Reading Local Housing Needs Assessment:

Report of Findings for Reading

July 2024

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Executive Summary
Summary of key findings and conclusions

Introduction

1. Opinion Research Services (ORS) was commissioned by Reading Borough Council to prepare a Local Housing Needs Assessment to understand and investigate the nature and make-up of current and future housing needs across the area, providing robust evidence to support future plan-making. At the time of writing, the plan period for the authority's Local Plan is proposed to be 2023-41, so this evidence base uses that timeframe.

Objectively Assessed Housing Need

2. For almost all local authorities in England the key starting point for understanding housing needs is the Standard Method for Local Housing Needs. The current Standard Method for Reading is 878 dwellings per annum. The standard method for Reading includes a 35% uplift due to it being one of the 20 largest urban areas in England. If this uplift did not exist, the demographic data shows that the standard method for housing needs for Reading would be 650 dwelling per annum.

3. As discussed in Appendix A of this report, the standard method is under-written by the 2014 based population and household projections. The 2014-based projections were 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 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 data in many area.

4. 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. In Reading. the mid-year population estimates identified an increase of 1,328 persons resident in between mid-2001 and mid-2011. In fact, the Census confirmed an increase of 10,655 persons over the decade – a difference of 9,327 persons. As a percentage of the existing population, only four local authorities in England, outside of London, saw a larger revision to their population data as a result of UPC.

5. In general, a positive UPC adjustment would lead to migration being under-estimated between 2008 and 2014, and therefore the Standard Method being an under-estimate. This would be the case in Reading, if it were not also part of the cities and large urban area 35% uplift. From this, it can be seen that there are considered to be exception circumstances for Reading which question the reliability of the Standard Method in this case.

6. For this project, we therefore considered alternative evidence for the housing need for Reading. Office for National Statistics 2018 based household projections for 2023-33 show an annual average growth of 330

households per annum. This is then adjusted to take account of 2021 Census and mid-year population estimates. The resulting figure therefore provides us with a 18-year model for demographic growth based upon 10-year migration trends which more accurately address the demographic growth in Reading.

7. The second stage of the Standard Method is the affordability uplift. This effectively includes a wide range of issues including:

   » An allowance for vacant and second homes;

   » Use Class C2 – population projections for an area including all persons. However, when household projections are estimated, anyone not in a household is removed. For the care home population, the assumption used in national population projections is that the percentage of the population aged 75+ years in care homes will remain constant. This is just the extra population, so existing supply is already offset in the model, but any additional persons in Class C2 will require to be added back into the OAN figure;

   » Concealed families – Over the past 20 years there has been a growth in couples or lone parents living with other households who we would expect to lead their own households. We count any growth in this figure as an additional need in the OAN; and

   » Suppressed household formation – households have been forming at a lower rate among younger people, so they form a separate household at a later age. This is an argument for increasing provision to allow them to form at younger ages. 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, a point when housing market pressures were less prominent.

   » An allowance to cover any shortfall in dwellings to accommodate workers to meet the growth in employment as set out in Appendix B.

8. The resulting figures are set out below and show a final demographic growth per annum of 396 households and a net additional dwelling need from other sources of 340 dwellings, to give a total need for 735 dwellings per annum (rounded), or 13,235 dwellings over the period 2023-41. This represents an 86% uplift on the household projections.

Figure 1: Objectively Assessed Need for Reading 2023-41 (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

READING	Annual Need
ONS 2018 based household projections: 10-year migration trend	330
Adjustment for Census and Mid-year population estimates 2021	+65
Vacancy rate Applied	+26
C2 Dwelling equivalent	+8
Concealed families	+48
Suppressed household formation/Pent-up demand	+85
Demographic and Backlog of Need Total	**562**
In-migration to meet Jobs Target	+173
TOTAL	**735**

9. In summary:

> » The standard method for Reading <u>without the 35% uplift</u> is 650 dpa;

> » A jobs led housing need for Reading is 735 dpa

> » The standard method for Reading <u>with the 35% uplift</u> is 878 dpa; and

10. We will now proceed to use the 735 dwellings per annum as the basis for the analysis in the remainder of this report.

Establishing Current Unmet Need for Affordable Housing

11. To assess the current need for affordable housing, we initially calculated the number of households in Reading who are not suitably housed and who are unable to afford market housing.   These include: all households that are currently homeless, those who are currently housed in temporary accommodation, concealed families living as part of another household, households overcrowded in social or private rent, and people otherwise not counted who are in a reasonable preference category on the housing register.

12. Based on a detailed review of both the past trends and current estimates our analysis has concluded that 4,211 households in Reading are currently living in unsuitable housing and are unable to afford their own housing. Of these households, 1,380 currently occupy affordable housing that does not meet the current householders' needs, mainly due to overcrowding. There is, therefore, a net current affordable housing need of 2,831 households (4,211 less 1,380 = 2,831 rounded). Providing the net current affordable housing need for 2,831 households will release back into the market (mainly in the private rented sector) the dwellings currently occupied by a total of 2,021 households (2,831 less the 810 households which are homeless or concealed and thus do not release dwellings).

Future Need for Affordable Housing

13. 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.   Figure 2 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 2:   Annual components of Household Growth Reading 2023-2041 (Source: ORS Housing Model)

READING 2023-2041		All households	Households able to afford housing costs	Households unable to afford housing costs
All new households		6,684	5,265	1,419
All households no longer present		6,289	4,833	1,455
Change in existing households		-	-150	150
Future affordable housing need 2023-2041	**Annual average**	**+395**	**+282**	**+113**
	18-year Total	**+7,112**	**+5,075**	**+2,036**

14. Overall, reviewing the contribution of each element amounts to an additional 113 households needing affordable housing in Reading annually over the 18-year period 2023-41.

Needs of Households Aspiring to Homeownership

15. The Government have placed an emphasis on households that cannot afford to own their home reflecting concerns that the proportion of owner occupiers has reduced nationally over the last 20 years. One unexpected consequence of current policy is that households in the Private Rented Sector (PRS) who aspire to home ownership and can afford affordable home ownership are designated as being in housing need of affordable home ownership. At the same time, households in the PRS who can afford private sector rent but cannot afford affordable home ownership are designated as being adequately housed.

16. Figure 3 works through the numbers to separate these two groups out of the total numbers of households aspiring to own whether they be in the PRS or not. Overall, there are likely to be up to 18,220 households who cannot afford to buy their own home on the open market and aspire to homeownership in Reading over the period 2023-41. These are the upper limit figures and are adjusted as part of the assessment to take account of any households that can afford market ownership. The vast majority of this group of private renters can be assumed to be potential first-time buyers.

17. The Government have recently introduced a new housing product entitled First Homes, which are properties to be sold with at least a 30% discount to first-time buyers. While the figure of up to 18,220 aspirational homeowners in Reading sets an upper threshold for the number who could seek to access First Homes, it would still be the case that these households would require a deposit and to be able to afford to service the cost of a mortgage.

18. Below, Figure 3 brings together the information on assessing the unmet need for affordable housing in 2023 together with the future need for affordable housing and those aspiring to home ownership arising over the 18-year period 2023-41. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options; some may be able to afford home ownership but have not found a suitable property yet.

Figure 3:   Assessing total need for affordable housing in Reading 2023-2041 (Source: ORS Housing Model)

READING 2023-2041	Affordable Housing Need		Overall Affordable Housing Need
	Households unable to afford	Households aspiring to home ownership	
Current housing need in 2023	2,831	8,743	11,574
Future housing need 2023-2041	2,037	9,476	11,513
TOTAL AFFORDABLE HOUSING NEED	**4,868**	**18,220**	**23,088**

19. 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 afford homeownership products if they were provided.

20. Figure 4 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. It is important to recognise that no 4 or more-bedroom properties are taken forward because they sit over the affordability cap for First Homes.

Figure 4:   Aspiring affordable homeownership housing mix by household affordability 2023-2041 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households ineligible for affordable 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	**4,589**	585	**4,003**	1,629	**2,375**	1,391	**983**
2 bedrooms	**7,426**	488	**6,938**	3,248	**3,690**	2,583	**1,107**
3 bedrooms	**5,085**	343	**4,742**	3,156	**1,586**	1,243	**343**
4+ bedrooms	**1,121**	1,121	**0**	0	**0**	0	**0**
TOTAL	**18,220**	**2,537**	**15,683**	**8,033**	**7,650**	**5,217**	**2,433**

21. On this basis, 2,433 dwellings are needed for First Homes for households that aspire to homeownership but cannot afford it in Reading. As previously noted, it is likely that the vast majority of these households would be first-time buyers. However, we would note that the households who have been excluded from this calculation because they do not have sufficient savings or who cannot afford the mortgage on a First Home do still have a potential affordable need. It is just the case that they will not be able to access First Homes.

22. We consider that it is appropriate to exclude the households who can afford to buy or are in 4 or more-bedroom properties where these cannot be delivered within the First Homes cap, but for those who lack income (households unable to afford 50% of newbuild LQ) or savings (households with savings less than £5,000) for a First Homes, alternative housing products may be more suitable. In Reading, this amounts to 13,250 households (8,033 + 5,217 = 13,250). Instead, if a suitably priced Rent to Buy, or Shared Ownership product can be developed then they may move from a market need to an affordable housing need.

23. Whilst it is a policy decision as to how much additional housing in the form of affordable homeownership can be provided for households able to afford market rents but not market ownership, the needs of the 2,433 households in Reading likely to form an effective demand for First Homes can be considered a minimum. The overall need for affordable housing comprises the needs of this group combined with the needs of the 4,868 households unable to afford to rent or own market housing. Figure 5 provides a breakdown of the overall need for affordable housing on this basis:

Figure 5:   Overall need for Affordable Housing 2023-2041, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing Need		Affordable Housing (Households)
	Households unable to afford	Households aspiring to home ownership	
1 bedroom	1,331	983	2,314
2 bedrooms	713	1,107	1,820
3 bedrooms	1,750	343	2,093
4+ bedrooms	1,074	0	1,074
TOTAL HOUSING NEED	4,868	2,433	7,301

24. For Reading this study identifies an overall affordable housing need from 7,301 households over the 18-year period 2023-41 (406 per annum).

25. At this point we add the allowance for vacant homes, taking the overall need for affordable dwellings to 7,410. Within the overall need of households requiring 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 housing. 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. The household aspiring to own figure is based upon those who can access a First Homes property at 50%, 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.

26. Figure 6 includes the need from those modelled to require Class C2 and also an allowance for vacant homes, so the total number of dwellings required equals 13,235 over the period 2023-41. This shows that 923 of the 4,868 households identified in Figure 45 could afford Affordable Rent without housing benefit support. This is 19% of the 1,138 identified as being unable to afford housing costs.

27. The data also further disaggregates those seeking First Homes 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").

28. 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 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 140 dwellings in Reading are delivered as Class C2 bedspaces. Instead, the population and household projections assume that the equivalent of 140 dwellings will be vacated by those moving to Class C2. If these moves do not occur because Class C2 bedspaces are not delivered, then 140 more Class C3 dwellings will be required. If Class C2 bedspaces are delivered, they can be counted at a ratio of 1.80 bedspaces equals 1 dwelling in the LHN figures.

Figure 6: **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)**

| | Affordable Dwellings | | | | Total Affordable Housing | Total Market Housing | Total Housing |
| | Unable to afford market rents | | Unable to afford market ownership | | | | |
	Social Rent	Affordable Rent	Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	1,240	111	393	605	2,349	32	2,381
2 bedrooms	571	152	561	562	1,847	897	2,744
3 bedrooms	1,341	435	348	0	2,125	3,820	5,944
4+ bed	866	224	0	0	1,090	936	2,026
DWELLINGS	**4,018**	**923**	**1,302**	**1,167**	**7,410**	**5,685**	**13,095**
C2 Dwellings	-	-	-	-	-	140	140
LHN	**4,018**	**923**	**1,302**	**1,167**	**7,410**	**5,825**	**13,235**

Housing for Older People

29. The population projections underlying the Local Housing Need figure for Reading shows a substantial increase in the older population over the period 2023-2041 with an additional 5,513 persons and 3,951 households resident in the local area.

30. Figure 7 considers the need for specialist older person housing for older households in Reading over the 18-year period 2023-2041. On this basis, there would be a need to provide an additional 665 specialist older person housing units in Reading (equivalent to an average of 37 dwellings per year) of which 71% would need to be provided as affordable housing. The need for specialist older person housing represents 4% of the overall housing need identified for Reading.

Figure 7:   Modelled Need for Specialist Older Person Housing in Reading 2023-2041

Form of Provision	Existing supply	Baseline rate per 1000 persons aged 75+	Benchmark range per 1000 persons aged 75+	Target rate per 1000 persons aged 75+	Gross need in 2041	Housing need 2020-2041
Market Housing	**941**	**100**	-	**73**	**1,133**	**192**
Housing with Care	175	19	17-18	18	278	103
Housing with Support	766	81	25-33	55	855	89
Affordable Housing	**1,044**	**111**	-	**98**	**1,517**	**473**
Housing with Care	288	31	17.5	24	373	85
Housing with Support	756	80	67	74	1,144	388
TOTAL	**1,985**	**211**	**-**	**171**	**2,650**	**665**
Housing with Care	*463*	*49*	*-*	*42*	*651*	*188*
Housing with Support	*1,522*	*161*	*-*	*129*	*1,999*	*477*

31. This analysis 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 specialist housing are already experiencing lower demand, and other, newer types of provision may appear to meet changing aspirations in the future. The policy aim of supporting people at home for longer along with assistive technology could also reduce or alter demand. 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.

Housing for people with disabilities

32. The need for adapted housing 2023-2041 can be expressed as a range between 2,896 and 5,403 dwellings as shown below. 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 indicates that it would be appropriate to plan for a minimum of 23% of housing to M4(2) Category 2 or M4(3) Category 3.

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

READING	Affordable	Market	TOTAL	% of LHN
Existing need in 2023				
Households where an existing illness or disability affects their housing need and need to move in 2023	194	316	510	-
Projected future need 2023-2041				
Additional households in 2041 where illness or disability affects their housing need or will develop within 10 years	2,823	2,071	4,893	-
Maximum need for adapted housing 2023-2041 (households)	**3,016**	**2,387**	**5,403**	**43%**
Less households living in dwellings adaptable to M4(1) standard	1,446	1,061	2,506	-
Minimum need for adapted housing 2023-2041 (households)	**1,570**	**1,326**	**2,896**	**23%**

33. The minimum and maximum shown in Figure 8 represent the combined need for both M4(2) Category 2 and M4(3) Category 3 housing. The modelled need for M4(3) wheelchair adapted housing is shown below.

34. 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; some of these people may also be identified in the specialist older people housing above. The evidence supports a target of at least 9% of affordable homes to be wheelchair adapted and possibly a higher target of 15% subject to viability. The evidence also suggests that it would be reasonable to plan for 10% of market homes to be wheelchair adapted, again subject to viability.

Figure 9: **Households needing Wheelchair Adapted Housing by age (Source: ORS Housing Model. Note: Figures may not sum due to rounding)**

READING: Modelled Need for Wheelchair Adapted Housing	Households aged under 75			Households aged 75+		
	2023	2041	Net change 2023-2041	2023	2041	Net change 2023-2041
Market housing	710	840	+130	360	530	+180
Affordable housing	740	940	+200	280	510	+220
Total	**1,450**	**1,780**	**+330**	**640**	**1,040**	**+400**

1. Introducing the Study
Background to the project

Introduction

1.1   Opinion Research Services (ORS) was commissioned by Reading Borough Council to prepare a Local Housing Needs Assessment to understand and investigate the nature and make-up of current and future housing needs across the area, providing robust evidence to support future plan-making. At the time of writing, the plan period for the authority's Local Plan is proposed to be 2023-41, so this evidence base uses that timeframe.

1.2   This study adheres to the requirements of the most recent National Planning Policy Framework (NPPF) published in December 2023 and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment. The Local Housing Need element of this assessment has set aside the standard method for estimating housing need due to the impact of the 35% cities and large urban centres uplift and instead has calculated a genuinely local housing need for Reading. Appendix B considers how the alternative housing need figure can accommodate the potential workforce growth in Reading.

1.3   Reading have previously developed a Local Plan for the period 2013-36 based upon a target of 699 dwellings per annum. This current study considers the need for housing in Reading from a completely fresh base.

1.4   We would note that in June 2022 the first results from the UK Census of Population 2021 were released, with further data being rolled out since this time. 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 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.

1.5   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   A revised version of the National Planning Policy Framework was published in July 2018. Whilst the 2018 NPPF maintains the underlying theme of sustainable development, several significant changes have been introduced in relation to identifying and meeting housing needs. The 2018 NPPF was updated in February 2019 (the 2019 NPPF) to incorporate a number of detailed changes following a technical consultation and was further updated in July 2021 and December 2023. Whilst most of the changes made in 2018 appear relatively minor, they may have a substantial impact on identifying and meeting housing needs in some areas. The results of the consultation were summarised in the document "Government response to the technical consultation on updates to national planning policy and guidance".

2.3   Under the 2023 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. A further iteration of the NPPF published in December 2023 focussed on a presumption sustainable development including the local economy and environment and retained the idea that *strategic policies should, as a minimum, provide for objectively assessed needs for housing and other use*.

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 2019 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 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 61-010-20180913].

2.6   The 2019 NPPF also introduced a new definition for affordable housing, and this was carried over into the 2023 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 Planning Practice Guidance (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 <u>or</u> 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 2023 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"* PPG [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   On 14 September 2017, the Ministry of Housing, Communities and Local Government (MHCLG) published a consultation on potential revisions to the NPPF, including a standardised methodology for calculating the Local Housing Needs (LHN). This included a number of key proposals:

> »   The <u>starting point for calculating the LHN for any area should be the most up to date household projections published by MHCLG</u>;
>
> »   While, deviation from this starting point can be considered, the consultation proposals note that; *<u>There should be very limited grounds for adopting an alternative method which results in a lower nee</u>*<u>d</u>; 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.

2.9   The Standard Method seeks to identify 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.

2.10   PPG also suggests that local planning authorities will need to calculate their local housing need figure at the start of the plan-making process but that this number should be kept under review and revised where appropriate. 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.

2.11   The current Standard Method Local Housing Need for Reading is 878 dwellings per annum. However, as set out below and Appendix A and B, the calculation of Local Housing Need in this document does not proceed on the above basis, so the Standard Method is not used from this point onwards[1].

2.12   This decision is based on the evidence set out in Appendix A which indicates that in Reading, Unattributable Population Change (UPC) was significant for the period 2001-2011, and that the ONS data has consistently under-estimated the population growth rate for the area. This under-estimate appears to have been driven

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[1] The standard method includes a 35% uplift for the top 20 cities and urban centres, and this uplift applies to Reading. This is discussed further in Appendix A.

by an over-estimate for net out-migration from Reading. The under-estimate would see the LHN for Reading being too low if there was not also the 35% cities and large urban centres uplift in the Standard Method. The 35% is not evidence based and therefore, for this study we have chosen to seek a housing need figure based upon the balance of housing required to accommodate the workforce of Reading.

Summary of the ORS Approach to Modelling Housing Need

2.13   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. However, as set out below in Chapter 4 and in Appendix A and B, we consider that those exceptional circumstances do exist in Reading.

2.14   The standard method for Reading includes a 35% uplift due to it being one of the 20 largest urban areas in England. If this uplift did not exist, the demographic data shows that the standard method would under-estimate the housing needs of Reading at 650 dwelling per annum. For this project, in Appendix B we have calculated that a jobs led housing need for Reading would be 735 dwellings per annum. Therefore, in summary:

» The standard method for Reading <u>without the 35% uplift</u> is 650 dpa;

» A jobs led housing need for Reading is 735 dpa

» The standard method for Reading <u>with the 35% uplift</u> is 878 dpa; and

» This study proceeds with the 735 dpa figure, while recognising the full standard method, is 878 dpa. Reading Borough Council will then require to consider the balance between housing need and the level of housing which can be built in the Borough.

2.15   In Chapter 4, we consider the demographic profile of the population and households. The demographic projections for this study are based on the latest official projections and cover the 18-year period 2023-2041. They are informed by the latest ONS mid-year estimates,[2] 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, updated to the 2021 mid-year population estimates. 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.

2.16   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 accurate data than the data underwriting the standard method.

