

# Capel

Housing Needs Assessment (HNA)

October 2021

## Quality information

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**List of acronyms used in the text:**

HNA Housing Needs Assessment

HRF Housing Requirement Figure (the total number of homes the NA is expected to plan for, usually supplied by LPAs)

HRP Household Reference Person

LHN Local Housing Need

LPA Local Planning Authority

MHCLG Ministry for Housing, Communities and Local Government (formerly DCLG)

NA Neighbourhood (Plan) Area

NP Neighbourhood Plan

NPPF National Planning Policy Framework

ONS Office for National Statistics

PPG Planning Practice Guidance

PRS Private Rented Sector

RQ Research Question

SHMA Strategic Housing Market Assessment

VOA Valuation Office Agency

# 1. Executive Summary

## Tenure and Affordability Conclusions

The majority of homes in Capel are owned, a similar but slightly higher rate than at wider geographies. As noted there is very limited shared ownership in Capel (4 dwellings), while there is an even split between social and private renting.

House prices in Capel generally increased between 2011 and 2020, but had significant fluctuations. The median house price increased by almost 50%. Because the mean captures the average of all the house prices, both high and low, the few outlying data points on the high end cause the mean to increase, making it higher than the median with an increase at 72%. Lower quartile house prices have increased to a lesser extent, increasing by 37% (or £75,000 in numerical value), although saw a significant decrease in 2019.

Market housing, even with the benefit of a higher than average income, is likely to remain out of reach to most. The median house price would require an annual income 50% higher than the current average. Private renting is generally only affordable to average earners. While the inability of those on lower quartile earnings to afford entry-level market rents, affordable rent and social rent suggests that the need of those on lower incomes are not being met in the market and this group will require a form of discounted or social housing support.

The most significant finding is the need for affordable home ownership in Capel. AECOM estimates potential demand for an additional 105 affordable home ownership dwellings. Government policy aimed at tackling the housing crisis continues to attach high priority on helping those on modest incomes and others who are unable to afford market housing for purchase, such as younger buyers, to access affordable routes towards homeownership. In the case of Capel, the most appropriate tenures to help implement this policy goal locally are rent to buy, shared ownership (10% or 25% share) or the new First Homes product (with a 40% or 50% discount being justified).

The findings of this chapter on the potential for providing affordable and low-cost tenures across the Neighbourhood Plan area do not align with those of the SHMA. The SHMA focuses on the delivery of socially rented dwellings over affordable housing for sale; however, the findings of this HNA suggest there is already enough socially rented stock in the neighbourhood area but not sufficient affordable housing for sale. Therefore, it is suggested that a greater emphasis is put on affordable housing for sale in future policy for the neighbourhood area. The indicative tenure mix suggested as a result of the evidence presented in this HNA is 20% affordable rent and 80% affordable housing for sale.

If the two potential allocation sites go ahead, the needs identified in this assessment would be easily met. However, the Parish Council noted that the location of the two allocations may not be the most appropriate to meet the needs of the Parish, who would prefer the affordable housing to be located in the existing villages. Alternatively, the Parish Council have shown interest in delivering a rural exception site to deliver affordable housing to those with a local connection to the Parish (although there is no particular site in mind currently).

Should a rural exception site be delivered it would be subject to emerging Policy H3 which notes that all forms of housing will be provided on the basis of a 'local connection cascade' (determined on a case by case basis; however, generally those in housing need with a connection to the parish through residence or work will be prioritised and then to households from surrounding parishes and then in the wider borough. This will be secured by a Section 106 agreement). If this policy did not come forward in the current form a similar intent could be included in the Neighbourhood Plan as a standalone local connection policy or incorporated into a rural exception policy to ensure the delivery of affordable housing is targeted at the local community.

Affordable housing is typically provided and made financially viable by its inclusion as a proportion of larger market developments, as guided by Local Plan policy. However, if the community wishes to boost the supply of affordable housing, there are other, more proactive routes available for its provision. For example, using community development orders, identifying exception sites or developing community land trusts are all ways of boosting the supply of affordable housing.

## Type and Size Conclusions

This study provides an indication of the likely need for different types and sizes of homes based on demographic change. It is important to remember that other factors should be considered in determining the dwelling mix that is desirable in the parish or on any particular site. These include the specific characteristics of the nearby stock of housing (such as its condition and design), the role of the NA or site within the wider housing market area (linked to any Local Authority strategies or plans) and site-specific factors which may justify a particular dwelling mix.

Capel has a far higher percentage of semi-detached dwellings and far lower percentage of flats than the district and national average. This is likely due to the more rural character of the Parish. Similarly, there is a higher percentage of bungalows in Capel when compared with Tunbridge Wells.

Primarily, dwellings in Capel are made up of those with 3 or more bedrooms, with a smaller proportion of smaller dwellings with 1 or 2 bedrooms. This corresponds with the larger proportion of detached and semi-detached dwellings that tend to be larger than terraced houses and flats. However, given the lower numbers of smaller dwellings this may result in increased unaffordability for younger families and/or lack of options for older people who may wish to downsize as they get older.

