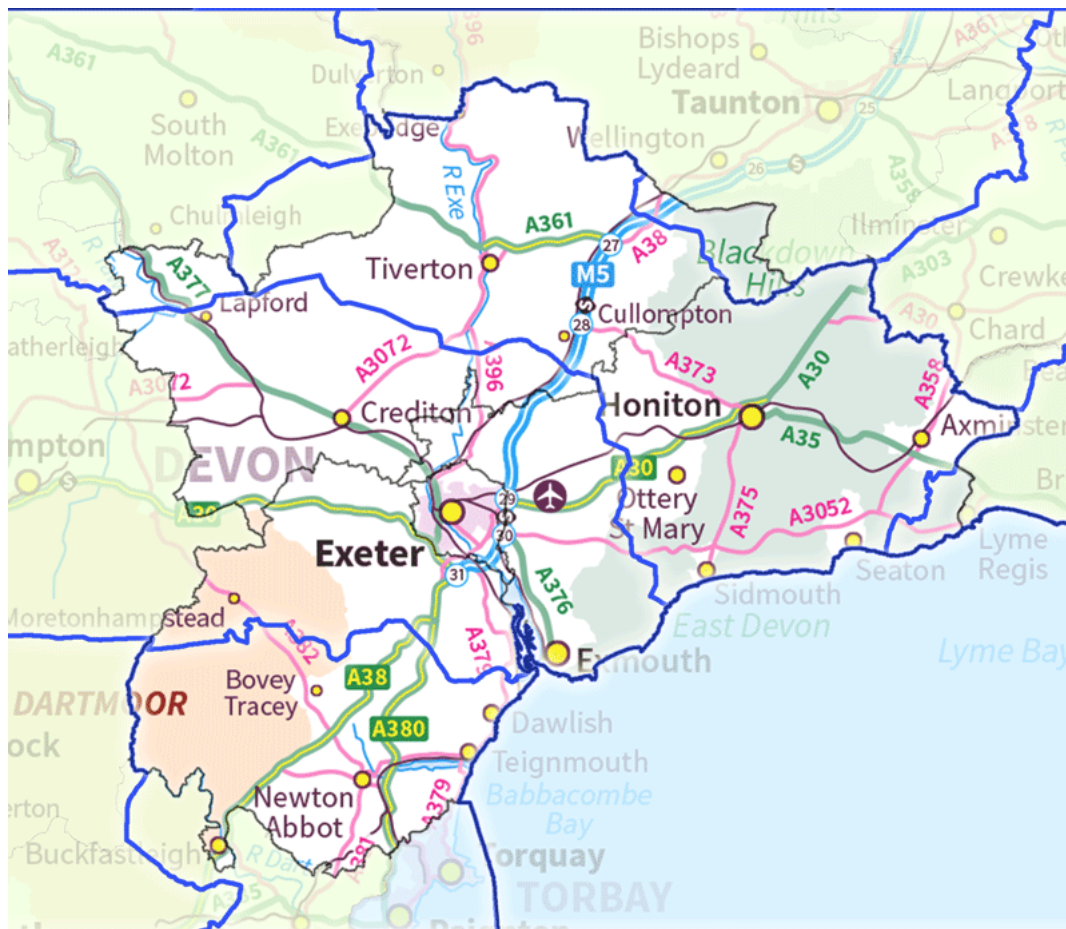


Valuation Office Agency Broad Rental Market Areas

43. The Broad Rental Market Area (BRMA) is the geographical area used by the Valuation Office Agency (VOA) to determine the Local Housing Allowance rate (LHA); the allowance paid to Housing Benefit applicants. The BRMA area is based on an area where a person could reasonably be expected to live, taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping.
44. When determining BRMAs the Rent Officer takes account of the distance of travel, by public and private transport, to and from these facilities and services. The boundaries of a BRMA do not have to match the boundaries of a local authority and BRMAs will often fall across more than one local authority area. Therefore, BRMAs are areas within which it would be reasonable to expect a household needing local housing allowance support to move to another settlement within the area in order to find suitable housing.

45. The BRMA areas for Greater Exeter and surrounding areas are shown, in blue, in Figure 89. It is evident that while the Exeter BRMA covers a wide area, there is also a separate BRMA covering Newton Abbot and another which covers much of East Devon and Mid Devon.

Figure 89: VOA Broad Rental Market Area Boundaries



Administrative Boundaries and Housing Market Areas

46. The original NPPF recognised that housing market areas may cross administrative boundaries while the current NPPF 2021 is silent on HMAs, and March 2014 PPG emphasises that housing market areas reflect functional linkages between places where people live and work. The previous 2007 CLG advice note⁹³ also established that functional housing market areas should not be constrained by administrative boundaries, nevertheless it suggested the need for a “best fit” approximation to local authority areas for developing evidence and policy (paragraph 9):

“The extent of sub-regional functional housing market areas identified will vary and many will in practice cut across local authority administrative boundaries. For these reasons, regions and local authorities will want to consider, for the purposes of developing evidence bases and policy, using a pragmatic approach that groups local authority administrative areas together as an approximation for functional sub-regional housing market areas.”