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[2] 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 Reading

Chapter Summary

3.1 Since 2001, the volume of households in the private rented sector (PRS) in Reading has grown sharply, while the number in owner occupation has fallen by 3,500.

3.2 Real house prices in Reading, have historically mirrored those in England as a whole. As of 2022, prices in Reading are £26,000 below their peak prices in 2018 when the impact of inflation is considered.

3.3 New build dwellings generally attract a premium across England, but the difference in price between all newbuild and second-hand properties in Reading is quite large. A typical gap between newbuild and second-hand properties is around 10%-20%, however, the gap in Reading is larger than this in every property type.

3.4 Compared to the cost of renting privately, affordable home ownership products in Reading appear to be relatively inaccessible.

Introduction

3.5 This chapter explores the cost of housing in Reading and the incomes needed to rent or buy at market prices.

3.6 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

3.7 When considering the local housing market, it is worth noting the historic changes to tenure in Reading, as recorded by past censuses. Figure 10 below provides the detailed census data for Reading:

Figure 10: Number of Households in Reading by Tenure 1981-2021 (Source: UK Census of Population)

Tenure	Total Households					Net Change			
	1981	1991	2001	2011	2021	1981-1991	1991-2001	2001-2011	2011-2021
Owner occupied	29,532	35,078	38,584	35,609	35,016	+5,546	+3,506	-2,975	-593
Private rent	6,851	6,226	10,163	17,018	21,743	-625	+3,937	+6,855	+4,725
Social rent	11,312	9,635	9,130	10,242	10,924	-1,677	-505	+1,112	+682
TOTAL	**47,695**	**50,939**	**57,877**	**62,869**	**67,683**	**+3,244**	**+6,938**	**+4,992**	**+4,814**
Owner occupied	61.9%	68.9%	66.7%	56.6%	51.7%	6.9%	-2.2%	-10.0%	-4.9%
Private rent	14.4%	12.2%	17.6%	27.1%	32.1%	-2.1%	5.3%	9.5%	5.1%
Social rent	23.7%	18.9%	15.8%	16.3%	16.1%	-4.8%	-3.1%	0.5%	-0.2%

3.8 During the 1981-2021 period the total volume of households in Reading has risen from 47,695 to 67,683. Notably, the volume of households in private rent has increased from 6,851 to 21,743 households whilst other forms of tenure have seen only small levels of change.

3.9   The table also shows that the most notable change has been the decline in the proportion of owner occupied households, which reduced proportionally by 15% during the period 2001 and 2021 (from 66.7% to 51.7%). In contrast, private rent grew noticeably between 2001 and 2021, with the proportion nearly doubling from 17.6% in 2001 to 32.1% in 2021.

3.10   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**

3.11   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.

3.12   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.[3] On this basis, the number of households renting privately could double again over the next twenty years.

3.13   As the PRS 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.

3.14   The Government sees the PRS 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.

3.15   Policy by both the Government and local authorities is focused on improving management and maintenance in the sector (via licensing or self-regulation schemes) and expanding supply[4] (including the Build to Rent investment scheme[5]). The Government published *"Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities"* in March 2019[6,] and the Foreword by the Minister stated:

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[3] http://news.rla.org.uk/rpi-rent-revolution/
[4] https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment
[5] https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence
[6] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

> *"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."*

3.16 It is important for local authorities to recognise the role of the private rented sector at a local level. Recent changes to letting polices 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.

3.17 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.

3.18 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 are now pursuing an alternative policy entitled First Homes[7].

3.19 The consultation for First Homes ran from February to May 2020, with a government response to the consultation published in April 2021. A Written Ministerial Statement and PPG published on 24 May 2021 brought First Homes into policy. First Homes are newbuild properties built as part of wider housing developments which are sold with a discount of at least 30%, but this could be higher if a local need can be demonstrated. Local authorities 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. There are many households residing in the private rented sector in Reading who aspire to home ownership 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 help to provide affordable rented homes. Developers would be expected to provide a proportion of all properties on larger new developments as First Homes (there is a requirement for a minimum of 25% of all affordable housing units on eligible sites secured through developer contributions under section 106 to be First Homes), and thereby sell these at a discount of at least 30%. By taking part of the funding for affordable rented across into the First Homes scheme, this could potentially reduce the supply of social rented or affordable rented homes in areas with a need for less than 25%

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[7] https://www.gov.uk/government/consultations/first-homes

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

3.20   When considering renting in Reading it is important to reflect on the range of rental options available together with the impact of the housing benefit levels in the area. There are a number of rates to consider. There are four key definitions to consider when looking at the cost of renting 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.
>
> » Also noted are the Reading Affordable Rents at 70% of market rents, which have been the Council's preferred option since 2021

3.21   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 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 onwards[8].

3.22   Figure 11 sets out the median weekly rents for different property sizes in the local authority together with the local housing allowances and the calculated affordable rent rates. It may be noted that there are local variations in rental costs, and those presented below are representative of the LA as a whole.

Figure 11:   Weekly rent thresholds Reading (Source: Valuation Office Agency 2022-23; SDR 2022[9], Reading Affordable Housing SPD 2020[10])

READING	Median Private Rent	Lower Quartile Private Rent	Local Housing Allowance (Reading BRMA)	Affordable Rent	Reading Affordable Rent
1 bedroom	£205.83	£183.98	£182.96	£158.29	£ 132.94
2 bedrooms	£252.29	£218.48	£218.63	£180.32	£177.86
3 bedrooms	£287.47	£258.27	£264.66	£197.59	£210.00
4+ bedrooms	£402.46	£344.97	£356.71	£261.22	£274.62

3.23   Across all property sizes, apart from 1-bedroom properties, the lower quartile private rent is lower than the maximum LHA in Reading. This means that those on housing benefit can afford 2, 3 and 4+ bedroom properties of lower quartile rents.

3.24   Across all property sizes, the median private rent is higher than the maximum LHA in Reading. This means that those on housing benefit cannot afford any properties of median private rents.

3.25   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

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[8] 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
[9] SDR = Statistical Data Return
[10] Affordable Housing SPD, adopted March 2021 (reading.gov.uk)

rent (where they were entitled to do so). Similarly, Reading Affordable Rents are lower than the maximum LHA rate for the equivalent property.

3.26 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 property that they need in their BRMA.

Income Needed to Rent Housing

3.27 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)[11] 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**

3.28 However, this previous Guidance was rescinded in March 2014 following the publication of the NPPF and the launch of the new Planning Practice Guidance (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).

3.29 The English Housing Survey (EHS) 2015-16[12] provides information about the percentage of gross household income that households currently spend on their housing costs[13]:

» For the total gross income (including housing benefit) of the Household Reference Person and partner, households renting privately spent on average 41% of their income on rent, whilst the average was 31% for households in social rent;

» For the total gross income (excluding housing benefit) of the Household Reference Person and partner, households renting privately spent on average 48% of their income on rent, whilst the average was 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 spent on average 35% of their income on rent, whilst the average was 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 spent on average 41% of their income on rent, whilst the average was 37% for those in social rent.

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[11] https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance
[12] https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report
[13] "Annex Table 1.13: Mortgage/rent as a proportion of household income (including and excluding housing benefit) by tenure, 2010-11 to 2015-16"

3.30 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 costs[14]. 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.

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

» The median weekly rent recorded was £205.83;

» Based on a 35% (of gross) income multiplier, a weekly income of £588.09 would be needed which equates to a gross annual income of £30,580.68.

3.32 To rent the same property based on a 25% income multiplier would increase the gross income required to £42,812.64 per year whereas households with an annual income of £23,784.80 per year could afford the rent if 45% of their income was allocated to housing costs.

3.33 Figure 12 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 12: **Annual income required to afford to rent proprieties at the lower quartile and median price based on 35% income multiplier by property size in Reading (Source: ORS based on Valuation Office Agency data Apr 2022 to Mar 2023; SDR 2022)**

READING	Private Rent		Affordable Rent (SDR 2022)	Social Rent
	Median	Lower Quartile		
1 bedroom	£30,686	£27,429	£23,598	£14,755
2 bedrooms	£37,611	£32,571	£26,882	£17,544
3 bedrooms	£42,857	£38,503	£29,457	£20,277
4+ bedrooms	£60,000	£51,429	£38,943	£22,726

3.34 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.

3.35 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.

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[14] This is coincidentally also the figure Shelter deem reasonable - https://blog.shelter.org.uk/2015/08/what-is-affordable-housing/

3.36 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).

3.37 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.

3.38 Eligibility for housing benefit will differ based on the type of household and the number of bedrooms needed. Figure 13 sets out the maximum incomes for housing benefit eligibility for different types of households:

Figure 13: Maximum income for households in receipt of housing benefit support by household type (Source: ORS based on data held by Shelter England[15]; Valuation Office Agency data[16])

		Reading BRMA
ROOM ONLY	Single person aged 16-24	£10,226
	Single person aged 25-34	£11,019
1 BEDROOM PROPERTIES	Single person aged 35+	£18,501
	Couple (both aged under 18)	£19,253
	Couple (one or both aged 18 or over)	£20,680
2 BEDROOM PROPERTIES	Lone parent (aged 18 or over) with 1 child	£24,855
	Lone parent (aged 18 or over) with 2 children	£28,346
	Couple (aged 18 or over) with 1 child	£27,034
	Couple (aged 18 or over) with 2 children	£30,525

3.39 The data in Figure 13 is presented for purposes of comparison with other income levels that appear later in this chapter.

Cost of Home Ownership

3.40 When considering home ownership, it is worth reflecting on house prices during the past twenty years. House price trends (2001-2022) are shown in Figure 14. This is based on lower quartile prices and data is adjusted for inflation so that values reflect real changes in house prices since 2001.

3.41 Real house prices in Reading, 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 2012, since then, they have grown steadily, peaking in 2018. As of 2022, prices in Reading are £26,000 below their peak prices in 2018.

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[15] Shelter Legal England - Housing benefit calculation rates 2020 to 2021 - Shelter England
[16] https://lha-direct.voa.gov.uk

Figure 14: Real House Price Trends: Lower Quartile Prices adjusted to Dec 2022 values using CPI (Source: ONS; Bank of England)

Real House Price Trends
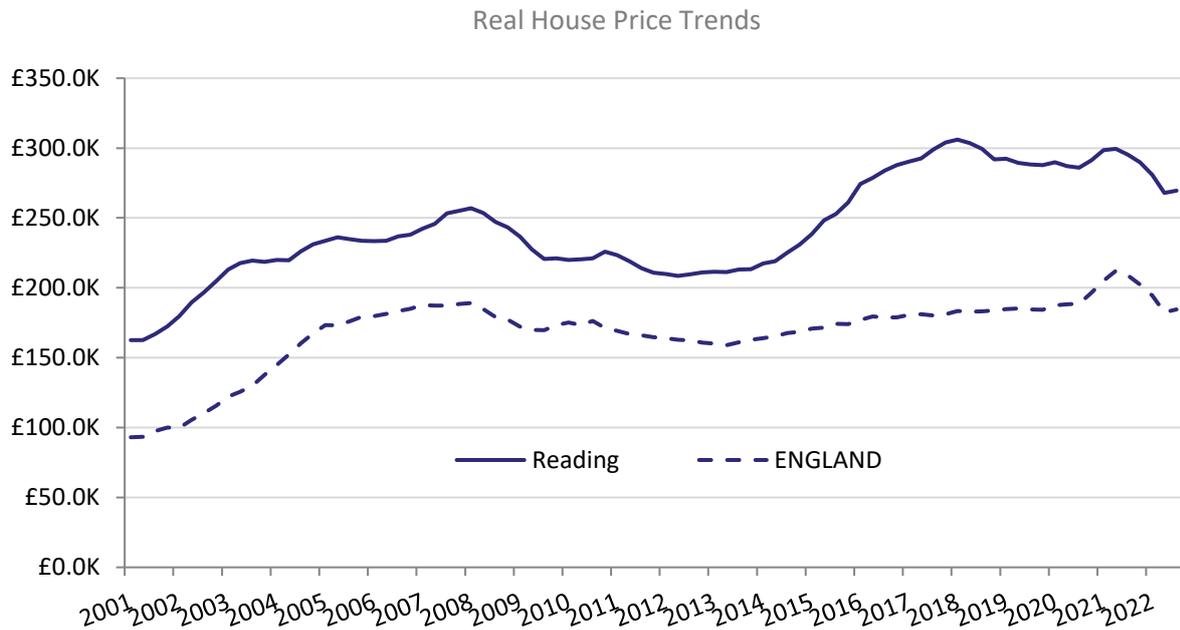
3.42   House prices clearly vary in accordance with a range of factors. An important component is the size of the property, with the number of bedrooms being key. Figure 15 shows lower quartile house prices in Reading by bedroom size.

3.43   There is also a difference between existing properties and new build dwellings. New build dwellings generally attract a premium across England, but the difference in price between all newbuild and second-hand properties in Reading is quite large. A typical gap between newbuild and second-hand properties is around 10%-20%, however Reading is larger than this in every property type.

Figure 15: Reading - Lower quartile prices (adjusted by CPI) (Apr 2020-Mar 23) by property size (Source: ORS based on ONS House Price Statistics, Bank of England, Valuation Office Agency and Land Registry Price Paid Data)

House Prices by Property Size - READING
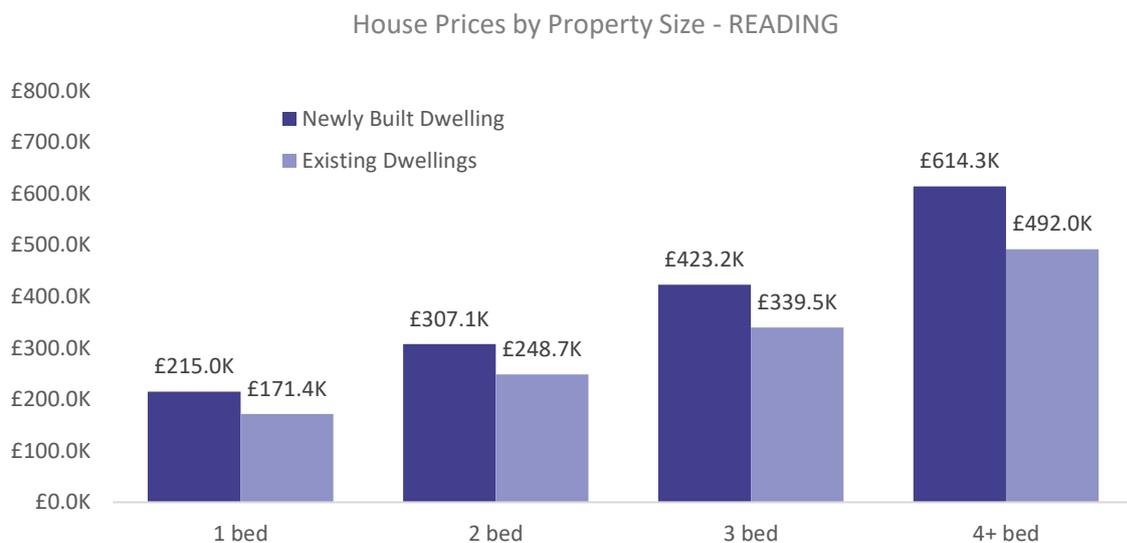
3.44   The difference in values between new build and existing properties is likely to be down to a range of factors which include the location of newbuild housing, the relative size of properties, gardens, the availability of parking, comparative quality and condition of existing stock, and other intangible issues such as character.

3.45   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

3.46   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).

3.47   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 (25,714 x 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.

3.48   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 3.5x 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 16: Calculating income needed for home ownership.

Market Price

£200,000

10% Deposit

= £20,000

5% Deposit

= £10,000

Mortgage needed

BANK

= £180,000

Mortgage needed

BANK

= £190,000

Typical mortgage Income multiplier = 3.5

Typical mortgage Income multiplier = 3.5

Income needed

= £51,400 p.a.

Income needed

= £54,300 p.a.
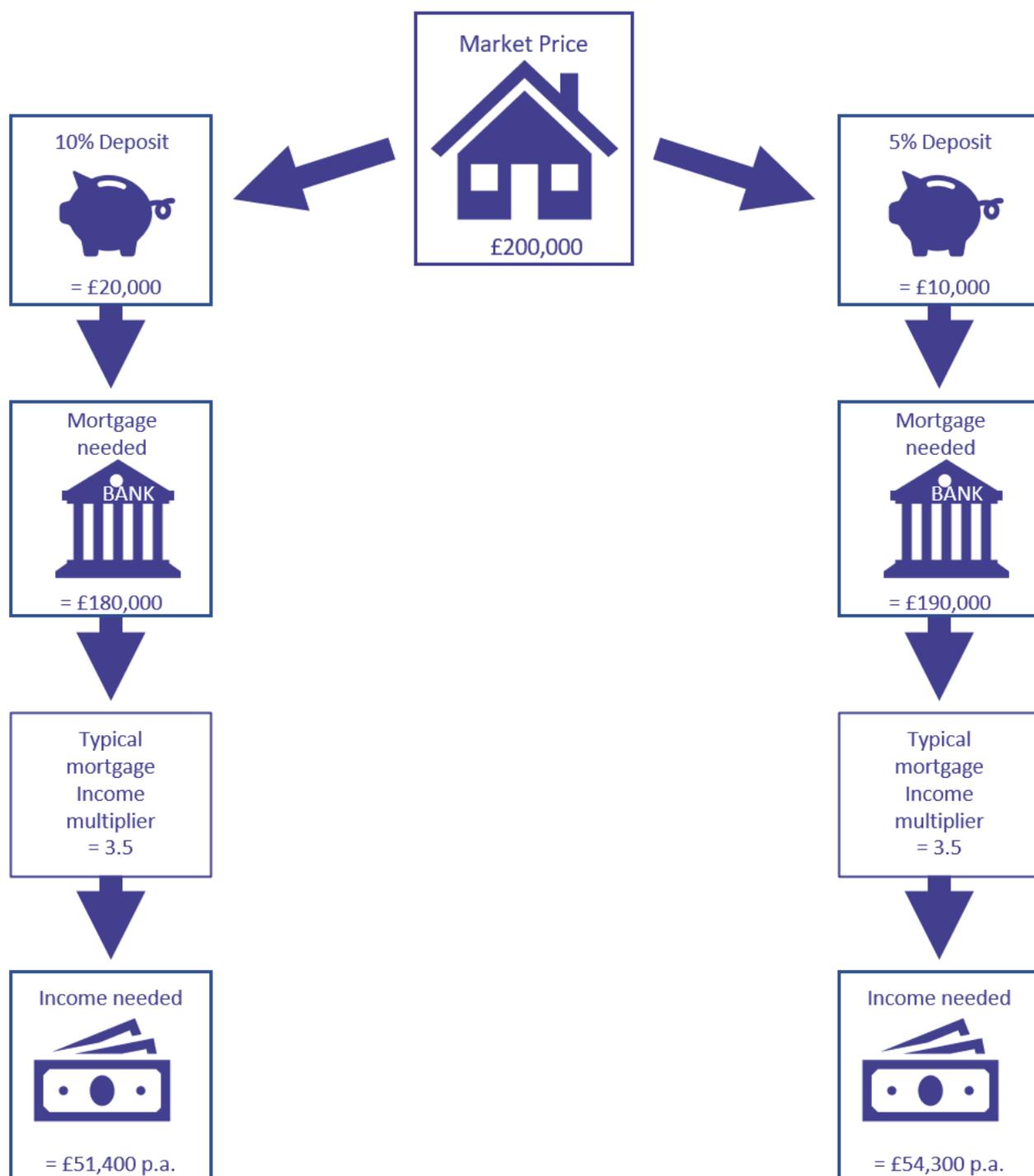
3.49   Based on these assumptions, Figure 17 and Figure 18 show examples of calculating household income levels needed to buy 1 and 2-bedroom properties in terms of both existing and newly built properties. When purchasing larger homes, households will typically have larger deposits available, often including equity from the sale of another property. On this basis, it is relatively artificial to consider incomes in isolation for larger properties.

Figure 17: Income needed for home ownership with 5% deposit.

Size	Newly Built Dwellings				Existing Dwellings			
	Lower quartile price of dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum	Lower quartile price of dwelling	Applied 5% Deposit	Typical Income multiplier	Income needed per annum
1 bedroom	£215,000	£204,250	£58,357	£58,400	£171,411	£162,841	£46,523	£46,600
2 bedrooms	£307,143	£291,786	£83,367	£83,400	£248,739	£236,302	£67,515	£67,600

Figure 18: Income needed for home ownership with 10% deposit.