The demographics in Capel follow the same pattern as Tunbridge Wells and England. However, although the younger age groups saw a slight decline between 2011 and 2019, when compared with higher level geographies there is a slightly higher percentage of the population in the age brackets 0-15 and 45-64, this may indicate the popularity of the area with younger families. However, there are lower numbers of those aged 16-44 which may again demonstrate that those generally requiring smaller, more affordable homes may not be catered for in Capel.

Across all age groups, there is a higher proportion of households with more bedrooms than they need rather than fewer than they need. Generally, however, the trend shows that older people tend to have higher underoccupancy while younger people have an overoccupancy. This might suggest that the larger housing isn't being occupied by households with the most family members, but by the people with the most wealth or by older people who have not chosen or been able to move to smaller properties.

The results of a life-stage modelling exercise, which looks at the sizes of dwelling occupied by different age groups and projects the growth and decline of those age groups over the Plan period in order to understand what should be built, demonstrates that in Capel an appropriate response would be to prioritise the supply smaller dwellings with 1 or 2 bedrooms (with an even split between the two), yet there should also be some provision for larger housing with an even split between 4 and 5 bedrooms. It seems there are enough 3 bedroom dwellings in the Parish.

This model, however, operates on the assumption that households can and will wish to occupy only housing specifically suitable for their household size, which is not a realistic prospect given that people are willing to pay for extra bedrooms for a range of reasons. It is not surprising, then, that demand for all dwelling sizes will remain. The provision of 3 bedroom homes should therefore not be inhibited entirely (though some of that demand will be met by natural churn within the market), but to the extent that the community wish to influence the size mix of housing coming forward, small sized homes should be the priority followed by larger homes.

The Household Questionnaire corroborated these findings. It asked what size housing the community would like to see delivered, and the overwhelming response was smaller 1 and 2 bed affordable dwellings, as well as 2 and 3 bedroom dwellings.

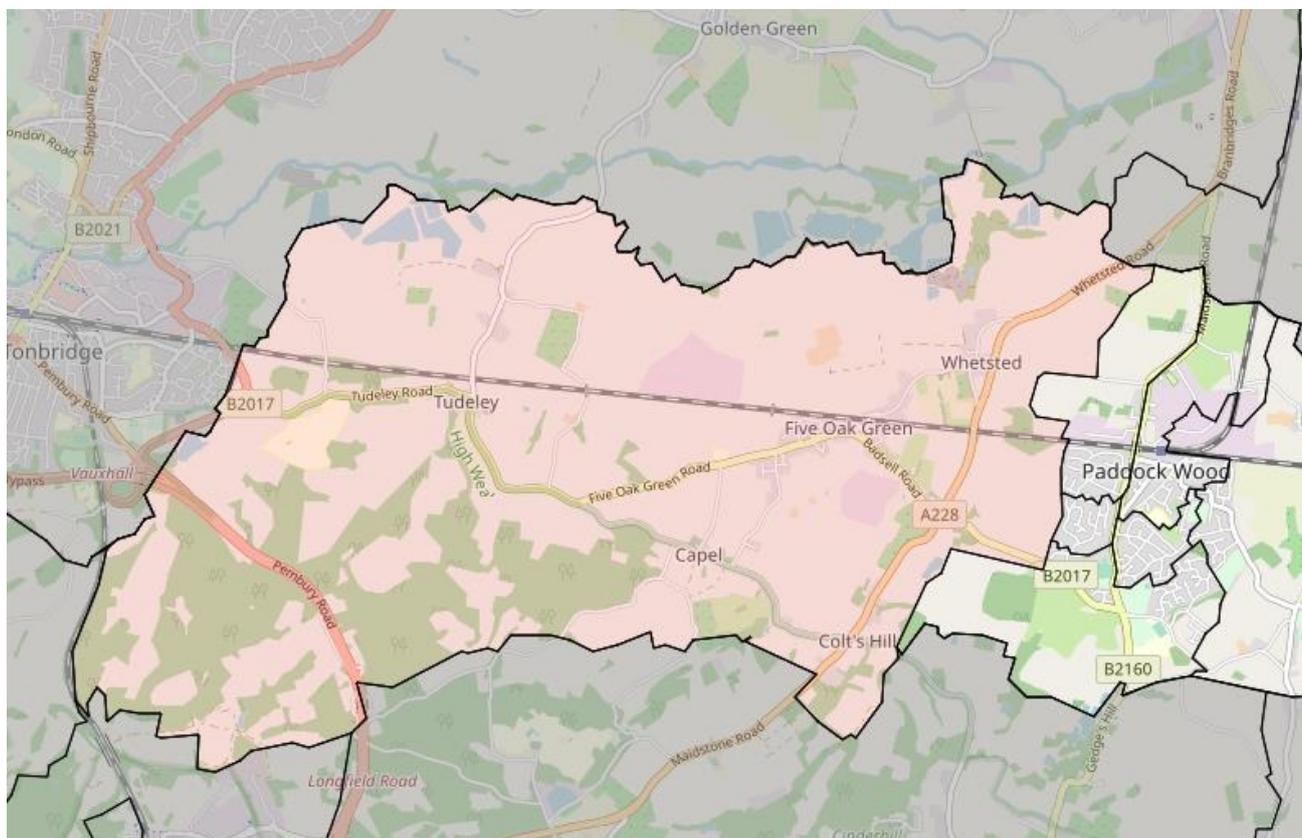
In the Tenure and Affordability chapter analysis, it was found that market housing for sale (as opposed to market housing for rent and all types of Affordable Housing) is increasingly unaffordable and that those on the median incomes are unable to afford to live outside of the rented sector. While Affordable Housing should be well balanced in terms of size to cater for all circumstances, the provision of smaller and mid-sized homes for sale and rent should make an important contribution to improving affordability more widely. If older households wishing to 'rightsize' and younger ones seeking to form their own independent households are to be able to afford to live in Capel, increasing the provision of small sized homes will be crucial.