⁹³ Identifying sub-regional housing market areas (CLG, March 2007)

47. This “best fit” approximation has also been suggested by the PAS OAN technical advice note, which suggests (second edition, paragraph 5.9):

“boundaries that straddle local authority areas are usually impractical, given that planning policy is mostly made at the local authority level, and many kinds of data are unavailable for smaller areas.”

This means there is a need for balance in methodological approach:

- » On the one hand, it is important that the process of **analysis and identification of the functional housing market areas should not be constrained by local authority boundaries**. This allows the full extent of each functional housing market to be properly understood and ensures that all of the constituent local planning authorities can work together under the duty to cooperate, as set out in Guidance (PPG, ID 2a-010).
- » On the other hand, and as suggested by the PAS OAN technical advice note (and the previous CLG advice note), it is also necessary to identify a “best fit” for each functional housing market area that is based on local planning authority boundaries. This “best fit” area provides an appropriate basis for analysing evidence and drafting policy and would normally represent the group of authorities that would take responsibility for undertaking a Strategic Housing Market Assessment.

48. In summary, therefore, the approach to defining housing market areas needs to balance robust analysis with pragmatic administrative requirements.
49. Based on the range of analysis that we have considered; it is evident that the geography of housing market areas around Greater Exeter undoubtedly implies that the area is covered by more than one HMA. However, since the analysis in 2008, the new TTWA and BRMA show the majority of Greater Exeter falls within a single self-contained HMA. For pragmatic purposes it is ideal for HMA to follow local authority boundaries, so while some parts of Teignbridge, Mid Devon and East Devon may sit outside the Exeter HMA, the local authorities as a whole have a best fit within the Exeter HMA. This includes the parts of Dartmoor NPA which lie inside of Mid Devon and Teignbridge, but not the area in West Devon which lie in the Plymouth HMA.

Migration within the UK to and from Greater Exeter

50. The results of the Census 2021 are not available at the time of writing⁹⁴, so the analysis of migration and travel to work in this section is based upon the Census 2011. Figure 90 shows where people moved to and from in the local authorities in Greater Exeter the year before the 2011 Census. For example, for East Devon a total of 14,209 households moved to a new address in East Devon in the year before the 2011 Census and a total of 13,691 households who had been living in East Devon a year before the Census moved to a new address. Of this number, 8,134 households remained within East Devon. Therefore, 57.2% of all households who moved to a new address in East Devon did so from another address in East Devon, while 59.4% of households who moved from addresses in East Devon remained within the local authority area. Very similar percentages of movers remaining in the same local authority apply for each of the four authorities in Greater Exeter.

⁹⁴ First results of the 2021 Census were published on 28 June 2022; after the evidence gathering and analysis for this report were completed.

51. As noted in paragraph 31, the definition for a Housing Market Area sets out that it is the area “*where most of those changing house without changing employment choose to stay*”. Unfortunately, no data is available that relates migration with changes in employment circumstances; but given that most working people will live relatively close to their job, it is reasonable to assume that those migrants moving longer distances will tend to also change their place of work – so the containment rates for this group will inevitably be higher.

Figure 90: Previous Area of Residence (12 months prior to Census) by Current Area of Residence (Source: 2011 Census of Population)

	Moved within LA	All Moves to LA	All moves from LA
Number of moves			
East Devon	8,134	14,209	13,691
Exeter	12,557	21,869	20,427
Mid Devon	4,380	7,722	8,029
Teignbridge	7,176	12,560	12,574
		Moves to LA	Moves from LA
Proportion of moves			
East Devon		57.2%	59.4%
Exeter		57.4%	61.5%
Mid Devon		56.7%	54.6%
Teignbridge		57.1%	57.1%

Travel to Work Patterns

52. Again, as noted in paragraph 31, whilst housing market areas are defined predominantly in terms of the areas “*where most of those changing house without changing employment choose to stay*”, it is also relevant to consider them in the context of “*...the geographical area in which a substantial majority of the employed population both live and work*”. It is therefore important to consider the extent to which the resident population work in the area and the workplace population live in the area.
53. Figure 91 demonstrates the levels of self-containment in the local authorities in Greater Exeter, i.e. those who live and work in the area. Again as an example, this shows that 69.6% of people who live in East Devon also work in the area. Looked at from the other perspective, 77.1% of those who work in East Devon also live there. In Exeter there is a very high level of self-containment for those who live in the area also working in Exeter, while for Mid Devon, 81.8% of the workforce employed in the area also live there. However, overall the data shows a clear pattern of more people working in Exeter than living in the local authority, with many workers in Exeter commuting from East Devon, Mid Devon and Teignbridge.