Size	Newly Built Dwellings				Existing Dwellings			
	Lower quartile price of dwelling	Applied 10% Deposit	Typical Income multiplier	Income needed per annum	Lower quartile price of dwelling	Applied 10% Deposit	Typical Income multiplier	Income needed per annum
1 bedroom	£215,000	£193,500	£55,286	£55,300	£171,411	£154,270	£44,077	£44,100
2 bedrooms	£307,143	£276,429	£78,980	£79,000	£248,739	£223,865	£63,961	£64,000

3.50   Figure 17 and Figure 18 show the income needed for home ownership in Reading for newly built and existing dwellings at both 5% and 10% deposits. Both figures indicate the starting value of the lower quartile price of a dwelling, before having either a 5% or 10% deposit applied, and then the annual income required based on a 3.5 times income multiplier.

Income Needed for Other Types of Housing

3.51   Another housing option that could be made available in Reading, 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 2023 (Glossary)**

3.52   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.

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 PPG offers a "*generally suitable*" benchmark that 20% of any given build to rent scheme should be provided as affordable rent (maintained in perpetuity). In terms of setting affordable rent levels, national affordable housing policy requires a rent discount of at least 20% for affordable private rent homes relative to local market rents (inclusive of service charges). Policy H4 of the Reading Affordable Housing SPD adopted in March 2021 sets out that for BtR schemes *of ten homes or more, 30% of the dwellings will be affordable housing*, while Paragraph 4.4.33 of the Local

Plan states that rental levels for affordable private rent, excluding the cost of service charges, must be at LHA level[17].

3.53 However, the affordability of these affordable Build to Rent options is highly dependent on the rent being discounted. Research by JLL[18] 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 were to be the case in Reading, and a discount of 20% were to be applied to these rents (as is suggested by the NPPF) for the affordable units, then the range of rental costs available would be as Figure 19. ORS believes this assumption to be reasonable based on the JLL research, however if further evidence were to be made available on the cost of such units specifically in Reading, it would of course change the analysis:

Figure 19: Weekly rent thresholds in Reading (Source: Valuation Office Agency 2022-23; SDR 2022, 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	£182.96	£224.23	£224.97	£205.83	£183.98	£179.98	£158.29	£98.97
2 bed	£218.63	£287.47	£275.75	£252.29	£218.48	£220.60	£180.32	£117.68
3 bed	£264.66	£321.97	£314.21	£287.47	£258.27	£251.37	£197.59	£136.01
4+ bed	£356.71	£505.95	£439.89	£402.46	£344.97	£351.91	£261.22	£152.44

3.54 The local housing allowance would be sufficient to cover the costs of all affordable Build to Rent units, with the cost of 2 bedroom affordable Build to Rent being marginally higher than LHA. As such, the promotion of build to rent could be a potentially useful mechanism for bringing forward affordable housing options, particularly on smaller properties.

3.55 In terms of pricing, build to rent options in Reading are roughly equivalent to upper quartile private rent, with the exception of 4+ bed properties, where the upper quartile rent is higher than the build to rent by a larger margin. Build to rent properties however remain more accessible than affordable home ownership options. The assumptions underlying the calculations can be seen in Figure 21 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 20: Income required for a variety of housing options in Reading assuming 35% of income spent on rent, and a 3.5x income multiplier (Source: VOA 2022-2023, Land Registry, ORS model)

Household Incomes Needed by Size	Incomes necessary to afford private rents based on spending 35% of income				Income necessary to afford home ownership based on 3.5x multiplier from bank (≈19% of income on housing)		
Size	Access Lower Quartile Rent	Access Median Rent	Access Upper Quartile Rent	Build to Rent	First Homes (30% discount)	Shared Ownership	Home Ownership
1 bedroom	£27,429	£30,686	£33,429	£33,539	£26,646	£28,143	£38,066
2 bedrooms	£32,571	£37,611	£42,857	£41,109	£38,066	£39,565	£54,379
3 bedrooms	£38,503	£42,857	£48,000	£46,843	£52,446	£53,948	£74,923
4+ bedrooms	£51,429	£60,000	£75,429	£65,580	£76,131	£77,639	£108,759

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[17] Affordable Housing SPD, adopted March 2021 (reading.gov.uk)
[18] https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf

Figure 21: Assumptions underlying Figure 20

Assumptions	First Homes	Shared Ownership	Home Ownership
Equity share	70%	40%	100%
Deposit	10%	10%	10%
Interest rate	5.5%	6.25%	5.5%
Mortgage term	30	30	30
Rent on retained equity	0.00%	2.75%	0.00%
Weekly service charge	£0.00	£10.00	£0.00

3.56 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.

3.57 If the rental market were subject to the same restrictions as the mortgage market, 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 22: Approximate income required for a variety of housing options in Reading assuming 19% of income spent on rent, and a 3.5x income multiplier (Source: VOA 2022-23, Land Registry, ORS model)

Household Incomes Needed by Size	Incomes necessary to afford private rents based on spending 19% of income				Income necessary to afford home ownership based on 3.5x multiplier from bank (≈19% of income on housing)		
Size	Access Lower Quartile Rent	Access Median Rent	Access Upper Quartile Rent	Build to Rent	First Homes (30% discount)	Shared Ownership	Home Ownership
1 bedroom	£50,526	£56,526	£61,579	£61,783	£49,085	£51,842	£70,121
2 bedrooms	£60,000	£69,284	£78,947	£75,728	£70,121	£72,883	£100,173
3 bedrooms	£70,926	£78,947	£88,421	£86,289	£96,611	£99,379	£138,016
4+ bedrooms	£94,737	£110,526	£138,947	£120,805	£140,242	£143,019	£200,345

3.58 In summary, regardless of the home ownership option under discussion (affordable or otherwise), the income levels required to access these products are considerably higher than the equivalent to access rented property, due to the constraint of mortgage income multipliers. It may be noted that the same hierarchy is not reflected in the weekly costs of these options, which may in some cases be lower than rents on properties of equivalent size.

Summary of Housing Costs

3.59 This chapter has considered in some detail the cost of housing depending on tenure type and property size. Figure 23 summarises these costs for each property size.

Figure 23: Comparison of weekly housing costs by property size (Source: VOA 2022-2023, Land Registry, ORS model)

Property Type	Affordable Rent	Lower quartile private rent	Median private rent	Build to Rent (Median + 9.3%)	Shared ownership (30% equity)	Shared ownership (40% equity)	Shared ownership (50% equity)	First Homes Initiative (30% discount)	Open Market Ownership
1 bedroom	£158.29	£183.98	£205.83	£224.97	£172.43	£188.77	£205.12	£179	£255.33
2 bedrooms	£180.32	£218.48	£252.29	£275.75	£242.04	£265.39	£288.74	£255	£364.76
3 bedrooms	£197.59	£258.27	£287.47	£314.21	£329.70	£361.87	£394.04	£352	£502.56
4+ bedrooms	£261.22	£344.97	£402.46	£439.89	£474.08	£520.78	£567.48	£511	£729.53

3.60 Unsurprisingly, for each property size affordable rent is the cheapest and open market ownership the most expensive in terms of weekly costs. A 1-bedroom 70% First home is cheaper than the lower quartile rent.

3.61 The cost of shared ownership predictably varies depending on the equity size purchased. Both 40 and 50% shared equity households are more expensive on a weekly basis than 70% first homes. However, shared ownership is much more flexible than First Homes and therefore may meet the needs of different households.

3.62 Overall, compared to rental options, the range of affordable home ownership products shown appear to be relatively inaccessible, outside of the 1-bed property type which does have options for home ownership that could be beneficial. 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.

4. Demographic Projections
The baseline for establishing housing need

Chapter Summary

4.1 In Reading, household projections show a slower rate of growth in more recent projections, due to falling population projections. Within this report, all demographic reporting is based on a modified 10-year variant of the 2018-based population and 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 2021 Mid-Year Estimate of Population, ensuring a robust projection including the most up-to-date evidence available.

4.2 The current standard method for Reading is 878 dwellings per annum. However, this figure has not been used in this report to model housing need. Instead, we have calculated a separate jobs led housing need figure of 735 dwellings per annum to reflect the true housing need in Reading.

4.3 In terms of the underlying population assumed in this report, over the 18 year period 2023-41 they increase from 174,200 people to 190,300 people in Reading.

4.4 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. Over the 18-year period 2023-2041 for Reading, the projections show:

> » Single person households are over a third of the overall household growth (4,500) with the majority (3,350) being single people aged over 65 years;

> » Couples without dependent children are projected to increase (4,000) and are primarily over 55;

> » Families with dependent children make up over 6% of the overall household growth (700).

> » Other types of household contribute a further 2,300.[19]

Introduction

4.5 This chapter introduces the ORS demographic projection for Reading, based on the 10-year variant of the 2018-based population and household projections for Reading (modified to include the 2021 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).

Official Household Projections

4.6 The first step in analysing housing needs must therefore be to identify the trend-based household projections for Reading, which are used as the basis for this report.

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[19] Other Households incorporates other multi-person households, such as unrelated adults sharing, student households, multi-family households without children and households of one family and other unrelated adults.

4.7   Figure 24 sets out a range of the various household projections from both CLG and ONS methodologies for purposes of comparison. It includes the associated outputs using the sensitivity analysis approach.

Figure 24: Household projections 2023-33 for Reading (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

READING	Migration trends	Change in Households 2023-2033	
		10-year change	Annual average
CLG Household Projections			
2014-based projection: 2014-based population and CLG 2014-based HH formation	2009-14	+5,066	+507
ONS 2016-based Projections			
Principal projection: 2016-based population and ONS 2016-based HH formation	2011-16	+4,070	+407
Sensitivity analysis 1: 2014-based population and ONS 2016-based HH formation	2009-14	+4,502	+450
Sensitivity analysis 2: 2016-based population and CLG 2014-based HH formation	2011-16	+4,617	+462
ONS 2018-based Projections			
Principal projection: 2018-based population and ONS 2018-based HH formation	2016-18	+1,671	+167
Alternative Internal (5-year trend): 2018-based population (alternative internal) and ONS 2018-based HH formation	2013-18	+2,672	+267
10-year trend: 2018-based population (10-year trend) and ONS 2018-based HH formation	2008-18	+3,381	+338

4.8   In Reading, there is a decreased projected household change based on more recent principal projections, and the sensitivity analysis indicates that this is driven by falling population projections, not decreasing household formation rates. In the 2018-based projections, it is notable that the 10-year household change is higher in the projections based on a longer migration trend.

Underlying Trends

4.9   Given that the demographic projections are trend-based, one of the most critical factors is the period over which those trends are based. The Planning Advisory Service (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."*

4.10   This issue has also been reinforced in PAS advice to Local Authorities[20], 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:

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[20] "SHLAA, SHMA and OAN aka 'Pobody's Nerfect'", PAS presentation at Urban Design London (July 2015)

> *"For migration the base period is only five years:*
> - *Makes the official projections very unstable*
> - *And recent projections lock in the recession"*

4.11 The second version of the PAS OAN technical advice note (July 2015)[21] 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."*

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)[22].

> *"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."*

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)[23]:

> *"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."*

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[21] https://www.local.gov.uk/sites/default/files/documents/objectively-assessed-need-9fb.pdf
[22] "Making sense of the new English household projections", Town and Country Planning (April 2015)
[23] https://www.cornwall.gov.uk/media/12841214/ID05-Preliminary-Findings-June-2015-2-.pdf

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)[24]:

> *"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:

–   The ONS principal 2-year trend migration scenario is exceptionally sensitive to variation in any one year: it takes data over too short a period for robust projection forward without raising concerns about volatility.

–   5-year trend migration scenarios are also 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.**

4.16   Within this report, all demographic reporting is based on a modified 10-year variant of the 2018-based population and 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 2021 Mid-Year Estimate of Population, ensuring a robust projection including the most up-to-date evidence available.

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[24] https://www.london.gov.uk/sites/default/files/2016-based_projections_wse_results.pdf

Objectively Assessed Need (OAN)

4.17 The current standard method for Reading is 878 dwellings per annum, comprising a projected household growth from 2024-2034 of 504 per annum from the 2014 based household projection, a 29% affordability uplift and a 35% large urban centre uplift.

4.18 The key issue is how to replace the Standard Method. PPG states that:

> *Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination.*
>
> **PPG Reference ID: 2a-015-20190220**

4.19 As set out in Figure 24, over a 10-year period, 2018 based household projections for 2023-33 show an annual average growth of 338 households per annum. However, the Reading Plan is projected to run from 2023-41. Therefore, for the household projections we have:

– We use 2018 based household projections with 10-year migration and 2018 based Household Representative Rate (HRR) for 2023-2041. Together these use more recent robust projections than the 2014 projections and smooth out the effects of short term trends in migration.

– This is then adjusted to take account of 2021 Census and mid-year population estimates to ensure that the numbers take account of the most comprehensive data (the Census).

4.20 The resulting figure therefore provides us with an 18-year model for demographic growth based upon 10-year migration trends which more accurately address the demographic growth in Reading and address issues relating to Unattributable Population Change (UPC).

4.21 The second stage of the standard method is the affordability uplift. This effectively includes a wide range of issues including:

– An allowance for vacant and second homes – more properties are needed than the number of households;

– Use Class C2 – population projections for an area include all persons. However, when household projections are estimated, anyone not in a household is removed. This includes students in purpose built student accommodation, prisoners, boarding school pupils, military bases and care home population. For the care home population, the assumption used in national population projections is that the percentage of the population aged 75+ years in care homes will remain constant. This is just the extra population, so existing supply is already offset in the model, but any additional persons in Class C2 will require to be added back into the OAN figure.

– Concealed families – Over the past 20 years there has been a growth in couples or lone parents living with other households who we would expect to lead their own households. We count any growth in this figure as an additional need in the OAN;

    – Suppressed household formation – households have been forming at a lower rate among younger people, so they form a separate household at a later age. This is an argument for increasing provision to allow them to form at younger ages. 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. A point when housing market pressure were less prominent; and

    – An allowance to cover any shortfall in dwellings to accommodate workers to meet the growth in employment as set out in Appendix B.

4.22 The resulting figures are set out below and show a final demographic growth per annum of 396 households and a net additional dwelling need from other sources of 340 dwellings, to give a total need for 735 dwellings per annum (rounded), or 13,235 dwellings over the period 2023-41. This represents an 86% uplift on the household projections.

Figure 25: Objectively Assessed Need for Reading 2023-41 (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

READING	Annual Need (see explanations above)
ONS 2018 based household projections: 10-year migration trend	330
Adjustment for Census and Mid-year population estimates 2021	+65
Vacancy rate Applied	+26
C2 Dwelling equivalent	+8
Concealed families	+48
Suppressed household formation/Pent-up demand	+85
Demographic and Backlog of Need Total	**562**
In-migration to meet Jobs Target	+173
TOTAL	**735**

4.23 We will now proceed to use the 735 dwellings per annum, as the basis for the analysis in the remainder of this report. We would note for the remainder of this section and also for much of Chapter 5 we work with households, not dwellings. This implies that we exclude vacancy dwelling, any impact from Class C2 use bedspaces from the analysis and jobs and workers uplift before adding these back into the calculation at the end of Chapter 5.

Projected Population Age Profile

4.24 The ORS population projection on which all modelling in this document is based incorporates data from the 2021 Mid-Year Estimates to update the 10-year based 2018-based population projections. It shows an increase from 174,200 people to 190,300 people 2023-2041. Figure 26 following shows the resultant 18-year population projections used in the report along with change over the period, by 5-year age group:

Figure 26:   Reading – Population 2023, 2041 and Change 2023-2041 by 5-year cohort (Source: ORS)
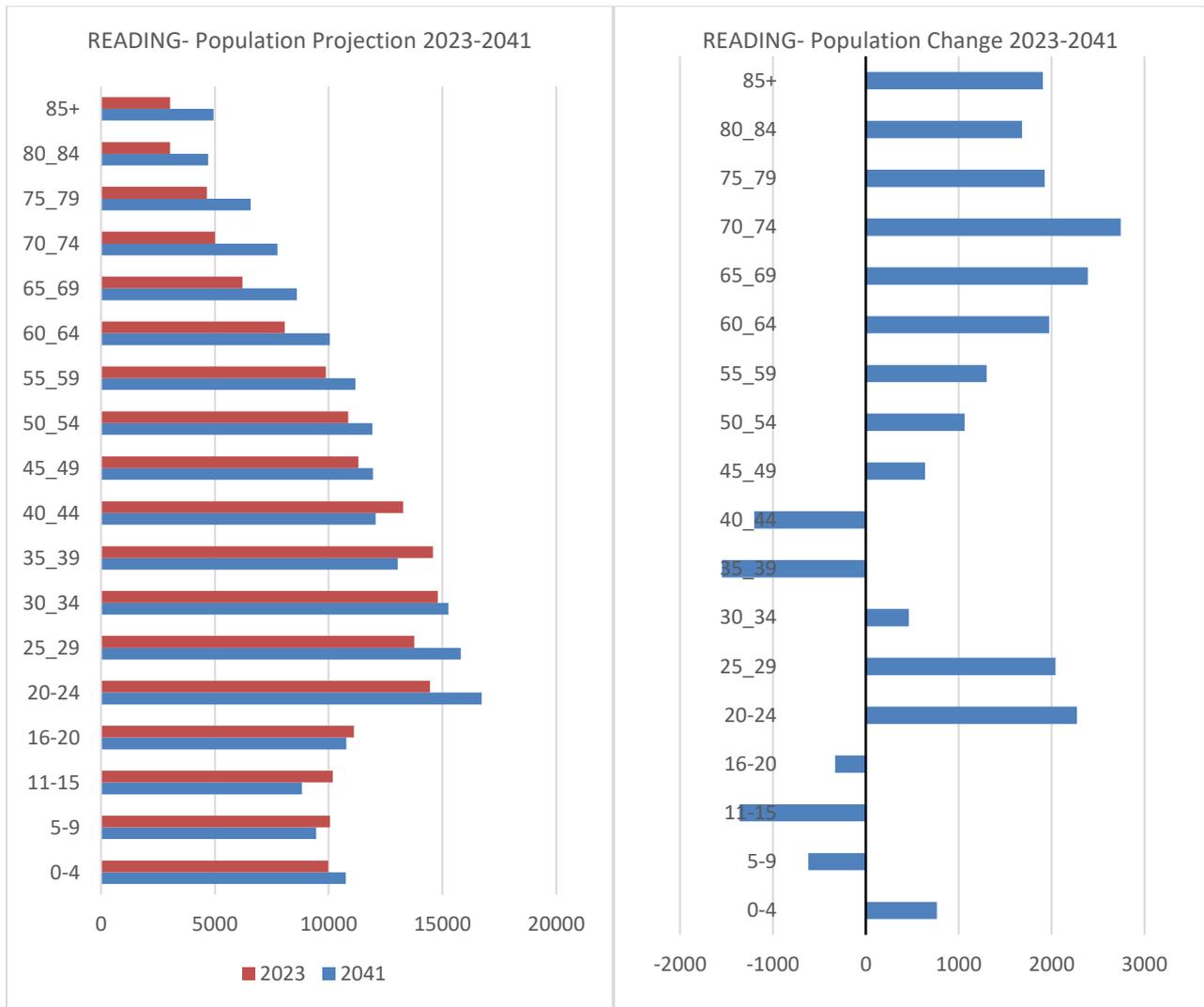
18 Year Household Projections by Age

4.25 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 27: Total projected households in Reading for 2023 and 2041 (Note: Figures may not sum due to rounding. Source: ORS Model)

READING	Age of Household Representative								TOTAL
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
2023	2,900	11,600	15,300	13,500	11,300	6,500	5,200	2,300	68,600
2041	3,400	13,100	14,700	14,500	13,300	9,500	7,700	3,800	80,100
TOTAL CHANGE	+500	+1,500	-600	+1,000	+2,100	+3,000	+2,500	+1,500	+11,500

4.26 The table shows an overall increase of 11,500 households in Reading over the 18-year period 2023-2041, with 7,000 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 18-year period.