## 2. Context

### Local context

1. Capel is a Neighbourhood Plan area located in Tunbridge Wells, Kent. The Neighbourhood Area (NA) boundary is synonymous with the Parish boundary and was designated in February 2020.
2. The proposed Neighbourhood Plan period starts in 2021 and extends to 2038, therefore comprising a planning period of 17 years. The evidence supplied in this report will look forward to the Plan end date of 2038, but where possible will also provide annualised figures which can be extrapolated to a different term if the Plan period changes.
3. All of the land in Capel is in the Metropolitan Greenbelt, with much of it also in the High Weald Area of Outstanding Natural Beauty (AONB).
4. The largest settlement in the Parish is Five Oak Green. The Parish also includes Whetsted, the hamlets of Capel, Castle Hill, Colts Hill, East Capel, Tudeley, Postern and Somerhill.
5. The Parish is in close proximity to the A21, providing a connection to the M25, London and beyond to the north and Hastings to the south. The A228, cutting through the Parish, provides a link to Royal Tunbridge Wells to the south west. The nearest train station is located in Paddock Wood, the adjacent parish, and provides links to Ramsgate, Tonbridge, Strood and London.
6. The statistics show that in the 2011 Census the NA had a total of 2,467 residents, formed into 918 households and occupying 954 dwellings. The Office for National Statistics (ONS) produces mid-year population estimates for parishes and wards throughout the country. The mid-2019 population estimate for Capel is 2,365 – indicating population decline of around 102 individuals since 2011.
7. A map of the Plan area appears below in Figure 2-1.

**Figure 2-1: Map of the Capel Neighbourhood Plan area**



Source: Nomis

## Planning policy context

8. Neighbourhood Plans are required to be in general conformity with adopted strategic local policies.<sup>1</sup> In the case of Capel, the relevant adopted Local Plan for Tunbridge Wells consists of:
- Local Plan 2006 remaining saved policies<sup>2</sup> that provide for both change and conservation in the borough.
  - The Core Strategy Development Plan Document (2010)<sup>3</sup> that sets out the amount of development required across the borough to 2026 and divides this amount between settlements.
  - The Tunbridge Wells Borough Site Allocations Local Plan which was adopted in July 2016<sup>4</sup>. The Site Allocations Local Plan was prepared in order to allocate sites to accommodate the level of growth identified within the adopted Core Strategy 2010 and the evidence base that supports it.
  - The Borough Council has published the Pre-Submission version (Regulation 19) of its emerging new Local Plan, consultation on this Plan was held between March and June 2021. It sets out the proposed planning policies to guide development in the borough up to 2038.

## Policies in the adopted local plan

9. Table 2-1 below summarises adopted Local Plan policies that are relevant to housing need and delivery in Capel.

**Table 2-1: Summary of relevant adopted policies in the Tunbridge Wells Local Development Plan**

Policy	Plan	Provisions
Core Policy 6: Housing Provision	Core Strategy Development Plan Document (2010)	On sites of 10 dwellings or more 35% will be delivered as affordable housing.  A mix of housing should be sought reflecting the current and projected housing need – there is an identified need for smaller dwellings as well as allowing sufficient provision for family housing. The supporting text outlines the SHMA projection of need as follows: 20% one bed, 40% two bed, 30% three bed and 10% four or more bed.
Policy AL/VRA 4 Brook Farm Key Employment Area	Site Allocations Local Plan (2016)	Land at Brook Farm, Capel is designated as a Key Employment Area.

## Policies in the emerging local plan

10. Table 2-2 below summarises emerging Local Plan policies that are relevant to housing need and delivery in Capel.

**Table 2-2: Summary of relevant adopted policies in the Tunbridge Wells emerging Local Plan**

Policy	Provisions
Policy STR/CA 1: The Strategy for Capel Parish	The policy outlines the development strategy for Capel, including providing a new garden settlement at Tudeley Village (circa 2,800 dwellings), 2,060 dwellings on land at east Capel as part of the extension of Paddock Wood, as well as improvements to the Green Belt and transport networks.
Policy H1: Housing Mix	Proposals for residential development should support the creation and maintenance of balanced communities, by providing an appropriate housing mix with a range of sizes, types, and tenures of dwellings. This should be informed by intelligence on local housing needs and demand, including that contained in local planning evidence base documents, parish housing surveys, and other relevant analyses.