Figure 91: Workplace Location by Area of Residence (Source: 2011 Census of Population)

	Reside and work in area	Reside in area	Work in area
Number of workers			
East Devon	42,149	60,554	54,649
Exeter	46,475	57,427	83,643
Mid Devon	25,090	38,866	30,664
Teignbridge	38,254	59,453	50,514
		Residents who work in area	Workers who reside in area
Proportion of workers			
East Devon		69.6%	77.1%
Exeter		80.9%	55.6%
Mid Devon		64.6%	81.8%
Teignbridge		64.3%	75.7%

Containment within the Combined Area

54. Figure 92 shows the migration and travel to work patterns for the combined area of Greater Exeter.
55. PPG identifies that a “*relatively high proportion of household moves*” will be contained within a housing market area; and suggests that this will be “*typically 70%*” or more; however this “*excludes long-distance moves*” (ID 2a-011).
56. As the PAS OAN technical advice note confirms, “*what counts as a long-distance move is a matter of judgment*” (second edition, paragraph 5.16). Data from the English Housing Survey 2013-14 household report⁹⁵ (figure 6.4) shows that over 7 in every 8 moves in the UK involved distances of less than 50 miles, with almost 5 in every 6 involving distances of less than 20 miles. It would therefore seem appropriate for long-distance moves to include all moves of at least 50 miles, and for moves of 20 miles or more to also be considered.
57. The concept of excluding “*long-distance moves*” relates back to the early definition of a functional housing market area that was set out at the start of this chapter. That definition focused on “*those moving house without changing employment*”, and long-distance moves will generally involve a change of job or other change of lifestyle (such as retirement). On balance, it seems unlikely that many people would move more than 50 miles in this part of the country without a change of job; so it would seem reasonable to consider moves of over 50 miles as being “*long-distance*” in the context of this specific area.

⁹⁵ <https://www.gov.uk/government/statistics/english-housing-survey-2013-to-2014-household-report>

58. The levels of self-containment in the combined area are considerably higher than for the individual local authorities and very close to the 70% migration threshold and well above the 67% ONS threshold for Travel to Work Areas, i.e. those who live and work in the area. Overall, Figure 92 shows that 89.1% of people who live in the combined area also work in the area and 87.8% of those who work in the combined area also live in the area. Considering the migration data; 67.6% of those who moved to the area previously lived in the area and 69.7% of previous residents of the area who moved stayed in the area.

Figure 92: Migration and Workplace Location by Area of Residence for the combined area (Source: 2011 Census of Population)

Reside and work in area	Reside in area	Work in area
192,736	216,300	219,470
	89.1%	87.8%
Moved within area	All Moves to area	All moves from area
38,121	56,360	54,721
	67.6%	69.7%

Conclusions

59. The CURDS HMA analysis, ONS Travel to Work Areas and BRMAs all indicate that the findings of the Exeter and Torbay SHMA 2007 and the Greater Exeter SHMA 2015 are still valid. A case can be made that there are multiple HMAs within Greater Exeter, however the changes to the NPPF and PPG in 2018 focusing housing needs on local authority boundaries, rather than HMAs, have made this issue less important for Local Plans. Instead, we would recommend treating Greater Exeter as a single HMA.

Appendix C

Jobs and Workers - Alignment of Future Jobs Growth with Resident Workers

Considering the basis for Adjusting the Local Housing Need

60. Whilst the PPG sets out a standard approach for establishing local housing need [ID 2a-004-20190220], this is a minimum figure, and the PPG also provides examples of a number of circumstances where it may be more appropriate to use a higher figure for plan-making [ID 2a-010-20190220].

When might it be appropriate to plan for a higher housing need figure than the standard method indicates?

The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- » *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- » *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- » *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

Planning Practice Guidance, ID 2a-010-20190220

61. The PPG is clear that only in exceptional circumstances should an alternative to the standard method that results in a lower figure be used [ID 2a-01520190220]. Preparing plans that have the flexibility within the land supply to deliver a greater number of new homes than the current LHN will help to ensure that fluctuations in the LHN in future years are more likely to be accommodated without changes being needed, given that the housing requirement is only fixed for 2 years from the point at which plans are submitted.

62. Also when considering the factors that could justify an uplift to the LHN, one of the most important is ensuring that the number of new homes takes account of changes that are anticipated in the local economy as well as population trends. This section therefore looks at whether a housing number that is higher than the LHN may need to be considered, and what alternative figure may be justified for the next steps of plan preparation. Ultimately, it will be for Greater Exeter local planning authorities to determine the extent of any increase when establishing their housing requirements. This will involve evidence-based judgements over a range of different factors.
63. The starting point for understanding the balance between jobs and workers is to assess how many additional economically active persons will be supported by the standard method figures for each local authority. We have modelled future economic activity rates based upon localising the rates used nationally by the Office for Budget Responsibility. These take account of the projected growth in older persons in the labour market as pension ages change and also growing rates of women in the labour market.
64. Figure 93 shows that across the whole of Greater Exeter, the model projects a total of 37,667 additional economically active persons between 2020-40.