4.27 It is important to consider household growth in relation to age cohorts. Figure 28 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 28: Total projected households in 2023-2041 by age cohort of household representative (Note: Figures may not sum due to rounding)

READING	Age of Household Representative								TOTAL
Age in 2023	<5	5-14	15-24	25-34	35-44	45-54	55-64	65+	
Age in 2041	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	
2023	-	600	4,700	12,300	14,900	13,000	10,300	12,800	68,600
2041	3,400	13,100	14,700	14,500	13,300	9,500	7,700	3,800	80,100
TOTAL CHANGE	+3,400	+12,500	+10,000	+2,200	-1,600	-3,600	-2,600	-9,000	+11,500

4.28 For example, in Reading there were 12,300 households with a household representative aged 25-34 in 2023 and these same households would be aged 45-54 in 2041. The trend-based projection identified that the total number of households aged 45-54 in 2041 would be 14,500. The projection shows an increase of 2,200 households in this cohort due to net migration.

4.29 In Reading, based on the cohort analysis, around 28,100 extra households will be formed over the 18-year period 2023-2041 by those who will be aged under 55 in 2041. These extra households are offset against a reduction of 16,700 households aged 55 or over by that time.

4.30 In each case, most of the anticipated reduction in the older cohorts is due to household dissolution, following death. 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

4.31 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.

4.32 Figure 29 shows the household numbers and net change for Reading from 2023 to 2041 separated out by the age of the household representative person (HRP).

Figure 29: Total projected households for 2023 and 2041 and change by household type and age of household representative for Reading (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)

	READING								
Household Type	**Age of Household Representative**								**TOTAL**
	15-24	**25-34**	**35-44**	**45-54**	**55-64**	**65-74**	**75-84**	**85+**	
Households 2023									
Single person	780	2,670	2,810	3,170	3,460	2,750	2,540	1,490	19,700
Couple without children	420	3,510	2,270	2,610	4,480	2,900	2,190	600	19,000
Families with child(ren)	290	3,170	8,120	5,400	1,150	100	10	0	18,200
Other households	1,420	2,270	2,060	2,310	2,180	750	490	240	11,700
TOTAL	**2,900**	**11,600**	**15,300**	**13,500**	**11,300**	**6,500**	**5,200**	**2,300**	**68,600**
Households 2041									
Single person	940	2,950	2,630	3,370	4,110	4,090	3,620	2,410	24,100
Couple without children	470	3,990	2,230	2,670	5,080	4,150	3,350	1,000	22,900
Families with child(ren)	300	3,580	7,720	5,820	1,380	150	10	0	19,000
Other households	1,690	2,620	2,110	2,660	2,760	1,110	730	380	14,100
TOTAL	**3,400**	**13,100**	**14,700**	**14,500**	**13,300**	**9,500**	**7,700**	**3,800**	**80,100**
Change 2023-2041									
Single person	+160	+280	-180	+200	+650	+1,350	+1,080	+920	+4,500
Couple without children	+50	+470	-40	+70	+600	+1,240	+1,160	+410	+4,000
Families with child(ren)	+10	+410	-400	+420	+230	+50	+0	+0	+700
Other households	+270	+350	+50	+350	+580	+360	+240	+140	+2,300
TOTAL CHANGE	**+500**	**+1,500**	**-600**	**+1,000**	**+2,100**	**+3,000**	**+2,500**	**+1,500**	**+11,500**

4.33 In summary, over the 18-year period 2023-2041 for Reading, the projections show (Figure 29):

» Single person households are over a third of the overall household growth (4,500) with the majority (3,350) being single people aged over 65 years;

» Couples without dependent children are projected to increase (4,000) and are primarily over 55;

» Families with dependent children make up over 6% of the overall household growth (700).

» Other types of household contribute a further 2,300.[25]

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[25] Other Households incorporates other multi-person households, such as unrelated adults sharing, student households, multi-family households without children and households of one family and other unrelated adults.

5. Affordable Housing Need
Identifying households who cannot afford market housing

Chapter Summary

5.1   Based on a detailed review of both the past trends and current estimates our analysis has concluded that 4,211 households in Reading are currently living in unsuitable housing and are unable to afford their own housing. Of these households, 1,380 currently occupy affordable housing that does not meet the current householders' needs, mainly due to overcrowding.

5.2   There is, therefore, a net current affordable housing need of 2,831 households (4,211 less 1,380 = 2,831 rounded). Providing the net current affordable housing need for 2,831 households will release back into the market (mainly in the private rented sector) the dwellings currently occupied by a total of 2,021 households (2,831 less the 810 households which are homeless or concealed and thus do not release dwellings).

5.3   When including the need for affordable housing in the future and for those who aspire to own their own property overall affordable housing need from 7,301 households over the 18-year period 2023-2041 (405 per annum).

Introduction

5.4   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.

5.5   The definition of affordable housing was changed by the National Planning Policy Framework in 2018 and this has been carried forward in to the 2023 NPPF, with a specific emphasis now placed on affordable homeownership. The glossary to the 2023 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 2018, Annex 2**

5.6   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].

5.7   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.
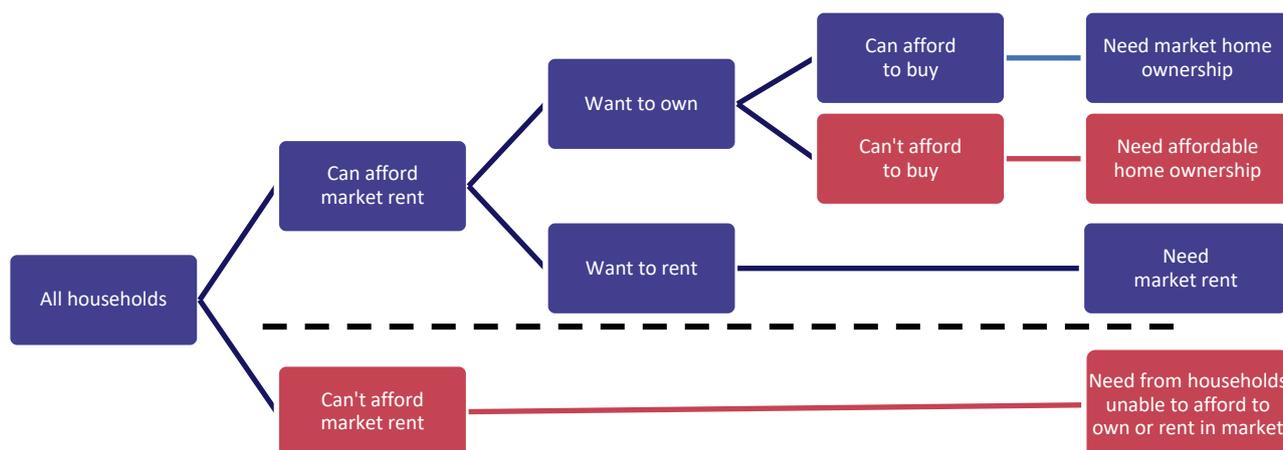
5.8   There is a well-established method for assessing the needs of households who cannot afford to own _or_ rent suitable market housing. However, PPG provides no guidance on how the needs of households who can afford to rent but would prefer to own, should be assessed.

Assessing Affordable Housing Needs

5.9   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.

5.10   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.

5.11   This section assess the need for households who are unable to afford housing costs and will require affordable rented housing such as Affordable Rented and Social Rented. Following this, we assess the need from households who aspire to home ownership and have a realistic chance of achieving it through affordable home ownership.

5.12   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.

5.13   The affordability percentages in Figure 31 are calculated using detailed information from the 2021 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 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 31:   Assessing affordability by household type and age (Source: Census 2021 and DWP)

READING: Percentage unable to afford market housing	Under 25	25-34	35-44	45-54	55-64	65+
Single person household	17%	9%	21%	38%	44%	37%
Couple family with no dependent children	3%	2%	6%	12%	10%	17%
Couple family with 1 or more dependent children	31%	29%	20%	16%	20%	34%
Lone parent family with 1 or more dependent children	77%	94%	77%	61%	65%	60%
Other household type	6%	8%	27%	42%	36%	24%

Current Unmet Needs of Households Unable to Afford

5.14   Any exploration of housing need in an area must 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**

5.15   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.

5.16   Given this context, the model includes the needs of all these households when establishing the need for affordable housing at a base date of 2023.

5.17   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 Reading.

5.18 **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).

5.19 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).

5.20 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.

5.21 Figure 32 sets out the assessment of current (as of 2023) affordable housing need for Reading:

Figure 32: Assessing current unmet gross need for affordable housing (Source: CLG P1E returns, Census, EHS, LAHS)

READING	Affordable Housing			Current unmet Housing Need
	Gross Need	Supply	Net Need	
Homeless households in priority need [Source: CLG P1E returns 2022]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	22		22	22
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	48		48	
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	136	136	0	
Households accepted as homeless but without temporary accommodation provided	116		116	116
Concealed households [Source: Census 2001 and 2021]				
Growth in concealed families with family representatives aged under 55	672		672	672
Overcrowding based on the bedroom standard [Source: Census 2021 and English Housing Survey]				
Households living in overcrowded private rented housing	1,510		1,510	
Households living in overcrowded social rented housing	1,209	1,209	0	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG Local Authority Housing Statistics 2022]				
People who need to move on medical or welfare grounds, including grounds relating to a disability	498	35	463	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	0	0	0	
TOTAL	**4,211**	**1,380**	**2,831**	**810**

5.22 Based on a detailed review of both the past trends and current estimates our analysis has concluded that 4,211 households in Reading 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.

5.23 Of these households, 1,380 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.

5.24 There is, therefore, a net current affordable housing need of 2,831 households (4,211 less 1,380 = 2,831 rounded). 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.

5.25 Providing the net current affordable housing need for 2,831 households will release back into the market (mainly in the private rented sector) the dwellings currently occupied by a total of 2,021 households (2,831 less the 810 households which are homeless or concealed and thus do not release dwellings).

Projected Future Need of Households Unable to Afford

5.26 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).

5.27 Figure 33 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 at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 33: Annual change in household numbers in each age cohort by age of Household Representative Person in Reading (Source: ORS Housing Model)
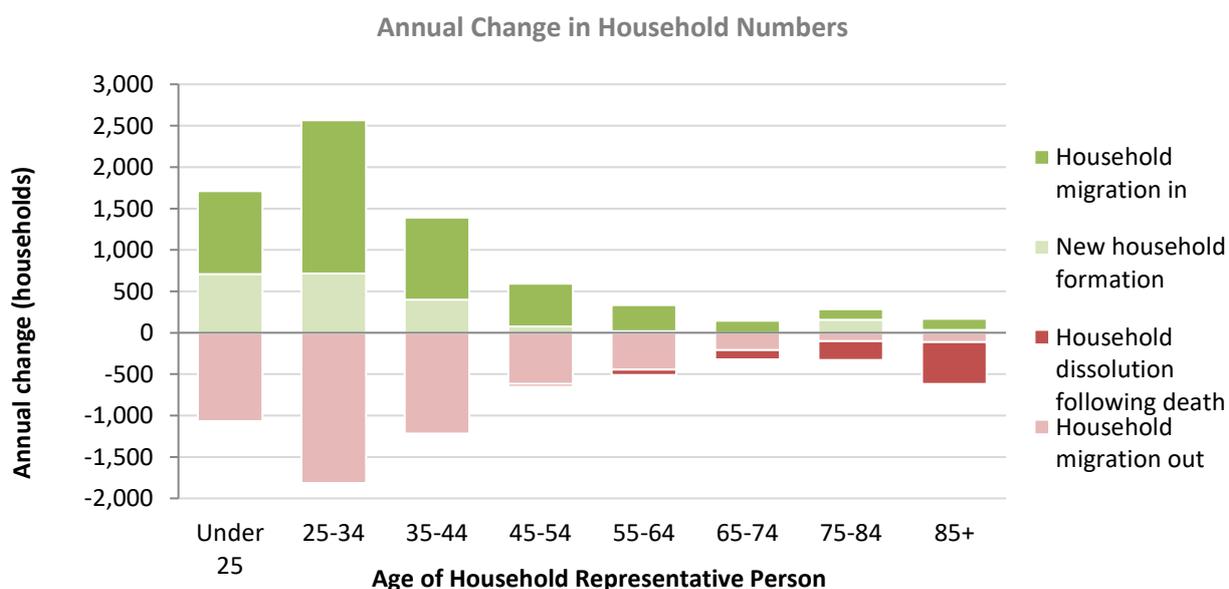
5.28 Together with information on household type such as in Figure 31, this provides a framework for the model to establish the proportion of households who are unable to afford their housing costs. The following table (Figure 34) looks at the impact of different types of household.

Figure 34: Annual components of Household Growth for Reading 2023-2041 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

READING 2023-2041	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Newly forming households	1,944	1,558	386	20%
Households migrating into the area	4,740	3,707	1,033	22%
All new households	**6,684**	**5,265**	**1,419**	**21%**

5.29 The ORS Model identifies new households projected to form in Reading 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 <u>new</u> households in need of affordable housing in Reading (Figure 34). This is the equivalent of around 10% of all households in Reading either being newly forming or in-migrant households each year and between them 1,419 additional households will exist in Reading who are unable to afford market housing.

5.30 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).

5.31 The model also identifies the households 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 35).

5.32 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 <u>out</u> 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.

5.33 Figure 35 shows the annual number of households who will vacate affordable dwellings or will no longer be waiting for a home over the period in question, with a total of 1,455 properties vacated or households in need leaving the area. It is noteworthy that more households in need migrate away than move to Reading.

Figure 35: Annual components of Household Growth Reading 2023-2041 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

READING 2023-2041	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Household dissolutions following death	954	679	274	29%
Households migrating <u>out</u> of the area	5,335	4,154	1,181	22%
All households no longer present	**6,289**	**4,833**	**1,455**	**23%**

5.34 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 the local authorities 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 analysed on a cohort basis, using 5-year bands and periods. That means that the same households are considered at the start and the end of the period; so at the end of the period they will be 5 years older than at the start of the period. For example, the number of established households aged 30-34 unable to afford market housing at the start of the period is compared with the number aged 35-39 at the end of the period 5 years later. The analysis is undertaken based on a matrix of 15 age groups and 5 household types and repeated for 4 five-year periods. Those sub-groups where the number of established households unable to afford has increased are summed to identify the total falling into need. Those sub-groups where the number has reduced are summed to identify the total climbing out of need. The estimate of the number of established households that will fall into need each year is shown in Figure 36 at 475 per annum.

5.35 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.

5.36 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 do so.

5.37 Therefore, considering the changing needs of existing households overall, **there will be a net <u>increase</u> of 150 existing households needing affordable housing each year** (Figure 36).

Figure 36: **Annual components of Household Growth Reading 2023-2041 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)**

READING 2023-2041	All households	Households able to afford housing costs	Households unable to afford housing costs	% Unable to afford housing costs
Existing households falling into need	-	-475	+475	100%
Existing households climbing out of need	-	+325	-325	0%
Change in existing households	**-**	**-150**	**+150**	**-**

5.38 The following table (Figure 37) 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 37: Annual components of Household Growth Reading 2023-2041 (Source: ORS Housing Model)

READING 2023-2041		All households	Households able to afford housing costs	Households unable to afford housing costs
All new households		6,684	5,265	1,419
All households no longer present		6,289	4,833	1,455
Change in existing households		-	-150	150
Future affordable housing need 2023-2041	**Annual average**	**+395**	**+282**	**+113**
	18-year Total	**+7,112**	**+5,075**	**+2,036**

5.39   Overall reviewing the contribution of each element amounts to a projected additional 2,036 households needing affordable housing in Reading over the 18-year period 2023-2041.

Needs of Households Aspiring to Homeownership

5.40   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 10 to 15=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%.

5.41   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 38).

Figure 38: Percentage of Owner Occupiers in England by Age Group 2001-2021 (Source: English Housing Survey)

Proportion of Owner Occupation by Age group
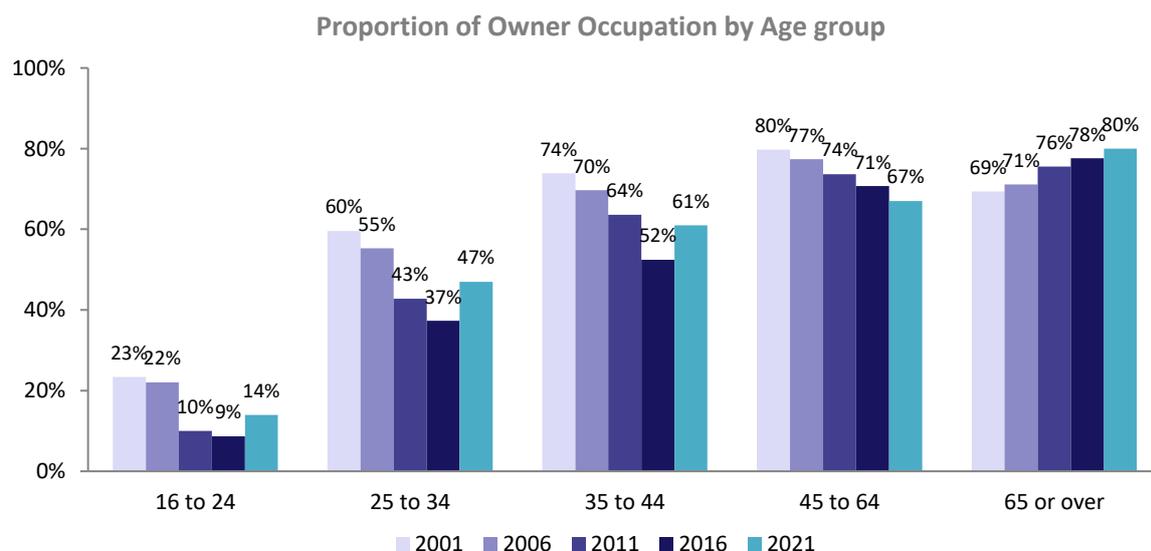
5.42   The English Housing Survey does not contain robust data on owner occupation by age group at the local level, however an indication of the comparison between owner occupation levels by age in Reading versus the national average can be gathered from the 2021 Census (Figure 39).

Figure 39: Proportion of Owner Occupation by age group 2021 (Source: Census 2021)

Proportion of Owner Occupier by Age Group (2021)
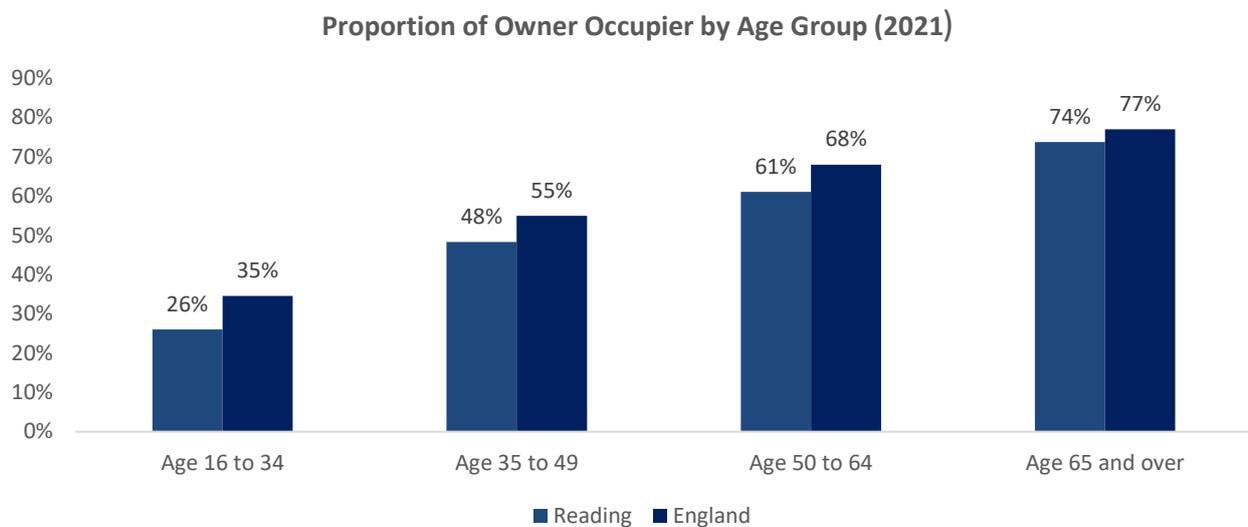
5.43 Figure 39 identifies that there are fewer owner occupiers in Reading than the national average, across all age cohorts.