<sup>1</sup> A description of the Basic Conditions of Neighbourhood Planning is available at <https://www.gov.uk/guidance/neighbourhood-planning--2#basic-conditions-for-neighbourhood-plan-to-referendum>

<sup>2</sup> Available at: [https://tunbridgewells.gov.uk/\\_data/assets/pdf\\_file/0006/343347/Local-Plan-2006-Remaining-Saved-Policies-at-2016.pdf](https://tunbridgewells.gov.uk/_data/assets/pdf_file/0006/343347/Local-Plan-2006-Remaining-Saved-Policies-at-2016.pdf)

<sup>3</sup> Available at: [https://tunbridgewells.gov.uk/\\_data/assets/pdf\\_file/0003/343353/Core-Strategy-adopted-June-2010.compressed.pdf](https://tunbridgewells.gov.uk/_data/assets/pdf_file/0003/343353/Core-Strategy-adopted-June-2010.compressed.pdf)

<sup>4</sup> Available at: [https://tunbridgewells.gov.uk/\\_data/assets/pdf\\_file/0006/343788/Site-Allocations-Local-Plan\\_July-2016.pdf](https://tunbridgewells.gov.uk/_data/assets/pdf_file/0006/343788/Site-Allocations-Local-Plan_July-2016.pdf)

Policy	Provisions
Policy H3: Affordable Housing	<p>This policy notes that greenfield sites over 9 dwellings will deliver 40% affordable housing, sites over 9 dwellings comprising over half brownfield land will deliver 30% affordable housing. Within the AONB on sites of 6 – 9 dwellings those percentages fall to 20% and 15% respectively.</p> <p>All forms of housing will be provided on the basis of a 'local connection cascade' (determined on a case by case basis; however, generally those in housing need with a connection to the parish through residence or work will be prioritised and then to households from surrounding parishes and then in the wider borough. This will be secured by a Section 106 agreement).</p> <p>Generally, 60% of affordable housing should be provided as social rent and 40% as intermediate tenures – subject to consideration of any subsequent local policy and/or evidence.</p>

## Quantity of housing to provide

- The NPPF 2021 (paragraphs 66 and 67) requires Local Authorities to provide neighbourhood groups upon request with a definitive or an indicative number of houses to plan for over the Neighbourhood Plan period.
- Tunbridge Wells has fulfilled that requirement by providing Capel with a definitive figure of 2,100 dwellings to be accommodated within the Neighbourhood Plan area by the end of the Plan period. This figure is the sum of Local Plan allocations; however, it excludes that part of the urban expansion extending from Paddock Wood into the eastern edge of the parish, to avoid double counting. The number of houses for Capel parish (including Tudeley Village and development in land in east Capel) for the plan period is approximately 4,160.
- While no detailed masterplans or planning applications have yet been created for these two allocations, the emerging Local Plan sets out that both sites should deliver 40% affordable housing (if this is met it would result in 1,664 affordable dwellings in Capel, when considering the suggested split in emerging Policy H3 this would result in 998 affordable homes for rent and 666 dwellings for affordable home ownership). There is no specific mix of type or size of dwellings that should be delivered, but the emerging Local Plan notes it should create a balanced community.
- However, given these allocations are not yet adopted, in the instance that they are not taken forward the neighbourhood plan may want to include housing allocations and/or support exception sites in the Neighbourhood Plan to deliver affordable housing. However, it is noted that there are no specific sites in mind for this currently.
- The Householder Survey carried out by the Capel Working Party showed that the community do want to support housing development in the area, just at a lower level than currently being proposed in the emerging Local Plan. As can be seen from Figure 2-2 below, the majority of residents think that 1 to 100 homes would be more appropriate.

**Figure 2-2 Quantity of housing willing to see delivered in the Parish**



## 3. Approach

### Research Questions

16. The following research questions were formulated at the outset of the research through discussion with the Capel Neighbourhood Plan Working Party. They serve to direct the research and provide the structure for the HNA.

### Tenure and Affordability

17. The neighbourhood planning group would like to understand the needs of the community for housing of varying tenures, as well as the relative affordability of those tenures that should be provided to meet local need now and into the future. The research is focused on the quantity and characteristics of need among the currently existing population.
18. This evidence will allow Capel to establish the right conditions for new development to come forward that is affordable, both in the broader sense of market housing attainable for first-time buyers, and as Affordable Housing for those who may be currently priced out of the market.
19. The neighbourhood planners are interested in exploring the need for Affordable Housing for sale (also known as affordable home ownership) and are therefore eligible for support under the Affordable Housing for sale element of the Neighbourhood Planning Technical Support programme. Analysis and commentary on this issue has been provided where relevant and possible in the HNA.

***RQ One: What quantity and tenures of Affordable Housing should be planned for over the Neighbourhood Plan period?***

### Type and Size

20. The neighbourhood planning group is seeking to determine what size and type of housing would be best suited to the local community. The Parish Council expressed that they do not feel the current delivery of housing meets the need of the community and it is felt that smaller housing should be provided. The summary of the household questionnaire notes *'Residents wanted housing of a type and quantity appropriate to the needs of the parish and local people. Most residents were prepared to see some house building in the parish particularly for residents who find it difficult to afford somewhere in the parish where they grew up. The majority was for small or medium size houses that would be available on the private or rented market. What they did not want to see was this parish of 915 homes being irrevocably changed by up to 4,300 new houses in two sites at opposite ends of this parish which would change the community forever'*.
21. The aim of this research question is to provide neighbourhood planners with evidence on the types and sizes needed by the local community specifically. It does not take into account the potential needs of any future residents arriving on the large proposed sites if these are brought forward. In that instance it will still be important to meet existing needs as a priority, with additional supply helping to accommodate the needs of the wider borough.
22. While this study is not able to advise on space standards or home configurations, it may reveal imbalances between the available stock and demographic trends.
23. Note, however, that the evidence gathered here takes the current population as its starting point and projects forward trends that exist today. It therefore risks embedding features of the housing stock and occupation patterns that the community may actually wish to change. In that sense, the findings in this report might be viewed as the baseline scenario on top of which the community's objectives and primary evidence should be layered to create a more complete picture and vision for the future.