Figure 93: Additional Economically Active Persons 2020-2040 (Source: ORS Housing Model)

	Additional economically active persons 2020-40
East Devon	+11,304
City of Exeter	+12,287
Mid Devon	+5,097
Teignbridge	+8,979
Greater Exeter	+37,667

65. The figure of 37,667 additional economically active persons between 2020-40 does not represent the number of additional jobs which can be supported for a variety of reasons such as:
- » Some workers will hold more than one job;
 - » Unemployment rates may change; and
 - » Commuting patterns may change.
66. To assess if the number of workers will support the number of jobs in Greater Exeter will also require a forecast for jobs. This work is being undertaken separately for the local authorities by Hardisty Jones Associates and the two studies will require integration at a later date.

Appendix D

Glossary of Terms

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the National Planning Policy Framework Glossary:

Affordable housing

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

(a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

(b) Starter homes: is as specified in sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.

(c) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

(d) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to government or the relevant authority specified in the funding agreement.

National Planning Policy Framework Glossary, February 2019

Category 2 and 3 are classifications of wheelchair accessible housing. They refer to building regulations Approved Document M (2015) which introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible standard.

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2001 Census.

Concealed families are defined as: "family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity"⁹⁶.

A Dwelling is a single self-contained household space (an unshared dwelling) or two or more household spaces at the same address that are not self-contained; but combine to form a shared dwelling that is self-contained. In most cases, a single household space will be an unshared dwelling.

ECO underpins the Green Deal and places obligations on energy companies to facilitate installation of energy efficiency measures in homes. ECO fits within the Green Deal framework where Green Deal finance alone is not enough.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

Green Deal is a market led framework that will allow individuals and businesses to make energy efficiency improvements to their buildings at no upfront cost. Finance needed for the improvements is repaid, in instalments, attached to an electricity bill.

Headship rates are defined by CLG as: "*the proportion of people in each age group and household type who are the 'head' of a household*"⁹⁷

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

Household formation refers to the process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or Registered Provider is an independent body that primarily provides low-cost "social or affordable housing" for people in housing need.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

Household Representative (HRP) is a person chosen for statistical reasons by virtue of economic activity, age and/or sex as the representative of a household.

⁹⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

⁹⁷ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182417/MethodologyFinalDraft.pdf

Houses in Multiple Occupation are currently defined by the Housing Act 2004 as:

- » an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;
- » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
- » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and
- » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving to a new house without changing employment choose to stay.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low-cost home ownership products and intermediate rent.

Institutional Population (also known as Communal Establishment Population) are those living in managed residential accommodation, for example, nursing homes, student halls of residence, military barracks and prisons. The full definition of a Communal Establishment can be found in the 2011 Census glossary: <https://www.ons.gov.uk/census/2011census/2011censusdata/2011censususerguide/glossary>.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low-cost home ownership or **Shared ownership** is intermediate affordable housing designed to help people who wish to buy their own home but cannot afford to buy outright (with a mortgage). Through this type of scheme, a share in the property is purchased with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Market signals are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Social Landlord/Registered Provider see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low-Cost Home Ownership.

Social rented housing is provided by social landlords and rented for less than would be paid if renting privately.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

AHC	Affordable Housing Commission
AHO	Affordable Homeownership
BRMA	Broad Rental Market Area
CLG	Department for Communities and Local Government (now MHCLG)
CPI	Consumer Prices Index
DFG	Disable Facilities Grant
DWP	Department of Work and Pensions
EHS	English Housing Survey
HB	Housing Benefit
HMA	Housing Market Area
HPSSA	House Price Statistics for Small Areas
LA	Local Authority
LHA	Local Housing Allowance
LHN	Local Housing Need
LHNA	Local Housing Needs Assessment
LLTI	Limiting Long-Term Illness
LPA	Local Planning Authority
LQ	Lower Quartile
LRR	Local Reference Rent
LSE	Leashold Schemes for the Elderly
MHCLG	Ministry for Housing, Communities and Local Government
MSOA	Middle-layer Super Output Area
NPPF	National Planning Policy Framework
OAN	Objectively Assessed [Housing] Need
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
ORS	Opinion Research Services
PPG	Planning Practice Guidance
PPTS	Planning Policy for Traveller Sites
PRS	Private Rental Sector
RSL	Registered Social Landlord
SHMA	Strategic Housing Market Assessment
VOA	Valuation Office Agency

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