Establishing the number of households aspiring to home ownership

5.44 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 40: Long-term aspirations (Source: English Housing Survey 2013/14)

Current Tenure	Long-term Tenure Plan				
	Owner Occupier	Shared Ownership	Rent from Private Landlord	Rent from Social Landlord	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%

5.45 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.

5.46 The following chart (Figure 41) 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.

5.47 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).

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

Figure 41: **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)**

Legend: ■ Own ■ Private Rent ■ Social Rent ■ Other

In private rent with no Housing benefit

Household type	Own	Private Rent	Social Rent	Other
One person aged 60+	16%	38%	17%	29%
Couple, no dependent child(ren) aged 60+	14%	54%	18%	14%
One person under 60	57%	34%	5%	4
Couple, no dependent child(ren) under 60	77%	17%	4%	2%
Couple with dependent child(ren)	72%	20%	6%	2%
Lone parent with dependent child(ren)	60%	20%	9%	12%
Other multi-person households	67%	25%	2%	6%
TOTAL	65%	25%	6%	5%

In private rent with Housing benefit

Household type	Own	Private Rent	Social Rent	Other
One person aged 60+	5%	66%	24%	5%
Couple, no dependent child(ren) aged 60+		71%	29%	
One person under 60	14%	48%	30%	9%
Couple, no dependent child(ren) under 60	26%	59%	11%	5%
Couple with dependent child(ren)	53%	29%	16%	2%
Lone parent with dependent child(ren)	33%	32%	32%	3%
Other multi-person households	21%	45%	26%	8%
TOTAL	28%	42%	26%	4%

Additional Need for Affordable Homeownership

5.49 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 with the previous data presented in Figure 41, Figure 42 establishes the number of existing households likely to aspire to home ownership that have not been counted in the affordable housing need.

Figure 42: 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)

READING Household Type	Age of Household Representative						TOTAL
	15-24	25-34	35-44	45-54	55-64	65+	
Single person	301	879	639	146	10	0	1975
Couple without children	273	1787	543	199	92	33	2928
Families with child(ren)	31	466	901	247	0	0	1644
Other households	361	1194	484	107	49	0	2196
Total	**967**	**4,327**	**2,567**	**698**	**151**	**33**	**8,743**
Percentage of households	11%	49%	29%	8%	2%	0%	100%

5.50 Based on this analysis, we can estimate the total households currently resident in Reading who cannot afford to own their own home but would aspire to do so (Figure 42).

5.51 As previously reported (Figure 10), Census data identified significant increases in households renting privately over the decade 2011-21 (Figure 10). More recent EHS data shows that numerically, the private rented sector has continued to grow over the years since the Census[26]. On this basis, the number of households identified as currently renting privately that aspire to homeownership is consistent with growth of the private rented sector over a 20-year period.

5.52 In addition to the current need, it is also important to consider new households that are projected to form over the 18-year periods (Figure 34). Through combining this data with the aspiration data from the EHS (Figure 40) in a similar fashion to the calculation of current need, we can derive the further households that will form over the 18-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, despite that being their aspiration.

5.53 Overall, the projections in Reading suggest that there are likely to be 9,476 newly forming households within this category between 2023 and 2041. This equates to a net annual need of 526 households per year (summarised in Figure 43).

---

[26] Chapter 1: Profile of households and dwellings - GOV.UK (www.gov.uk)

Identifying the Overall Affordable Housing Need

5.54 Figure 43 brings together the information on assessing the unmet need for affordable housing in 2023 together with the future need for affordable housing and those aspiring to home ownership arising over the 18-year period 2023-2041. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options.

Figure 43: Assessing total need for affordable housing in Reading 2023-2041 (Source: ORS Housing Model)

READING 2023-2041	Affordable Housing Need		Overall Affordable Housing Need
	Households unable to afford	Households aspiring to home ownership	
Current housing need in 2023	2,831	8,743	11,574
Future housing need 2023-2041	2,037	9,476	11,513
TOTAL AFFORDABLE HOUSING NEED	**4,868**	**18,220**	**23,088**

5.55 On this basis, we can conclude that the overall need for affordable housing for Reading would comprise a total of 23,088 households over the 18-year period 2023-2041, equivalent to an average of 1,283 per annum. This is higher than natural growth in the number of households and includes households migrating in to Reading and households falling into need.

5.56 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**

5.57 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**

5.58 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. 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.

5.59 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.

5.60 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, PPG for First Homes states at paragraph 2 that:

> **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**

5.61   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**

5.62   Figure 15 shows that the current lower quartile newbuild prices for a 4-bedroom property in Reading is around £614,300, so even a 50% discount of this price would be outside the cap limit.

5.63   It is also the case that a property discounted by 50% will be much more affordable than one discounted by 30% (See Figure 46). 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 how many of these households can also afford at a 30% discount.

5.64   Given this context, Figure 44 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 were therefore unable to afford the assumed deposit (nor the assorted up-front costs) of purchasing a First Home in the local area, and those households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent. It is important to recognise that no 3 or more-bedroom properties are taken forward because they sit over the affordability cap for First Homes.

5.65 It should be remembered that, as set out in Figure 23, First Homes are typically more affordable than shared ownership in Reading, 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 each local area using indices from the ONS gross disposable household income (GDHI) tables.

Figure 44: Aspiring affordable homeownership housing mix by household affordability 2023-2041 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households ineligible for affordable 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	**4,589**	585	**4,003**	1,629	**2,375**	1,391	**983**
2 bedrooms	**7,426**	488	**6,938**	3,248	**3,690**	2,583	**1,107**
3 bedrooms	**5,085**	343	**4,742**	3,156	**1,586**	1,243	**343**
4+ bedrooms	**1,121**	1,121	**0**	0	**0**	0	**0**
TOTAL	18,220	2,537	15,683	8,033	7,650	5,217	2,433

5.66 Figure 44 shows that of the 18,220 households who can afford to rent, and aspire to homeownership, there are 2,537 that can be discounted because they require a 4 bedroom or larger property or because they can already afford market housing. There are a further 8,033 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, 5,217 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 the local area. Therefore, in total 13,250 (8,033 + 5,217) households are seeking affordable home ownership properties in Reading, but First Homes would not be suitable for them because they lack the necessary income or savings.

5.67 On this basis,2,433 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 10% 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.

5.68 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 2,433 households likely to form an effective demand (i.e. those able to afford the products that will potentially be available, such as First Homes) in addition to the 4,868 households unable to afford to rent or own market housing. Figure 45 provides a breakdown of the planned affordable housing on this basis.

	Affordable Housing Need		Affordable Housing (Households)
	Households unable to afford	Households aspiring to home ownership	
1 bedroom	1,331	983	2,314
2 bedrooms	713	1,107	1,820
3 bedrooms	1,750	343	2,093
4+ bedrooms	1,074	0	1,074
TOTAL HOUSING NEED	4,868	2,433	7,301

5.69 The LHNA identifies an overall affordable housing need from 7,301 households over the 18-year period 2023-2041 (405 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.

5.70 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

5.71 Within the overall need of households requiring 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 housing[27]. 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.

5.72 As discussed in Chapter 3, 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 12 identified the minimum annual income in Reading 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. The household aspiring to own figure is based upon those who can access a First Homes property at 50%, but as shown in Figure 23 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.

5.73 Figure 46 includes the need from those modelled to require Class C2 and also an allowance for vacant homes, so the total number of dwellings required equals 13,235 over the period 2023-41. This shows that 923 of the 4,868 households identified in Figure 45 could afford Affordable Rent without housing benefit support. This is 19% of the 1,138 identified as being unable to afford housing costs.

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[27] 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.

5.74 The data also further disaggregates those seeking First Homes 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").

5.75 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). These affordable homes are subtracted from the overall dwelling need calculated above, disaggregating the number of market homes implied by the LHN.

5.76 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 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 140 dwellings in Reading are delivered as Class C2 bedspaces. Instead, the population and household projections assume that the equivalent of 140 dwellings will be vacated by those moving to Class C2. If these moves do not occur because Class C2 bedspaces are not delivered, then 140 more Class C3 dwellings will be required. If Class C2 bedspaces are delivered, they can be counted at a ratio of 1.80 bedspaces equals 1 dwelling in the LHN figures.

Figure 46: 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)

	Affordable Dwellings				Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents		Unable to afford market ownership				
	Social Rent	Affordable Rent	Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	1,240	111	393	605	2,349	32	2,381
2 bedrooms	571	152	561	562	1,847	897	2,744
3 bedrooms	1,341	435	348	0	2,125	3,820	5,944
4+ bed	866	224	0	0	1,090	936	2,026
DWELLINGS	**4,018**	**923**	**1,302**	**1,167**	**7,410**	**5,685**	**13,095**
C2 Dwellings	-	-	-	-	-	140	140
LHN	**4,018**	**923**	**1,302**	**1,167**	**7,410**	**5,825**	**13,235**

5.77 Figure 47 shows the components of housing need presented in Figure 46 as percentages of the 13,235 overall dwelling need. For planning purposes Figure 46 and Figure 47 form an effective starting point for establishing a housing requirement subject to viability and other similar concerns.

Figure 47: 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)

| | Affordable Dwellings | | | | Total Affordable Housing | Total Market Housing | Total Housing |
| | Unable to afford market rents | | Unable to afford market ownership | | | | |
	Social Rent	Affordable Rent	Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	9.4%	0.8%	3.0%	4.6%	17.7%	0.2%	18.0%
2 bedrooms	4.3%	1.1%	4.2%	4.2%	14.0%	6.8%	20.7%
3 bedrooms	10.1%	3.3%	2.6%	0.0%	16.1%	28.9%	44.9%
4+ bedrooms	6.5%	1.7%	0.0%	0.0%	8.2%	7.1%	15.3%
DWELLINGS	**30.4%**	**7.0%**	**9.8%**	**8.8%**	**56.0%**	**43.0%**	**98.9%**
C2 Dwellings						1.1%	1.1%
LHN	**30.4%**	**7.0%**	**9.8%**	**8.8%**	**56.0%**	**44.0%**	**100.0%**
%age of total affordable	**54.2%**	**12.4%**	**17.6%**	**15.7%**	**100.0%**		

5.78   The 2023 NPPF states at paragraph 64 that:

Provision of affordable housing should not be sought for residential developments that are not major developments[28], 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

Future Policy on Housing Benefit in the Private Rented Sector

5.79   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.

5.80   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.

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[28] The 2023 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)

5.81   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.

5.82   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.

5.83   It is well-established that housing need should be established leaving aside policy considerations,[29] 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 rented privately in receipt of housing benefit as a policy aspiration. That wouldn't change the need, but it could influence the affordable housing policy target.

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

6. Needs of Different Groups

An exploration of need for target groups

Chapter Summary

6.1   There is a need to provide an additional 665 specialist older person housing units in Reading (equivalent to an average of 37 dwellings per year) of which 71% would need to be provided as affordable housing. The need for specialist older person housing represents 4% of the overall housing need identified for Reading.

6.2   The need for adapted housing to at least M4(2) standard for 2023-2041 can be expressed as a range between 2,896 and 5,403 dwellings. 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 indicates it would be appropriate to plan for a minimum of 23% of housing to M4(2) Category 2 or M4(3) Category 3.

6.3   The need for wheelchair adapted housing in Reading is likely to increase by 730 over the 18-year period. A significant proportion of this growth comes from households which are aged over 75.

6.4   Reading are currently providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. The nature of dwellings being delivered in Reading, with a high number being flatted, makes increasing the supply of self and custom housebuilding options difficult. However, with Part 1 of the register showing a growth of less than 10 household per annum, meeting the planning practice guidance figures does not require a large expansion of the current rate of supply.

Introduction

6.5   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**

6.6   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 (4 and 5) and are therefore not repeated. Reading did not commission Gypsy and Traveller Needs as a part of this project. There are no other distinct groups in Reading with significant housing needs who require consideration beyond those mentioned in the NPPF.

Housing for Older People

6.7 The UK population is ageing, and people can expect to live longer healthier lives than previous generations. The older population is forecast to grow from 5.8m (2020) to 8.1m by 2040 for the over 75s.[30]

6.8 Based on the dwelling-led Local Housing Need projection discussed in Chapter 2, the number of over 75s in Reading is projected to increase by around 3,500 in the period 2023-2041.

6.9 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**

6.10 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.

6.11 This housing comes in a number of different forms and the distribution between these different types needs to be explored. In terms of formal definitions and terminology, the following list was developed by Three Dragons for a joint study undertaken with ORS.

    a. Age Exclusive housing: housing which is age restricted (typically to age 55 and over) and may offer access to the careline service which is available to households living in general needs housing but does not offer warden support or any communal facilities, meals or bespoke site-specific care packages. Residents in age exclusive housing tend to be younger than residents in sheltered or extra care housing and are less likely to experience a range of frailties or disabilities.

    b. Sheltered housing: this is also age restricted but will normally have either an onsite or visiting scheme manager or access to a bespoke helpline. There will normally be communal facilities which may include a café or shop but there is no bespoke site-specific care package. Scheme residents are typically 75 or over, but the scheme may include some residents aged 65-74

    c. Extra Care housing: this is also age restricted, will normally have an onsite scheme manager and provide a range of communal facilities. However, residents will also have access to a site-specific bespoke care package, usually including paying for a specified minimum number of hours of care a week with the option to increase usage if required. The care provider is CQC registered with specific carers allocated to the scheme. Scheme residents are typically 75 or over. Extra care housing can also be known as very sheltered housing, assisted living, enhanced sheltered or as housing with care.

    d. Dementia housing: this type of housing is designed to offer specific support to people with midstage dementia who struggle with general needs housing but are not so frail that they need to live in a care home. Scheme layout is dementia friendly and there will normally be onsite care and support as well as a range of communal activities and a café. The care provider is CQC registered with specific carers allocated to the scheme.

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[30] ONS 2018-based UK national population projections (principal variant).

e. Care Homes – non independent accommodation for high care needs (residential and nursing C2) and is not directly considered in this section, but was factored into the household projections.

f. Accessible housing - housing which is, or can be, adapted for the use of someone with a limiting health condition or who is a wheelchair user. This is considered below in a separate section.

6.12 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.

Older People in Reading

6.13 The 2021 Census identified a total of around 21,000 persons aged 65 or over resident in the local authority area at that time (Figure 48). This included around 9,800 persons aged 75 or over. Most residents were living in households, but 476 were recorded as living in communal establishments (mainly residential care or nursing care). There were a total of around 13,500 household representatives aged 65 or over, of which nearly half (48.1%) lived as single person households.

Figure 48: Resident population and living arrangements of population aged 65+ living in Reading by age and population aged 75+ (Source: 2021 Census)

	Aged 65-74	Aged 75-84	Aged 85+	Total Aged 65+	Total Aged 75+
RESIDENT POPULATION					
Household population	11,072	6,796	2,630	**20,498**	9,426
Communal Establishment population	72	139	265	**476**	404
Total Resident Population	**11,144**	**6,935**	**2,895**	**20,974**	**9,830**
HOUSEHOLD POPULATION					
Living as a single person household	2,750	2,309	1,433	**6,492**	3,742
Living in a couple household	2,761	555	90	**3,406**	645
Living in other types of household	5,561	3,932	1,107	**10,600**	5,039
Total Household Population	**11,072**	**6,796**	**2,630**	**20,498**	**9,426**
HOUSEHOLD REPRESENTATIVES					
Single person household representative	2,750	2,309	1,433	**6,492**	3,742
Couple household representative	2,983	1,997	575	**5,555**	2,572
Other household representative	769	448	234	**1,451**	682
Total Household Representatives	**6,502**	**4,754**	**2,242**	**13,498**	**6,996**

6.14 Whilst the proportion of residents living in communal establishments represented only 2.3% of the overall population aged 65 or over, the proportion was markedly higher for older age groups: 6.3% of those aged 85 to 89 and 14.0% of those aged 90 or over (Figure 49).

6.15 The proportion of residents living as single person households was also notably higher for older age groups, with more than a third of all household residents aged 80-84 (38.4%) and over half of those aged 85 or over (54.5%) identified as living alone. The overall household representative rates ranged from 0.580 for those aged 65 to 69 (i.e. for every 1,000 persons in the household population, 580 represented a household) up to 0.852 for those aged 85 or over (Figure 50).

Figure 49: Resident population living in communal establishments by age (Source: 2021 Census)

Population Living in Communal Establishments
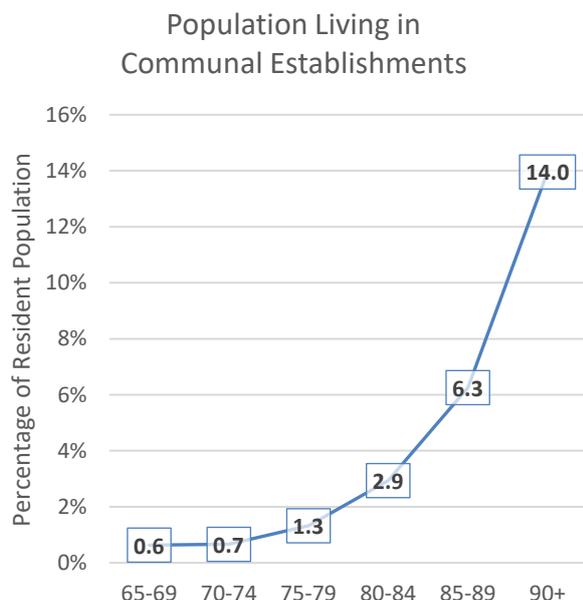
Figure 50: Household representative rates by age and household type (Source: 2021 Census)

Household Representative Rate

6.16 Figure 51 identifies the type of dwellings occupied by households aged 75 or over based on 2021 Census data. Around 5,350 households were owner occupiers (76.6%), 430 rented privately (6.1%) and just over 1,000 lived in social rented homes (17.2%). Over half of owner occupiers aged 75 or over had three bedrooms (51.6%) and a further fifth having four bedrooms or more (21.1%). In contrast, only a quarter of those in social rent had three bedrooms or more (25.1%) with over half living in a single bedroom property (53.3%).

6.17 The Census does not provide details about specialist older person housing, but information about this stock is maintained by the Elderly Accommodation Counsel (EAC).[31] Based on estimates for Reading, there is a stock of 1,044 rented units (typically managed by Registered Social Landlords) and 941 units that are owned.

Figure 51: Existing dwelling stock in Reading occupied by households aged 75+ (Source: 2021 Census; Specialist Housing Person Housing based on data published by EAC for 2024)

Reading	Owner occupied	Private rent	Social rent	TOTAL
DWELLINGS OCCUPIED BY HOUSEHOLDS AGED 75+				
1 bedroom	292	163	642	1,097
2 bedrooms	1,174	137	260	1,571
3 bedrooms	2,764	99	278	3,141
4 or more bedrooms	1,131	31	24	1,186
Total Households	**5,361**	**430**	**1,204**	**6,995**
SPECIALIST OLDER PERSON HOUSING UNITS				
Housing with Support	766	0	756	1,522
Housing with Care	175	0	288	463
Total Specialist Older Person Housing Units	**941**	**0**	**1,044**	**1,985**

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[31] http://www.housingcare.org/downloads/eac%20stats%20on%20housing%20for%20older%20people%20March%202015.pdf

The EAC data is based on 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"*. This includes Extra Care, assisted living, and other forms of 'housing with care' but other forms of specialist older person housing may not be included within this definition.

6.18   It is notable that the number of rented units (1,044 homes) is only marginally lower than the number of households aged 75 or over living in social rented housing at the time of the Census (1,204 households).

6.19   The owner-occupied stock of specialist older person housing (941 homes) represents around two thirds (64.2%) of all one- and two-bedroom dwellings occupied by owner occupiers aged 75 or over. Nevertheless, as many older owner occupiers live in properties with three bedrooms or more, the specialist older person housing stock represents only 17.5% of households when considering all owner occupiers aged 75 or over.

Identifying the Need for Specialist Older Person Housing

6.20   National Planning Practice Guidance for *"Housing for older and disabled people"* was published in June 2019. This states [ID 63-004-20190626]:

> *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.*

6.21   The Housing Learning and Improvement Network (LIN) has published a number of different online toolkits that have provided standardised rates for estimating demand for specialist older person housing products. These have been based on applying prevalence rates per 1,000 people aged 75 or over, as summarised in Figure 52. [32, 33] The table also presents baseline rates from a model developed by Sheffield Hallam University Centre for Regional Economic and Social Research (CRESR).[34]

6.22   These rates provide a useful framework for understanding the potential demand for different forms of older person housing, but there is limited detail about the derivation of the figures published by the Housing LIN.