***RQ Two: What type (terrace, semi, bungalows, flats and detached) and size (number of bedrooms) of housing is appropriate for the Plan area over the Neighbourhood Plan period?***

### Relevant Data

24. This HNA assesses a range of evidence to ensure its findings are robust for the purposes of developing policy at the Neighbourhood Plan level and is locally specific. This includes data from the 2011 Census and a range of other data sources, including:
  - Other Office of National Statistics (ONS) datasets providing more up-to-date demographic information;
  - ONS population and household projections for future years;

- Valuation Office Agency (VOA) data on the current stock of housing;
  - Land Registry data on prices paid for housing within the local market;
  - Rental prices from Home.co.uk;
  - Local Authority housing waiting list data;
  - Sevenoaks and Tunbridge Wells Strategic Housing Market Assessment (2015)<sup>5</sup> and
  - Capel Neighbourhood Plan Household Survey.
25. More recent data sources for the population and existing housing stock will be used wherever possible in this report. However, Census datasets providing, for example, the breakdown of households (as opposed to individuals) by age and the tenure of dwellings, cannot be accurately be brought up to date in this way. Such patterns are instead generally assumed to persist to the present day.

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<sup>5</sup> Available at: [https://tunbridgewells.gov.uk/\\_data/assets/pdf\\_file/0011/387524/a-SHMA-2015.pdf](https://tunbridgewells.gov.uk/_data/assets/pdf_file/0011/387524/a-SHMA-2015.pdf) - given the age of the SHMA (pre 2016) it is considered to be relatively dated and relied upon to a lesser extent.

## 4. RQ One: Tenure, Affordability and the Need for Affordable Housing

***RQ One: What Affordable Housing (eg social housing, affordable rented, shared ownership, discounted market sale, intermediate rented) and other market tenures should be planned for in the housing mix over the Neighbourhood Plan period?***

### Introduction

26. This section approaches the question of affordability from two perspectives. First, it examines what tenure options are currently available in the parish and which of them might be most appropriate going forward, based on the relationship between how much they cost and local incomes. Second, it estimates the quantity of Affordable Housing that might be required during the Neighbourhood Plan period. The scale of need for these homes can justify planning policies to guide new development.
27. Tenure refers to the way a household occupies their home. Broadly speaking, there are two categories of tenure: market housing (such as homes available to purchase outright or rent from a private landlord) and Affordable Housing (including subsidised products like social rent and shared ownership). We refer to Affordable Housing, with capital letters, to denote the specific tenures that are classified as affordable in the current NPPF. A relatively less expensive home for market sale may be affordable but it is not a form of Affordable Housing.
28. The definition of Affordable Housing set out in the 2021 NPPF makes clear the Government's commitment to home ownership by broadening the definition to include a range of low-cost housing opportunities for those aspiring to own a home. As part of this effort, the Government has recently introduced a new product called First Homes.<sup>6</sup>
29. Because the First Homes product is new and expected to be an important part of the strategy for improving access to home ownership, it is worth summarising its key features and implications:
  - First Homes should be available to buy with a minimum discount of 30% below their full market value (i.e. the value of an equivalent new home);
  - The discount level can be set higher than 30% – at 40% or 50% – where this can be suitably evidenced. The setting and justifying of discount levels can happen at neighbourhood as well as local authority scale;
  - After the discount is applied the initial sale price must not exceed £250,000 (or £420,000 in Greater London), and lower caps can be set locally;
  - Purchasers must be first-time buyers with an income less than £80,000 (or £90,000 in Greater London), and First Homes can be prioritised for local people and/or key workers;
  - They will be subject to legal restrictions ensuring the discount is retained for future occupants, and renting out or sub-letting will not normally be permitted;
  - In addition to setting the discount level, local authorities and neighbourhood planning groups can apply additional criteria, such as a lower income cap, local connection test or prioritisation for key workers through adopted plans, emerging policy or Supplementary Planning Documents.
  - 25% of all homes delivered through section 106 developer contributions on sites enabled through the planning process should be sold as First Homes. In simpler terms, 25% of all subsidised Affordable Housing on mainstream housing developments should be First Homes. This is likely to mean that First Homes will take the place of shared ownership housing in many circumstances, and in some cases may also displace social or affordable rented homes.

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<sup>6</sup> The shape that the new First Homes product will take is set out in a Ministerial Statement issued in May 2021, available here: <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>. The relevant update to PPG is available here: <https://www.gov.uk/guidance/first-homes#contents>. Note that First Homes formally came into effect from 28 June 2021, and Local and Neighbourhood Plans that have reached an advanced stage of development by that date may not need to reflect these changes. However, it is advisable for all plans in process to reflect the direction of policy changes where possible.