6.23   The More Choice, Greater Voice toolkit recognises that the suggested framework simply:

> *"…represents an attempt to quantify matters with explicit numerical ratios and targets. It is contentious, but deliberately so, in challenging those who must develop local strategies to draw all the strands together in a way that quantifies their intentions."* (page 44)

6.24   Similarly, the SHOP resource pack acknowledged that the framework simply provides a baseline, which extrapolates *"…crude estimates of future demand from existing data"* (page 36) and the 2016 Review acknowledged that the Housing in Later Life report had *"suggested a large increase in leasehold housing for older people which were not substantiated at the time"* (page 4).

6.25   In contrast, the baseline rates for the CRESR model were established based on:

> *"the level and composition of supply of age-exclusive housing, specialist housing, and care beds across the 100 English local authorities with the highest overall provision of each broad type of older person housing per 1,000 older people (aged 75 years or older)."* (page 26)

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[32] http://www.housinglin.org.uk/_library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf
[33] http://www.housinglin.org.uk/_library/Resources/Housing/SHOP/SHOPResourcePack.pdf
[34]   https://www.shu.ac.uk/centre-regional-economic-social-research/projects/all-projects/older-peoples-housing-care-and-support-needs-in-greater-cambridge-2017-2036

Figure 52: Benchmark Figures for Specialist Older Person Housing

Form of Provision *Demand per 1,000 persons aged 75+*	More Choice, Greater Voice Toolkit	Housing in Later Life SHOP Resource Pack	SHOP@ National Benchmark	Housing LIN Review Proposals	Sheffield Hallam CRESR Model
	2008	2011	2016	2016	2017
Housing with Support: Retirement Living or Sheltered Housing	125	180	100	100	153.2
Housing with Care: Extra Care or Enhanced Sheltered	45	65	14	35 "Proactive" rate	19.5
Sub-total	**170**	**245**	**114**	**135**	**172.7**
Residential care	65	-	43	40	110.8
Nursing care	45	-	45	45	
Sub-total	**110**	**-**	**88**	**85**	**110.8**
OVERALL TOTAL	**280**	**-**	**202**	**220**	**283.5**

6.26 The Housing LIN states that the More Choice, Greater Voice Toolkit and SHOP Resource Pack are both now out-of-date and remain published only as an 'archived' resource for public policy interest purposes. The more recent SHOP@ analysis tool is provided through the Housing LIN consultancy services, where target prevalence rates are established based on local circumstances.

6.27 The Housing LIN 2016 Review identified the following benchmarks for tenure mix based on the relative affluence or deprivation of the local authority area (Figure 53). Given that the English indices of deprivation ranked Reading in the affluent quartile of all local authorities,[35] the relevant tenure mix benchmark would be that proposed for the "Most Affluent" areas.

Figure 53: Proposed tenure mix for 2035 influenced by the affluence/deprivation ratio from the Housing LIN 2016 Review

SHOP@ MARKET SPLIT 2035 OPTIONS - DEPRIVATION/AFFLUENCE SPLIT

	Most Deprived		Deprived		Affluent		Most Affluent	
	% Rented	% Leasehold	% Rented	% Leasehold	% Rented	% Leasehold	% Rented	% Leasehold
Sheltered, Age Exclusive	80	20	67	33	50	50	33	67
Housing with Care	75	25	50	50	33	67	25	75
Split based on quantiles of ONS deprivation index								
It can expected that the % of public sector sheltered, age exclusive accommodation will retain a higher % than housing with care as there already exists a substantial level of current service provision.								

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35 https://www.gov.uk/government/statistics/english-indices-of-deprivation-2019

6.28 In contrast, the CRESR Model determined the tenure mix for each type of housing based on the proportion of residents aged 75 or over living in owner occupation. Given that the proportion for Reading, the "Above median" benchmark applies.

Figure 54: Tenure splits for 2035 influenced by the affluence/deprivation ratio from the Housing LIN 2016 Review

		Proportion of 75 years and over in owner occupation	
		Above median	Below median
Age-exclusive	Rented	84	92
	Owner	16	8
Sheltered	Rented	69	84
	Owner	31	16
Enhanced sheltered	Rented	47	55
	Owner	53	45
Extra care	Rented	71	87
	Owner	29	13

6.29 Nevertheless, it is important to recognise that the CRESR Model is based on the mix of current provision, which may not reflect the most appropriate distribution when planning for additional provision.

> *"These tenure splits reflect current provision, which is significantly skewed towards social rented provision. If there is a desire to expand the provision of older people's housing beyond current levels, this is likely to require disproportionate increases in ownership forms of supply. This is in part due to demand being focused on these ownership forms, particularly in areas with high levels of existing older homeowners."*

Reviewing the Existing Stock of Specialist Older Person Housing

6.30 As previously noted, the 2021 Census identified a total of around 9,830 persons aged 75 or over resident in the Reading at that time (Figure 48) and data published by the Elderly Accommodation Counsel (EAC) identifies that there is an overall stock of nearly 2,000 specialist older person housing units across the area (Figure 51). On this basis, we can determine that the current provision of stock in the area equates to around 211 dwellings per 1000 persons aged 75 or over, which is one of the highest figures in England.

6.31 Figure 55 compares the rates for the different types of specialist housing for sale and rent with the suggested target benchmark rates from the Housing LIN Review and the baseline rates from the CRESR Model. This suggests that both the owned and rented stock are currently above the respective benchmark rates suggested by the Housing LIN. In contrast, baseline rates from the CRESR Model suggest that the existing owned stock is higher, whilst the existing rented stock with support is lower than would be expected (based on the 100 English local authorities with the highest overall provision).

Figure 55: Existing Specialist Older Person Housing for Reading

Form of Provision	Existing Supply			Housing LIN 2016 Review		CRESR Model	
	Number of dwellings	Percentage	Rate per 1000 persons aged 75+	Benchmark rates	Supply-Demand balance	Benchmark rates	Supply-Demand balance
Housing with Support	**1,522**	**-**	**161**	**100.0**	**61**	**153.2**	**8**
Owned	766	50%	81	33.0	48	24.5	57
Rented	756	50%	80	67.0	13	128.7	-48
Housing with Care	**463**	**-**	**49**	**35.0**	**14**	**19.5**	**30**
Owned	175	38%	19	17.5	1	17.0	2
Rented	288	62%	31	17.5	13	2.5	28
TOTAL	**1,985**	**-**	**211**	**135**	**76**	**172.7**	**38**
Owned	941	47%	100	50.5	49	41.5	58
Rented	1,044	53%	111	84.5	26	131.2	-20

6.32 Figure 51 previously established that the existing owner-occupied stock of specialist older person housing represented only 17.5% of owner occupiers aged 75 or over living in the area. Nevertheless, the CRESR Model identifies that the current rate (100 per 1000) is higher than the average for the 100 English local authorities with most provision based on actual stock (42 per 1000). The current rate is also higher than the benchmark from the Housing LIN Review (51 per 1000).

6.33 With regard to specialist older person housing for rent, it was previously noted that the existing stock was only marginally lower than the number of households aged 75 or over living social rented housing at the time of the Census. Therefore, it is perhaps not surprising that the current rate (111 per 1000) is higher than the Housing LIN benchmark (85 per 1000) suggesting sufficient rented stock in Reading. Despite this, the current rate is lower than the benchmark from the CRESR Model (131 per 1000) due to many other local areas having even higher rates of provision.

6.34 When considering the different types of specialist older person rented housing, it is apparent that the benchmark rates of Housing with Care (19-35 per 1000) are below the existing stock (49per 1000). Although the CRESR Model suggests there could be a substantial shortfall in Housing with Support to rent. the Housing LIN benchmark rates suggest a surplus in this area, which on balance would seem to be more credible.

Establishing the Future Need for Specialist Older Person Housing

6.35 The population projections underlying the Local Housing Need figure for Reading shows a substantial increase in the older population over the period 2023-2041 with an additional 5,513 persons and 3,951 households resident in the local area.

Figure 56: Projected population aged 75+ (Source: LHNA modelling, ORS)

	Total population 2023	Total population 2041	18-year change 20232041
RESIDENT POPULATION			
Household population	10,279	15,542	+5,263
Communal Establishment population	422	672	+250
Total Resident Population	**10,702**	**16,214**	**+5,513**
HOUSEHOLD POPULATION			
Living as a single person household	4,030	6,029	+1,999
Living in a couple or another type of household	6,249	9,513	+3,263
Total Household Population	**10,279**	**15,542**	**+5,263**
HOUSEHOLD REPRESENTATIVES			
Single person household representative	4,030	6,029	+1,999
Couple household representative	2,793	4,366	+1,573
Other household representative	737	1,115	+378
Total Household Representatives	**7,560**	**11,511**	**+3,951**

6.36 It is important to recognise that many of these extra residents will be aged 85 or over and likely to have increasingly complex care and support needs, including dementia, but also mental health needs and frailty related needs. It will therefore be necessary to consider the associated changes in the profile of housing need.

6.37 The household projections assume that the population aged 75 or over living in communal establishments will remain constant as a proportion for each 5-year age group, based on the rates identified by the 2021 Census (Figure 49). On this basis, it is projected that an additional 250 residents will need bedspaces to be provided in residential or nursing care homes in Reading over the 18-year period 2023-2041. This does not imply that 250 bedspaces are required because rates have been falling over time. However, given the ageing of the population, additional nursing bedspaces are likely to be required in Reading.

6.38 Figure 57 considers the need for specialist older person housing for older households in Reading over the 18-year period 2023-2041. This uses the baseline rates previously established based on existing supply (Figure 55) and considers appropriate target rates taking account of the range of different benchmarks identified by the toolkits.

» The target rates are based on the average of (i) the baseline rate for the local authority, and (ii) the mid-point of the benchmark range; except for Affordable Housing with Support (which excludes the CRESR Model rate from the benchmark range, as it appears too high) and Affordable Housing with Care (which excludes the Housing LIN rate from the benchmark range, as it appears too low) as neither of these benchmarks seem appropriate for the local area.

» Based on the identified target rates, the projected number of residents aged 75 or over at the end of the 18-year period in 2041 (Figure 56) is used to establish the overall gross need.

» The existing supply is then offset to identify the housing need for the 18-year period 2023-2041.

6.39 On this basis, there would be a need to provide an additional 665 specialist older person housing units in Reading (equivalent to an average of 37 dwellings per year) of which 71% would need to be provided as affordable housing. The need for specialist older person housing represents 4% of the overall housing need identified for Reading.

Figure 57: Modelled Need for Specialist Older Person Housing in Reading 2023-2041

Form of Provision	Existing supply	Baseline rate per 1000 persons aged 75+	Benchmark range per 1000 persons aged 75+	Target rate per 1000 persons aged 75+	Gross need in 2041	Housing need 2020-2041
Market Housing	**941**	**100**	-	**73**	**1,133**	**192**
Housing with Care	175	19	17-18	18	278	103
Housing with Support	766	81	25-33	55	855	89
Affordable Housing	**1,044**	**111**	-	**98**	**1,517**	**473**
Housing with Care	288	31	17.5	24	373	85
Housing with Support	756	80	67	74	1,144	388
TOTAL	**1,985**	**211**	**-**	**171**	**2,650**	**665**
Housing with Care	*463*	*49*	*-*	*42*	*651*	*188*
Housing with Support	*1,522*	*161*	*-*	*129*	*1,999*	*477*

6.40 This analysis 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 specialist housing are already experiencing lower demand, and other, newer types of provision may appear to meet changing aspirations in the future. The policy aim of supporting people at home for longer along with assistive technology could also reduce or alter demand. 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.

6.41 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 need;

» **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; and

» **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.

Housing for People with Disabilities

6.42 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).[36]

6.43 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 standard.

6.44 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.

6.45 Planning Practice Guidance for Housing 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**

6.46 Local planning authorities are expected to plan for households with specific needs and therefore need to be able to quantify the volume of demand. However, the PPG recognises that there is no single source of information by which to assess demand and some limitations to the available data. Not all of those in receipt of PIPs or Attendance Allowance necessarily require home adaptations whilst DFG applications may underestimate need.

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[36] https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m

6.47 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 Payment[37] (replacing Disability Living Allowance) / Attendance Allowance[38] 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 Grant[39] (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**

6.48 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.

6.49 Given that the numbers of households with a limiting long-term illness or disability affecting housing (both existing and projected) that are likely to need to move comprises a significant proportion when compared to the total LHN (Figure 61), and furthermore given that the rates of limiting long-term illness or disability affecting housing needs are much higher in the affordable tenures (see Figure 58 following, affordable tenures are more than three times more likely to need an adapted home), the evidence supports consideration of a high proportion of affordable homes being built to at least M4(2) standards where viability allows, perhaps as much as 100%.

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

6.50 In establishing the need for M4(2) Category 2 housing it is important to consider the population projections and health demographics of the area.

6.51 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:

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[37] 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).

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

[39] 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.

> *"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**

6.52 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.

6.53 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 58).

Figure 58: Households with a long-term illness or disability that affects their housing needs (Source: English Housing Survey)

ENGLAND	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%**

6.54 The ORS model uses the national English Housing Survey together with data about relative levels of limiting long-term illness and disability in Reading to estimate the number of households likely to require adaptations or needing to move to a more suitable home in the housing market area.

Figure 59: Households with a long-term illness or disability in Reading in 2023 by effect on housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

READING	TOTAL
Households with one or more persons with a limiting long-term illness or disability	18,719
Does not affect their housing need	13,464
Current home suitable for needs	4,229
Current home requires adaptation	517
Need to move to a more suitable home	510
Total households where a limiting long-term illness or disability affects their housing need:	**5,255**

6.55 The model (Figure 59) identifies that there were 18,719 households living in Reading as of 2023 with one or more persons with a limiting long-term illness or disability. In 13,464 of these households, this does not affect their housing need, but in 5,255 households an illness or disability does impact on housing need. Amongst those households where it does affect housing needs 4,229 households are already living in a

suitable home (having moved or made adaptations). This leaves 517 households needing adaptations to their current home and 510 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.

6.56 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. 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 60 shows our calculation that there will be an additional 4,893 households either needing adaptations to their existing housing or suitable new housing to be provided by the end of the period in question.

Figure 60: **Households with a long-term illness or disability in Reading 2023-2041 affecting their housing need (Source: ORS Housing Model. Note: Figures may not sum due to rounding)**

READING	TOTAL
Existing households in 2023 likely to develop health problems that affect their housing need within 10 years	1,651
Additional households in 2041 projected to experience problems or likely to develop problems within 10 years	3,242
Additional households in 2041 where illness or disability affects their housing need or will develop within 10 years	**4,893**
Unmet Need in 2023 for an adapted home (from Figure 59)	**510**
Total need for adapted housing	**5,403**

6.57 To provide M4(2) housing for all of the identified need would require housing for up to 5,403 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.

6.58 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. Fewer dwellings would be adaptable to the M4(2) Category 2 standard given the additional requirements. Based on the housing mix in Reading authorities 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.

6.59 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 61). 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 61: Households with a long-term illness or disability in Reading by effect on housing need (Source: ORS Housing Model.
           Note: Figures may not sum due to rounding)

READING	Affordable	Market	TOTAL	% of LHN
Existing need in 2023				
Households where an existing illness or disability affects their housing need and need to move in 2023	194	316	510	-
Projected future need 2023-2041				
Additional households in 2041 where illness or disability affects their housing need or will develop within 10 years	2,823	2,071	4,893	-
Maximum need for adapted housing 2023-2041 (households)	**3,016**	**2,387**	**5,403**	**43%**
Less households living in dwellings adaptable to M4(1) standard	1,446	1,061	2,506	-
Minimum need for adapted housing 2023-2041 (households)	**1,570**	**1,326**	**2,896**	**23%**

6.60   Therefore, the need for adapted housing 2023-2041 can be expressed as a range between 2,896 and 5,403 dwellings. 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 indicates it would be appropriate to plan for a minimum of 23% of housing to M4(2) Category 2 or M4(3) Category 3.

6.61   It is important to recognise that these ranges would represent 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.

6.62   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"[40] 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:

> *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**

6.63   The timescale for this proposed change has not yet been released, however Reading Council has implemented a policy to make M4(2) the default minimum standard (i.e. 100% M4(2) with appropriate exceptions, as stated above) on the basis that, whatever the numerical need will be, it is not possible to predict which homes will require adaptation, and one of the purposes of adaptation is to not need to move at all. On this basis, the logical approach is to ensure that all new homes are capable of adaptation. This should ensure that the future need for M4(2) Category 2 housing in Reading will be met in full.

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[40] 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

Housing for Wheelchair Users

6.64 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.

6.65 Building Regulations for M4(3) Category 3: Wheelchair user dwellings also 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."*
>
> **Access to and use of buildings: Approved Document M - Page 23**

6.66 In establishing the need for M4(3) Category 3 housing it is again important to consider the dwelling-led population projections and health demographics of the area, but with specific reference to households with wheelchair users. The CLG guide to available disability data[41] 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%). Figure 62 identifies the proportion of households in England with a wheelchair user currently living in market housing and affordable housing by age of household representative. In the households survey, the figure was 4.1% for Reading, so again the secondary data model fits well against the households survey data. The rates are also higher for older households.

Figure 62: Percentage of households with a wheelchair user by type of housing and age of household representative (Source: English Housing Survey 2013-14)

Housing Type - ENGLAND	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Housing type								
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%

6.67 To gain a better understanding of the local data, Figure 63 compares the proportion of disability benefit claimants in receipt of mobility award (the majority of whom will be wheelchair users) for Reading against the figures for England.

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

Figure 63:   Disability benefit claimants in receipt of mobility award by age in Reading and England (Source: DWP, May 2023)
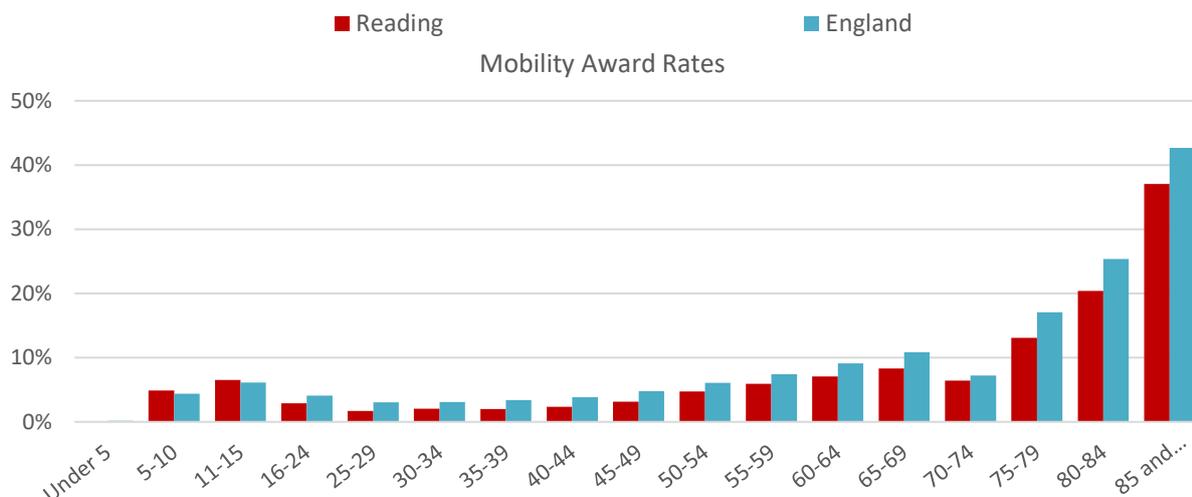
6.68   Through combining the information on local rates with the national data, we can establish the proportion of households likely to have a wheelchair user by the age of the household representative in market housing and affordable housing (Figure 64):

Figure 64:   Percentage of households with a wheelchair user in Reading, by type of housing and age of household representative (Source: EHS, DWP)

READING	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%	1.5%	2.9%	3.9%	5.7%	8.3%
Affordable housing	0.3%	2.0%	2.9%	5.8%	5.9%	10.0%	11.9%	18.0%

6.69   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 2023 to 2041. (Figure 65). Using this approach, we can calculate the number of households likely to need wheelchair adapted housing in Reading is likely to increase by 730 over the 18-year period. Note that these are gross figures, and many of the households identified in 2023 are likely to already live in wheelchair adapted housing.

Figure 65:   Households needing wheelchair adapted housing in Reading (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.)

READING: Gross Modelled Need for Wheelchair Adapted Housing	2023	2041	Net change 2023-2041	%age of tenure in LHN
Market housing	1,070	1,370	+300	3.9%
Affordable housing	1,020	1,450	+430	9.2%
Total	**2,090**	**2,820**	**+730**	**5.9%**

6.70   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 66.

Figure 66: Households needing Wheelchair Adapted Housing by age (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

READING: Modelled Need for Wheelchair Adapted Housing	Households aged under 75			Households aged 75+		
	2023	**2041**	**Net change 2023-2041**	**2023**	**2041**	**Net change 2023-2041**
Market housing	710	840	+130	360	530	+180
Affordable housing	740	940	+200	280	510	+220
Total	**1,450**	**1,780**	**+330**	**640**	**1,040**	**+400**

6.71   This means that there are likely to be some people who are identified in both categories – Wheelchair adapted housing and specialist older person housing.

6.72   Whilst not all over 75 households needing wheelchair adapted housing will live in specialist older person housing, it is likely that at least a tenth 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 requires a wheelchair. Furthermore, it may be noted that where it is possible to retrospectively adapt residences, this may be costly or difficult.

6.73   On this basis it may be appropriate to adopt a higher target for 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.

6.74   The evidence (Figure 65) supports at least 9% 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. 15%, 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.

6.75   In market housing, the evidence supports at least 4% of all market housing being fully (and simply) adaptable[42] 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.

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[42] See quote following para 6.65

Student Housing

6.76 PPG includes specific reference to identifying the needs of students:

> *Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Encouraging more dedicated student accommodation may provide low cost housing that takes pressure off the private rented sector and increases the overall housing stock. Strategic policy-making authorities are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside university-provided accommodation. Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area.*
>
> **Planning Practice Guidance, ID 67-004-20190722**

6.77 The University of Reading main Whiteknights campus straddles the border of Reading Borough and Wokingham Borough. The University responded to the draft Reading Borough Local Plan (adopted in 2019) and provided the following information:

> » The University identifies a shortfall of up to 3,000 bed spaces for first year students by 2028 and up to 12,865 bed spaces across all years by 2028.

> » The current shortfall is around 1,000 bed spaces for first year students and 5,000 bed spaces across all years.

> » The 2011 Census showed a total of 11,991 students aged 18+ in Reading and 3,882 in Wokingham; roughly 3:1 in Reading. Given that a large proportion of students were not living at their term time address during the 2021 Census, this is the most accurate data we have. However, it is likely that the majority of students will be drawn to Reading rather the more rural areas of Wokingham Borough.

6.78 The 2011 Census data is 13 years old, while the 2021 Census data on students is unreliable. Since the completion of the 2011 Census, Bulmershe Hall and other accommodation within Wokingham Borough have closed and been redeveloped as housing. At the same time, The University of Reading plans for expansion appear to have been reduced, though this has not been confirmed by the University.

6.79 Because of the lack of robust Census data and other information, Higher Education Statistics Agency (HESA) data is the most reliable source of data to indicate need. The HESA term time accommodation data for full time students is shown in Figure 67[43]. Provider maintained property includes halls of residence and other University accommodation and shall be referred to here as 'University halls' for brevity.

6.80 Several notable points can be seen in Figure 67:

> » The total number of full time students remained broadly static 2017/18 to 2020/21 at around 15,290, then fell in 2021/22 to 14,675. Covid is one likely cause of this, with the move from full time to part time study also playing a part (discussed below).

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[43] HESA data is for enrolled students. It is possible that some of those who enrolled did not attend, but that is expected to be a small proportion of all students.

» At 2021/22, the largest number of students lived in University halls; 4,590 in 2021/22. This is followed by 'Other rented accommodation'; 3,435 in 2021/22. The balance between these two has changed over time; in 2017/18 more students lived in 'Other rented accommodation' than in University halls.

» The number in private sector halls has fluctuated with little sign of a systematic change.

» The number of students living in the parental home has increased over time, from 2,125 in 2017/18 to 2,905 in 2021/22. Again, it is likely that Covid has affected these numbers, probably in conjunction with other factors such as cost of living.

» The number living in their own residence has increased since 2017/18, though the largest increases were between 2017/18 (1,640) and 2020/21 (2,250). It is likely that Covid has affected these numbers, probably in conjunction with other factors.

Figure 67: Term time accommodation of full-time students over the previous 5 years (HESA January 2023 data, Totals may not sum as they are rounded)

	2017/18	2018/19	2019/20	2020/21	2021/22
Provider maintained property	4,995	4,850	4,880	4,150	4,590
Private-sector halls	760	605	1,050	455	905
Parental/guardian home	2,125	3,585	2,030	2,635	2,905
Own residence	1,640	1,975	2,195	2,250	2,030
Other rented accommodation	5,375	3,845	4,695	4,335	3,435
Other	205	195	285	410	195
Not in attendance at the provider	155	220	175	1,080	405
Not known	0	0	0	10	215
Total	**15,250**	**15,275**	**15,310**	**15,320**	**14,675**

6.81 The same data for the five largest accommodation types is shown as a chart below: provider-maintained property, private-sector halls, parental/guardian home, own residence, other rented accommodation.

6.82 Figure 68 shows the change over time in the five accommodation types. In particular, the decrease in 'Other rented accommodation'. This is important because this accommodation type includes shared private sector rented houses that can take up PRS housing that would otherwise be available for families.

6.83 Unfortunately, while some longer-term trends are visible, the Covid pandemic has almost certainly skewed these results.

6.84 The number of part time students has steadily increased over time; from 1,745 in 2017/18 to 4,715 in 2021/22 and may have an impact on the type of accommodation that students are living in. That said, the increase in part time students may itself be partially attributed to Covid along with other factors.

6.85 Note that the totals in Figure 69 have been input by ORS and simply the sum of the full and part time students rather than numbers taken from HESA.

Figure 69: Full-time and part-time students over the previous 5 years (HESA January 2023 data)

	2017/18	2018/19	2019/20	2020/21	2021/22
Full time	15,250	15,275	15,310	15,320	14,675
Part time	1,745	2,530	3,425	4,655	4,715
Total	**16,995**	**17,805**	**18,735**	**19,975**	**19,390**

6.86 In conclusion, while there has been some movement in the type of accommodation that students are looking for, it is difficult to provide clear evidence of any change in demand that can be projected forward because of uncertainties largely due to the Covid pandemic, including potential long term as well as temporary changes in behaviour. It can be assumed that there were around 3,500 students looking for shared housing in the PRS and that other forms of accommodation provided for the majority of students without recourse to the PRS at 2021/22. The move to part time study may decrease the amount of PBSA accommodation needed, which in turn may decrease the number of dwellings taken as student lets.

6.87 It is likely that the majority of students will look to rent shared properties in Reading rather than in Wokingham because of the social and other opportunities in the City, but it would be beneficial if the two authorities could have a policy of joint working on student housing.

6.88   HESA student data for 2022/23 is expected to be published in August 2024, and may begin to provide more useful data on the near future housing needs of students.

6.89 The Reading Local Plan already recognises a 1,000 bedspace shortfall in meeting the first year guarantee at the University. Based upon the data available from the University, and the uncertain position of the higher education sector in general, there is no clear evidence that any further provision of PBSA is required in Reading.

Service Families

6.90 Paragraph 62 of the 2019 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**

6.91 Ministry of Defence (MoD) annual location statistics[44] show that there are no military personnel stationed in Reading. Unless any significant changes are planned, the needs of service personnel will not impact the identified LHN.

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[44] https://www.gov.uk/government/statistics/location-of-uk-regular-service-and-civilian-personnel-annual-statistics-2022

People Wishing to Build their Own Homes

6.92   Planning Practice Guidance 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**

6.93   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 Act[45] 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;

>   »   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.

6.94   The 2015 Act was amended by the Housing and Planning Act 2016[46] 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)**

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

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[45] http://services.parliament.uk/bills/2014-15/selfbuildandcustomhousebuilding.html
[46] http://services.parliament.uk/bills/2015-16/housingandplanning.html

February 2021 Policy Update

6.96 In February 2021 the Government updated Planning Practice Guidance in the form of, Self-build and custom housebuilding[47]. 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:

> *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.*
>
> *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.*
>
> *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**

6.97 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.

6.98 Alongside the updated guidance, MHCLG have published detailed data from the registers for the period 2016 to 2022, with 8,100 new entries being recorded in 2021/22. However, the number of households joining the registers varies across the country and household can appear on more than register. However, 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.

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[47] Self-build and custom housebuilding - GOV.UK (www.gov.uk)

6.99   As noted above, it is already considered that by 2017 around 7%-10% of housing delivery occurs via allocated and windfall self-build and custom housebuilding schemes. This would represent around 15,000-22,000 dwellings, but MHCLG statistics indicate that only around 6,400 plots were given planning permission in 2021/22. 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 are 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**

6.100   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.

6.101   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**

6.102   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

6.103   In April 2021, MHCLG produce a new action plan to further support the development of the self-build and custom housebuilding sector.[48] 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.

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[48] Self and custom build action plan - GOV.UK (www.gov.uk)

Levelling Up and Regeneration Act 2023

6.104 A number of provisions in the Levelling Up and Regeneration Act, which was grant Royal Assent on 26 October 2023, should be noted.

» The Act imposes a new duty on councils to include pre-existing unmet demand for self-build and custom build housing when calculating their current level of demand.

» The demand for self-build and custom housebuilding in any "12-month base period should be treated as including any demand from an earlier 12-month base period which has not been met within the time period allowed for complying with the duty to meet that demand".

» Section 123 of the Act amends section 2A of the Self-build and Custom Housebuilding Act 2015 to ensure that only land permissioned explicitly for self-build and custom housebuilding will qualify towards a relevant authority's statutory duty to meet demand for self-build and custom housebuilding in the authority's area.

6.105 Therefore, the Act states that it is only sites where self and custom housebuilding plots are explicitly permissioned which can be counted against demand, so meeting the demand for plots will require more proactive permissions for many councils.

Evidence for Reading

6.106 Reading have put arrangements in place to comply with the Self-Build and Custom Housebuilding Act, including providing a self-build and custom housebuilding registers.

6.107 Figure 70 shows that as of October 2022, Reading has provided very few self and custom housebuilding plots, but has low numbers of households 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.

Figure 70: Self-build and Custom Housebuilding Register and Plot Provision (Source: Local Authority Data)

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	Oct 2021-Oct 2022
New applicants on the register: Part 1	39	74	46	16	17	16	15
New applicants on the register: Part 1	39	74	46	16	17	16	15
Total plots permitted	0	0	11	0	6	4	5

6.108 In April 2019 a local connection test was introduced and those who meet the eligibility criteria set by central government and the local connection criteria now appear on Part 1 of the register. Those who only meet the eligibility set by central government appear on Part 2 of the register. Entries on Part 1 of the register only are counted towards the demand for the number of serviced plots that the council must grant development permission for.

6.109 Since April 2019, the number of households joining the register have fallen, with up to date data from the council showing that only 6 joined in 2022/23. 14 dwellings were delivered in 2022/23, which is sufficient to meet the demand for plots form the register. This implies that Reading is now delivering sufficient plots to meet its demand from the register.

Future Need for Self-build and Custom Housebuilding

6.110 As highlighted above, Reading is currently providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. Furthermore, Reading has a current local plan policy (H2) which requires the consideration of an appropriate self-build provision for residential proposals of ten houses or more.

6.111 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.

6.112 The nature of dwellings being delivered in Reading, with a high number being flatted, makes increasing the supply of self and custom housebuilding options difficult. However, with Part 1 of the register showing a growth of less than 10 household per annum, meeting the planning practice guidance figures does not require a large expansion of the current rate of supply.

Essential Local Workers

6.113 Annex 2 of the 2019-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 and can include NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers.*
>
> **NPPF 2019 – Annex 2**

6.114 It is notable that the definition provided by the 2019 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.

6.115 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. Under the 2012 National Planning Policy Framework (NPPF), the latest official household projections provided the "starting point" for assessing housing need. This often led to lengthy debate at local plan examinations and also at planning appeals for individual sites in areas without "up-to-date" plans (i.e. those adopted within the last 5 years); and such debates were not constrained to "problem" areas where there were underlying concerns about the official figures, but routinely covered issues such as the most appropriate period to use for migration trends within the projections.

3. As a consequence, the Government introduced a "Standard Method" formula for calculating Local Housing Need (LHN) as part of the NPPF revisions in 2018 and 2019, using 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.

4. 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 – this does not impact Reading's LHN) and the fourth step (the cities and urban centres uplift), which currently applies in Reading.

5. The Standard Method calculation for Reading is set out below for the 10-year period 2023-33 in Figure 71.

Step	Calculation	Reading
Step 1: **Setting the baseline using the 2014-based household projections**	Total households in 2024	69,903
	Total households in 2034	74,945
	Household growth 2024-to 2034	5,042
	Average annual household growth	**504**
Step 2: **An adjustment to take account of affordability**	ONS median workplace-based affordability ratio for 2023	8.63
	Adjustment factor	1.2894
Step 3: **Cities and large urban centres uplift**	35% cities and large urban centre uplift	1.35
	Minimum annual local housing need figure	**878**

2014-based Projections for Reading

6. The Standard Method for Local Housing Need 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 Reading. 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 Reading; or whether a higher or lower figure be considered.

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. When following the Standard Method, we use the 2014 based population and household projections for Local Housing Need and then when the overall housing need is determined, we then use the most recent data to analyse the mix of homes needed.

8. Figure 72 shows how household growth was projected to occur in Reading and also age distribution of the population and household representatives. The 2014-based household projections identified that there were 67.4 thousand households resident in Reading in 2014 and projected that this would increase to 77.4 thousand over the 25-year period to 2039 (Figure 72). This was based on average growth of 561 households annually from 2014-19 and 472 households each year from 2019-24, which was then projected to vary slightly over time until the end of the period.

Figure 72: Total projected households and annual household growth, Reading 2014 to 2039 (Source: 2014-based Household Projections, CLG)
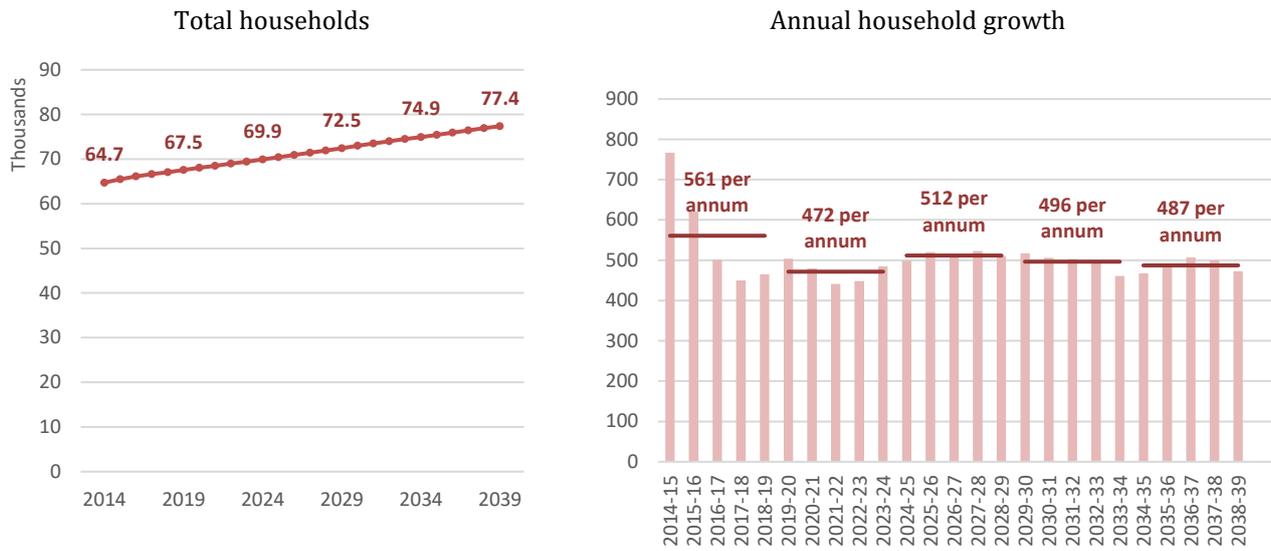
9. The household projections use population projections to establish the household population (those people who live in households) and the household population is used to calculate the number of households, based on the number of household reference persons. The projections show that many of the additional household representatives will be in older age groups (Figure 73).

Figure 73: Projected household population and household representatives by age, Reading 2014 and 2039 (Source: 2014-based Household Projections, CLG)
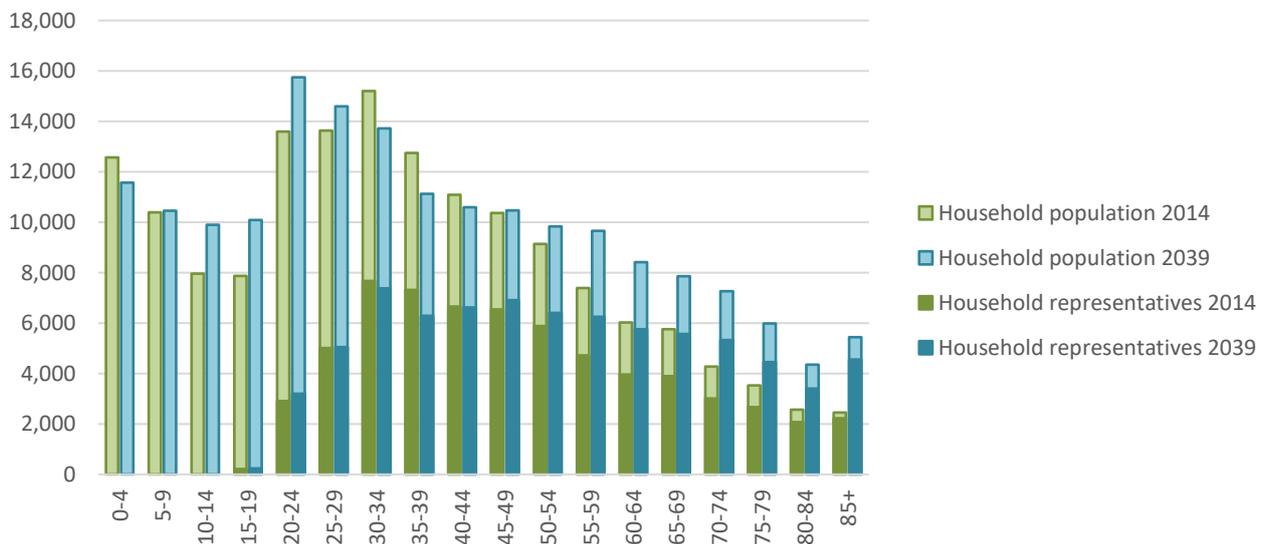
Population growth

10. The 2014-based sub-national population projections that informed the household projections identified 160.8 thousand persons resident in Reading in 2014 and projected that this would increase to 181.9 thousand over the 25-year period to 2039 (Figure 74).

11. 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 1,348 persons in 2014-15 rising to a net loss of 1,514 persons in 2017-18, with rises then decreasing to 1,207 persons by 2038-39.

- Net migration showed a gain of 345 persons in 2014-15 which was then projected to become a loss each year with the figure for 2038/39 being 459 persons.