## Current tenure profile

30. The current tenure profile is a key feature of the Neighbourhood Plan Area (NA). Patterns of home ownership, private renting and affordable/social renting reflect demographic characteristics including age (with older households more likely to own their own homes), and patterns of income and wealth which influence whether households can afford to rent or buy and whether they need subsidy to access housing.
31. The majority of homes in Capel are owned, this proportion is at a similar, although slightly higher rate, than at wider geographies. As noted above there is very limited dwellings in shared ownership in Capel (4 dwellings), while there is an even split between social and private renting.
32. Table 4-1 below presents data on tenure in Capel compared with Tunbridge Wells and England from the 2011 Census, which is the most recent available source of this information.
33. There is no current data on the proportion of housing that is rented because the choice to let out a property does not require planning permission or other changes that would be recorded centrally. The 2021 Census will provide the most robust and up-to-date picture of this when the results are released in the coming months. However, it is interesting to observe the change recorded between the 2001 and 2011 Census: in Capel the private rented sector expanded by 55% in that period, a slower rate of growth than compared with Tunbridge Wells and England which grew at 95% and 82% respectively. In 2001 there were 8 dwellings in shared ownership compared to just 4 in 2011, showing the lack of intermediate tenures in the neighbourhood area as their occupants rose to full owner occupiers. Home ownership and social renting saw small increases in Capel, at a higher rate than wider geographies.
34. The majority of homes in Capel are owned, this proportion is at a similar, although slightly higher rate, than at wider geographies. As noted above there is very limited dwellings in shared ownership in Capel (4 dwellings), while there is an even split between social and private renting.

**Table 4-1: Tenure (households) in Capel, 2011**

Tenure	Capel	Tunbridge Wells	England
Owned; total	69.5%	65.7%	63.3%
Shared ownership	0.4%	0.8%	0.8%
Social rented; total	14.2%	15.2%	17.7%
Private rented; total	14.1%	16.9%	16.8%

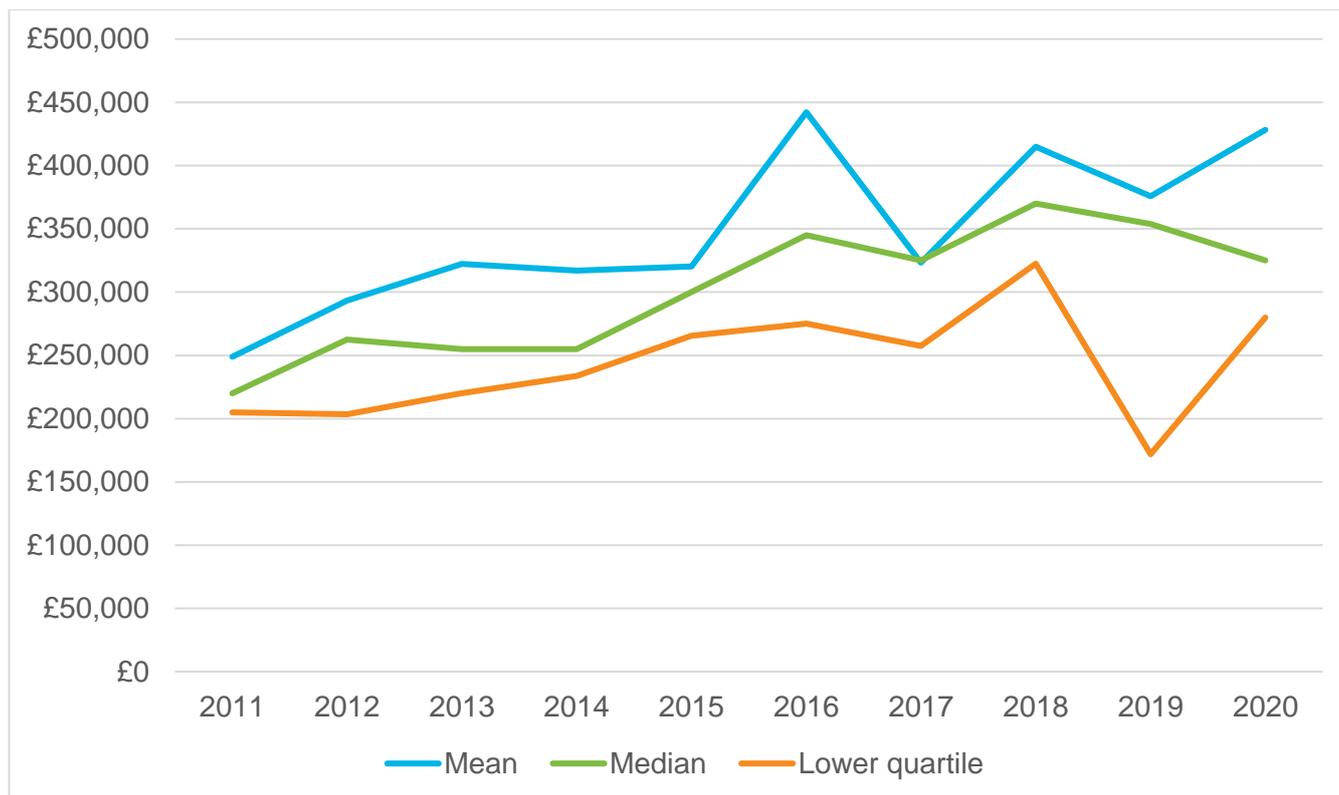
Sources: Census 2011, AECOM Calculations