Figure 74: **Total projected population and components of annual population growth, Reading 2014 to 2039 (Source: 2014-based Sub-National Population Projections, ONS)**
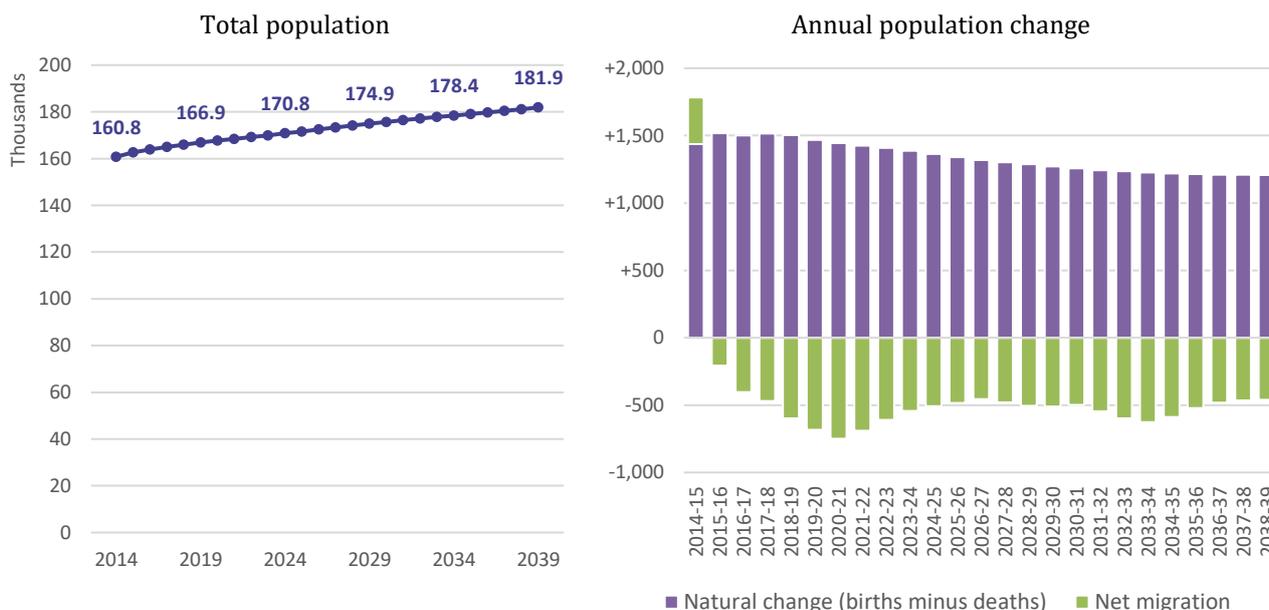
Migration trends

12. Net migration also 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 accuraetly estimate migration trends and establish reliable future projections.

13. Figure 75 shows the projected migration for Reading, and also the ONS estimates for migration between 2014 and 2020. Net out-migration was higher between 2014 and 2020 than projected by the 2014 based household projections.

Figure 75: Recorded and projected net migration by year, Reading 2001-02 to 2038-39 (Source: Mid-year Population Estimates, ONS; 2014-based Sub-National Population Projections, ONS)

Annual net migration
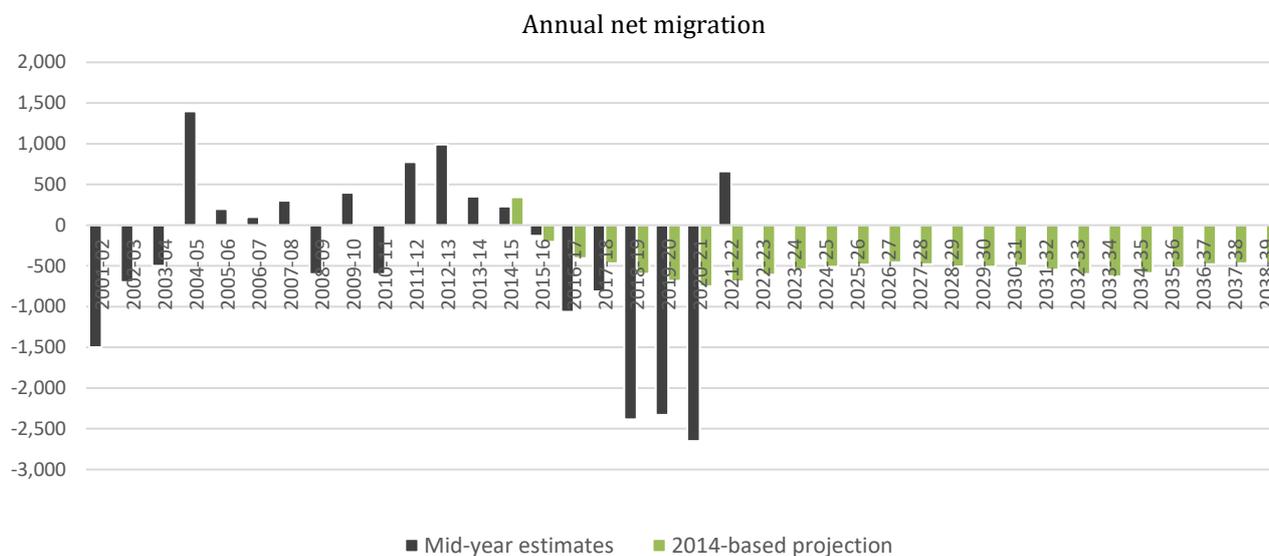
Total Population

14. 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 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

15. 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.

16. The mid-year population estimates identified an increase of 1,328 persons resident in between mid-2001 and mid-2011. Nevertheless, the population of did not actually increase by 1,328 people; in fact, the Census confirmed an increase of 10,655 persons over the decade – a difference of 9,327 persons. As a percentage of the existing population, only four local authorities in England, outside of London, saw a larger revision to their population data as a result of UPC.

17. As the Census provides the more reliable estimates, an upward UPC revision was deemed necessary. The following chart sets out the various population estimates that the ONS has published for Reading 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 grey 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, 2011 and 2021 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)

18. In general, a positive UPC adjustment would lead to migration being under-estimated between 2008 and 2014, and therefore the Standard Method being an under-estimate. This would be the case in Reading, if it were not also part of the cities and large urban area 35% uplift. It is the 35% uplift which takes Reading from a standard method figure which is lower than its true needs to one which is higher. From this, it can be seen that there are considered to be exception circumstances for Reading which question the reliability of the Standard Method in this case.

Figure 76: Estimates of Total Population, Reading 2001 to 2022 (Source: Mid-year population estimates, ONS; Census of population, ONS; Admin-based population estimates, ONS)
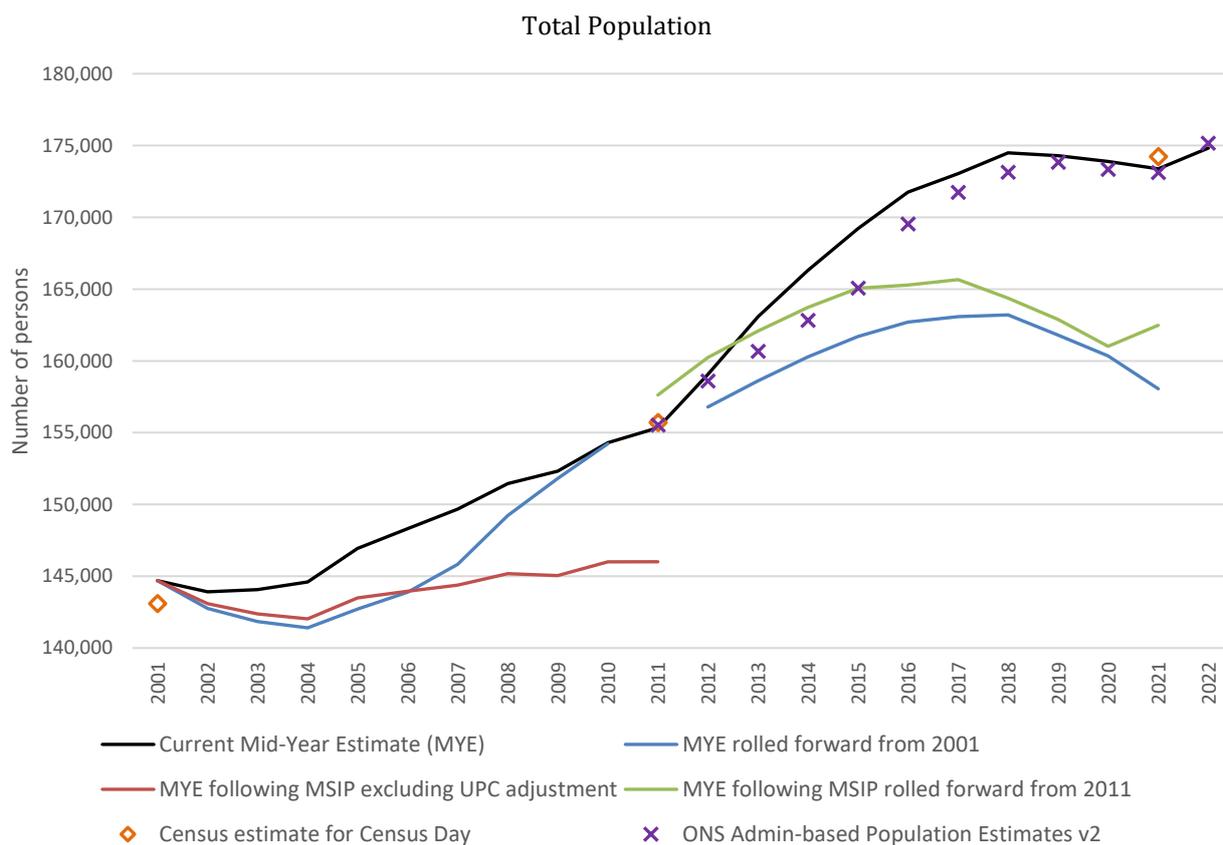
Housing supply, house prices and affordability

19. Figure 77 shows net additions to the dwelling stock each year. There was two exceptional years in 2019-2020 and 2020-2021, but in general completions have sat between 700 and 1,000 per annum for the past 9 years, which is above the Local Plan target.

Figure 77: **Components of net housing supply, Reading 2001-02 to 2022-23 (Source: Council Records, Live Table 122 and 123, Department for Levelling Up, Housing and Communities)**
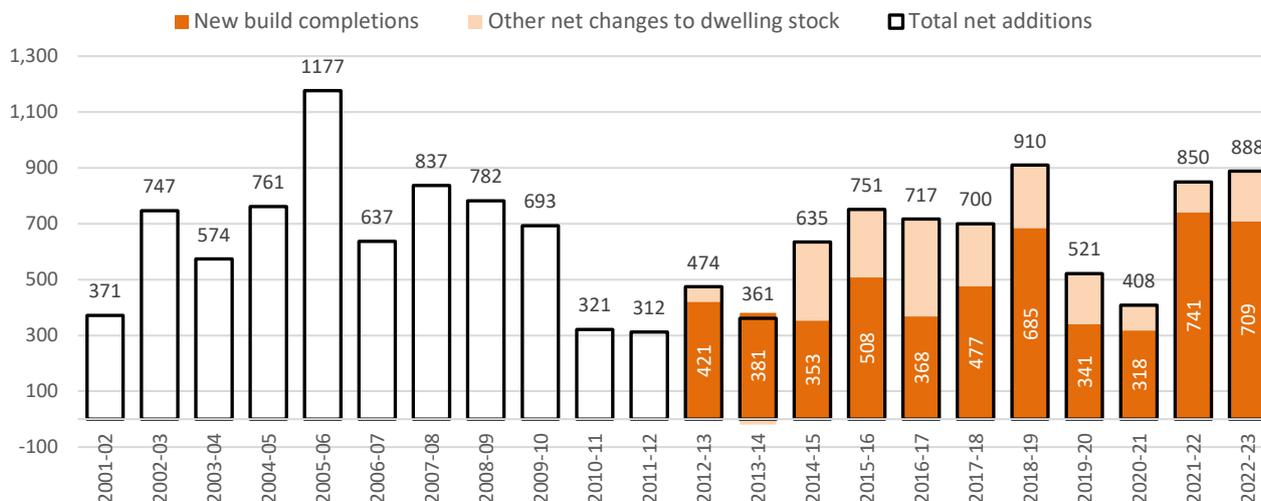
20. Despite the relatively low growth in housing supply, the ratio of median house price to median gross annual workplace-based earnings has stabilised in Reading in recent years. This ratio is used to determine the adjustment to take account of affordability at step 2 of the Standard Method calculation.

Figure 78: **Median house price and ratio of median house price to median gross annual workplace-based earnings, Reading 2001 to 2022 (Source: Ratio of median house price to workplace-based earnings, ONS)**
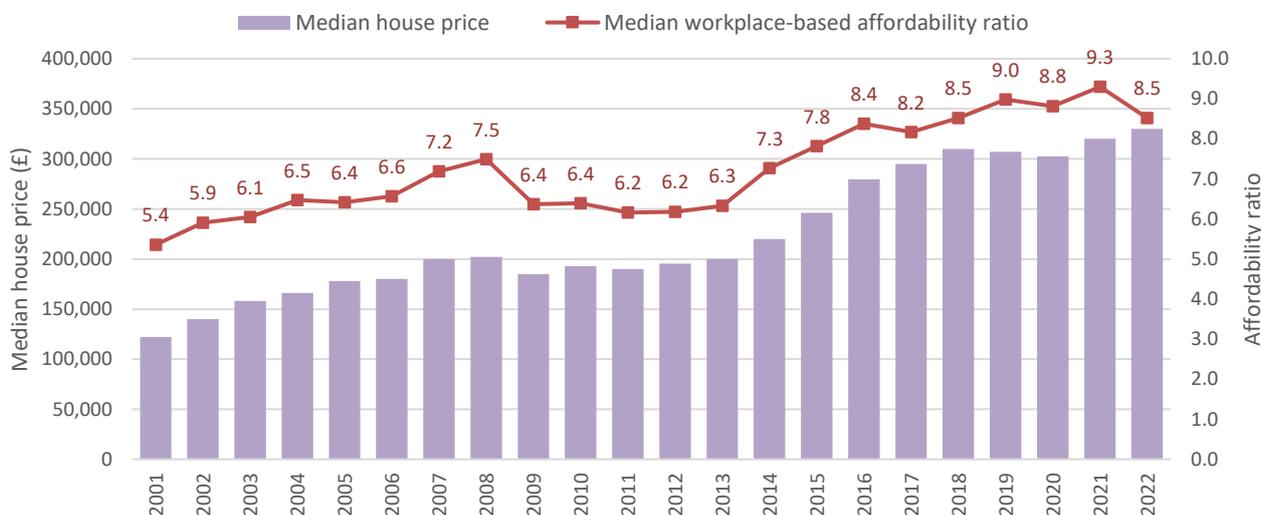
Conclusions

21. 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 Reading, UPC was significant for the period 2001-2011, and that the ONS data has consistently under-estimated the population growth rate for the area. This under-estimate appears to have been driven by an over-estimate for net out-migration from Reading. The under-estimate would see

the LHN for Reading being too low if there was not also the 35% cities and large urban centres uplift in the Standard Method. The 35% is not evidence based and therefore, for this study we have chosen to seek a housing need figure based upon the balance of housing required to accommodate the workforce of Reading.

Appendix B: Jobs and Workers -
Alignment of Future Jobs Growth with Resident Workers

Considering the basis for Adjusting the Local Housing Need

22.   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**

23.   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-015-20190220]. 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.

24. 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 Responsibly. 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.

25. To assess if the number of workers will support the number of jobs in Reading will also require a forecast for jobs. The Council provide ORS with a forecast Provided by Cambridge Econometrics up to the period 2040, not 2041. However, the growth projected over the 18-year period 2023-41 is 10,300 jobs. The model was extended from 2040 to 2041 by assuming that growth in the period 2040/41 continues on the same trend path.

26. It is also noteworthy that the Cambridge Econometrics data showed a growth in number of workers in Reading of nearly 14,000 between 2018 and 2021, but this figure is well out of line with historic trends. It should be remembered that job estimates for any one year are an estimate based upon a sample survey and the estimate will vary over time not because of real changes, but because the impact of sample surveys giving slightly different outputs over time.

Figure 79: Historic and Projected Jobs Growth in Reading 1981-2041 (Source: Cambridge Econometrics)
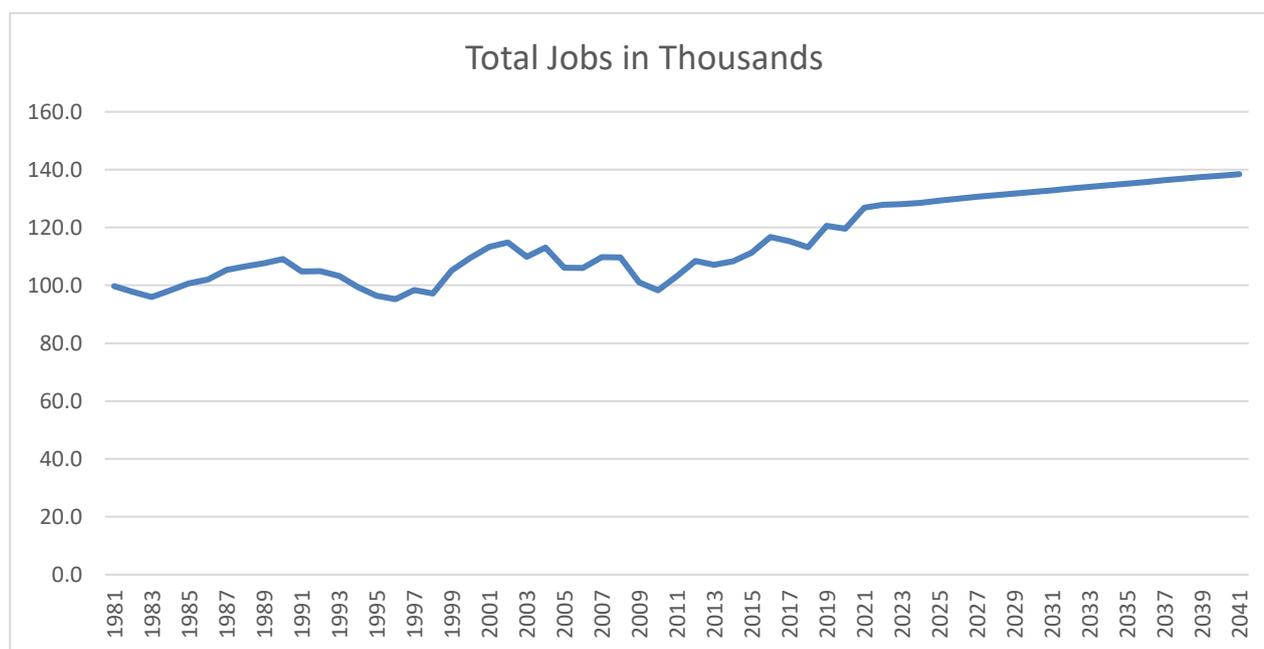
27. Figure 80 sets out the calculation of the require workforce in Reading required to support a growth of 10,300 jobs. The calculation considers the impact of some workers having more than one jobs, in and out-commuting and changes to the number of people unemployed. Overall, an additional 9,254 workers will be required in Reading to fill 10,300 jobs unless existing commuting pattern are assumed to change.

Figure 80:   Additional Local Workforce Required in Reading to Meeting Labour Demand (Source: ORS and Cambridge Econometrics)

Jobs target	10,300
Double job rate	3.4%
Workforce needed	9,961
Commute in rate	47.2%
Workforce commute into Reading	4,706
Resident workforce needed	5,255
Unemployment rate	3.6%
Economically active persons - unemployed	196
Economically Active persons	5,451
Out Commute rate	41.1%
Total Economically Active persons required	9,254

28. Figure 25, repeated below as Figure 81 showed that demographic growth for Reading, including any backlog of need and the impact of vacant homes gave a need of 562 dwellings per annum. This in turn would generate a 4,214 additional resident workers in Reading, well below the 9,254 required. To address this shortfall the model increase the number of migrant households to Reading, in line with recent patterns of migration, until sufficient workers are present to be able to fill the projected number of jobs. This results in a need an additional 173 dwellings per annum to accommodate sufficient additional workers and this gives the overall need of 735 dwellings per annum.

Figure 81:   Objectively Assessed Need for Reading 2023-41 (Source: CLG, ONS; Note: All figures presented unrounded for transparency)

READING	Annual Need
ONS 2018 based household projections: 10-year migration trend	330
Adjustment for Census and Mid-year population estimates 2021	+65
Vacancy rate Applied	+26
C2 Dwelling equivalent	+8
Concealed families	+48
Suppressed household formation/Pent-up demand	+85
Demographic and Backlog of Need Total	**562**
In-migration to meet Jobs Target	+173
TOTAL	**735**

Appendix C
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"[49].

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"*[50]

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.

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[49] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf
[50] 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

Table of Figures