## Affordability

### House prices

35. House prices provide an indication of the level of demand for homes within an area. The relationship between house prices and incomes determines whether housing is affordable to local households and, to a large extent, what tenure, type and size of home they occupy. Changes in affordability over time can indicate pressures in the housing market. As such, it is useful for the evidence base for plans to examine trends in prices and consider what this reveals about the local housing market.
36. Figure 4-1 below looks at selected measures of house prices in Capel. It shows that generally house prices have increased but had significant fluctuations between 2011 and 2020.
37. The median, which is the middle number when you sort the data from smallest to largest has increased by almost 50%. Because the mean captures the average of all the house prices, both high and low, the few outlying data points on the high end cause the mean to increase, making it higher than the median with an increase of 72%.
38. Lower quartile house prices have increased to a lesser extent, increasing by 37% (or £75,000 in numerical value), although pricing saw a significant decrease in 2019.

**Figure 4-1: House prices by quartile in Capel, 2011-2020**



Source: Land Registry PPD

39. Table 4- below breaks down house prices by type. It shows that detached homes have increased by the most, by almost 150% (though from a relatively low base in 2011), yet semi-detached and terraced dwellings have only increased marginally in comparison, while flats appear to have depreciated (purely because of the extremely small sample size making meaningful trends difficult to observe).

**Table 4-2: House prices by type in Capel, 2011-2020**

Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth
Detached	£270,000	£376,188	£456,000	£477,143	£348,125	£750,000	£555,000	£687,833	£541,250	£671,250	148.6%
Semi-detached	£250,531	£221,199	£273,907	£294,555	£339,050	£339,725	£327,692	£381,208	£424,643	£307,055	22.6%
Terraced	£210,000	£185,750	£176,500	£232,999	£268,000	£316,500	£274,000	£325,000	£280,000	£243,333	15.9%
Flats		£205,000		£187,498	£128,000				£114,417	£158,000	-22.9%
<b>All Types</b>	<b>£248,911</b>	<b>£293,250</b>	<b>£322,393</b>	<b>£316,916</b>	<b>£320,343</b>	<b>£442,165</b>	<b>£323,250</b>	<b>£414,895</b>	<b>£375,864</b>	<b>£428,237</b>	<b>72.0%</b>

Source: Land Registry PPD

## Income

40. Household incomes determine the ability of households to exercise choice in the housing market, and consequently the level of need for affordable housing products. Two sources of data are used to examine household incomes in the NA.
41. The first source is ONS's estimates of incomes in small areas. This is locally specific but limited to the overall average income (i.e. it does not provide the average income of lower earners). The average total household income before housing costs locally was £49,700 in 2018. A map of the area to which this data applies is provided in Appendix A.
42. The second source is ONS's annual estimates of UK employee earnings. This provides lower quartile average earnings (i.e. the income of the lowest 25% of earners). However, it is only available at the Local Authority level. It also relates to individual earnings. While this is an accurate representation of household incomes where there is only one earner, it does not represent household income where there are two or more people earning. Tunbridge Wells' gross

individual lower quartile annual earnings were £16,928 in 2018. To estimate the income of households with two lower quartile earners, this figure is doubled to £33,856.

43. It is immediately clear from this data that there is a large gap between the spending power of average earning households and those earning the lowest 25% of incomes, particularly where the household in question has one earner only.

## Affordability Thresholds

44. To gain a clearer understanding of local affordability, it is useful to understand what levels of income are required to afford different tenures. This is done using 'affordability thresholds': the estimated amount of annual income required to cover the cost of rent or a mortgage given local housing prices.
45. AECOM has determined thresholds for the income required in Capel to buy a home in the open market (average and entry-level prices), and the income required to afford private rent and the range of Affordable Housing tenures as set out in the NPPF. These calculations are detailed and discussed in more detail in Appendix A.
46. The key assumptions made in assessing the affordability of different tenures are explained alongside the calculations, but it is worth noting here that we have assumed that the maximum percentage of household income that should be spent on rent is 30% and that mortgage financing will be offered at a maximum of 3.5 times household income.
47. Table 4- summarises the estimated cost of each tenure, the annual income required to support these costs within the NA, and whether local incomes are sufficient. The income required column assumes the household already has access to a deposit (which we have assumed to be 10% of the value to be purchased) but does not reflect the possibility that households may already hold equity from an existing property. Although these factors may be crucial to whether housing will be affordable, they are highly dependent on individual circumstances that cannot be anticipated here.
48. The same information is presented as a graph in Figure 4-2 on a subsequent page, with selected measures from the table presented for clarity.

**Table 4-3: Affordability thresholds in Capel (income required, £)**

Tenure	Mortgage value (90% of price)	Annual rent	Income required	Affordable on average incomes? £49,700	Affordable on LQ earnings (single earner)? £16,928	Affordable on LQ earnings (2 earners)? £33,856
<b>Market Housing</b>						
Median House Price	£292,500	-	<b>£83,571</b>	No	No	No
LA New Build Mean House Price	£439,445	-	<b>£125,556</b>	No	No	No
LQ/Entry-level House Price	£252,000	-	<b>£72,000</b>	No	No	No
Average Market Rent	-	£12,624	<b>£42,080</b>	Yes	No	No
Entry-level Market Rent	-	£11,520	<b>£38,400</b>	Yes	No	No
<b>Affordable Home Ownership</b>						
First Homes (-30%)	£227,500	-	<b>£58,500</b>	No	No	No
First Homes (-40%)	£195,000	-	<b>£50,143</b>	Marginal	No	No
First Homes (-50%)	£162,500	-	<b>£41,786</b>	Yes	No	No
Shared Ownership (50%)	£146,250	£4,063	<b>£55,327</b>	No	No	No
Shared Ownership (25%)	£73,125	£6,094	<b>£41,205</b>	Yes	No	No
Shared Ownership (10%)	£29,250	£7,313	<b>£32,732</b>	Yes	No	Yes
<b>Affordable Rented Housing</b>						
Affordable Rent	-	£7,968	<b>£31,872</b>	Yes	No	Yes
Social Rent	-	£5,874	<b>£23,496</b>	Yes	No	Yes

Source: AECOM Calculations

49. Before considering each tenure category in turn, it is important to stress that these affordability thresholds have been calculated to give a sufficiently robust indication of the costs of various tenures to inform Neighbourhood Plan policy

choices. These figures rely on existing data and assumptions, and it is not possible to estimate every possible permutation. The income figures also disguise a large degree of variation. For simplicity the analysis below speaks in terms of tenure products being 'affordable' or 'not affordable' for different groups, but individual circumstances and the location, condition and other factors of specific properties in each category have a large impact. These conclusions should therefore be interpreted flexibly.

**Market housing for purchase and rent**

- 50. Thinking about housing for purchase on the open market, it appears that local households on average incomes are unable to access even entry-level homes unless they have the advantage of a very large deposit. Market housing, even with the benefit of a higher than average income, is likely to remain out of reach to most. The median house price would require an annual income over 50% higher than the current average.
- 51. Private renting is generally only affordable to average earners. Households made up of two lower quartile earners cannot afford the given rental thresholds. Affordability is improved if households are able or willing to dedicate a larger proportion of their incomes to rental costs, although this has repercussions for other quality of life aspects and cannot be assumed to suit all individuals' circumstances.

**Affordable home ownership**

- 52. There is a relatively large group of households in Capel who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £38,400 per year (at which point entry-level rents become affordable) and £72,000 (at which point entry-level market sale homes become affordable). This 'can rent, can't buy' cohort may benefit from the range of affordable home ownership products such as First Homes and shared ownership.
- 53. First Homes are to be offered at a discount of at least 30% on equivalent market prices (i.e. new build, entry-level properties). Local authorities and neighbourhood plan qualifying bodies will have discretion to increase the discount on First Homes to 40% or 50% where there is evidence to suggest this is appropriate.
- 54. This report has estimated the income required to afford First Homes and tested the implications of 30%, 40% and 50% discount levels. For those on average incomes a 31% discount would be needed on entry level homes, 41% on median house prices and 60% on new build mean house prices. However, given homes built at entry level prices are unlikely to be discounted, it is suggested that the highest level of discount it sought, at 40% or 50% to extend home ownership to those on average incomes. However, lower quartile income earners in single and dual earning households a discount of more than 50% is required and therefore the First Homes initiative is unlikely to extend home ownership to this group.
- 55. Table 4-4 below shows the discount required for First Homes to be affordable to the three income groups. The table above uses median house prices in the NA as the best proxy for the cost of a newly built entry-level home in the area, because this reflects the local market and accounts for the price premium usually associated with newly built housing (which would bring the price closer to the price of median existing homes than existing entry-level homes). However, it is worth thinking about First Homes in relation to the cost of new build prices in the wider area, and of entry-level existing prices locally to get a more complete picture. The discount levels required for these alternative benchmarks are given below.

**Table 4-4: Discount on sale price required for households to afford First Homes**

Tenure/product	Mean Income	LQ Income x1	LQ Income x2
NA Median house price	41%	80%	59%
LA New build mean house price	60%	87%	73%
NA Entry-level house price	31%	76%	53%

Source: Land Registry PPD; ONS MSOA total household income

- 56. Shared ownership appears to be more affordable than First Homes, but is broadly accessible to the same groups. Government has recently announced that the minimum equity share for shared ownership will fall to 10% of the property value.<sup>7</sup> If this is delivered in the NA, it will make shared ownership easier to access for more people. However, while the income threshold for a 10% equity shared ownership home is lower, this product may not

<sup>7</sup> The previous minimum equity share was 25%. This change took effect from 28 June 2021 and transitional arrangements are in place for planning policy documents that are prepared during the implementation timeframe. Changes are also introduced to make the process of staircasing to full ownership more gradual with lower minimum increments of 1%. The ministerial statement confirming and detailing the changes is available here: <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>.

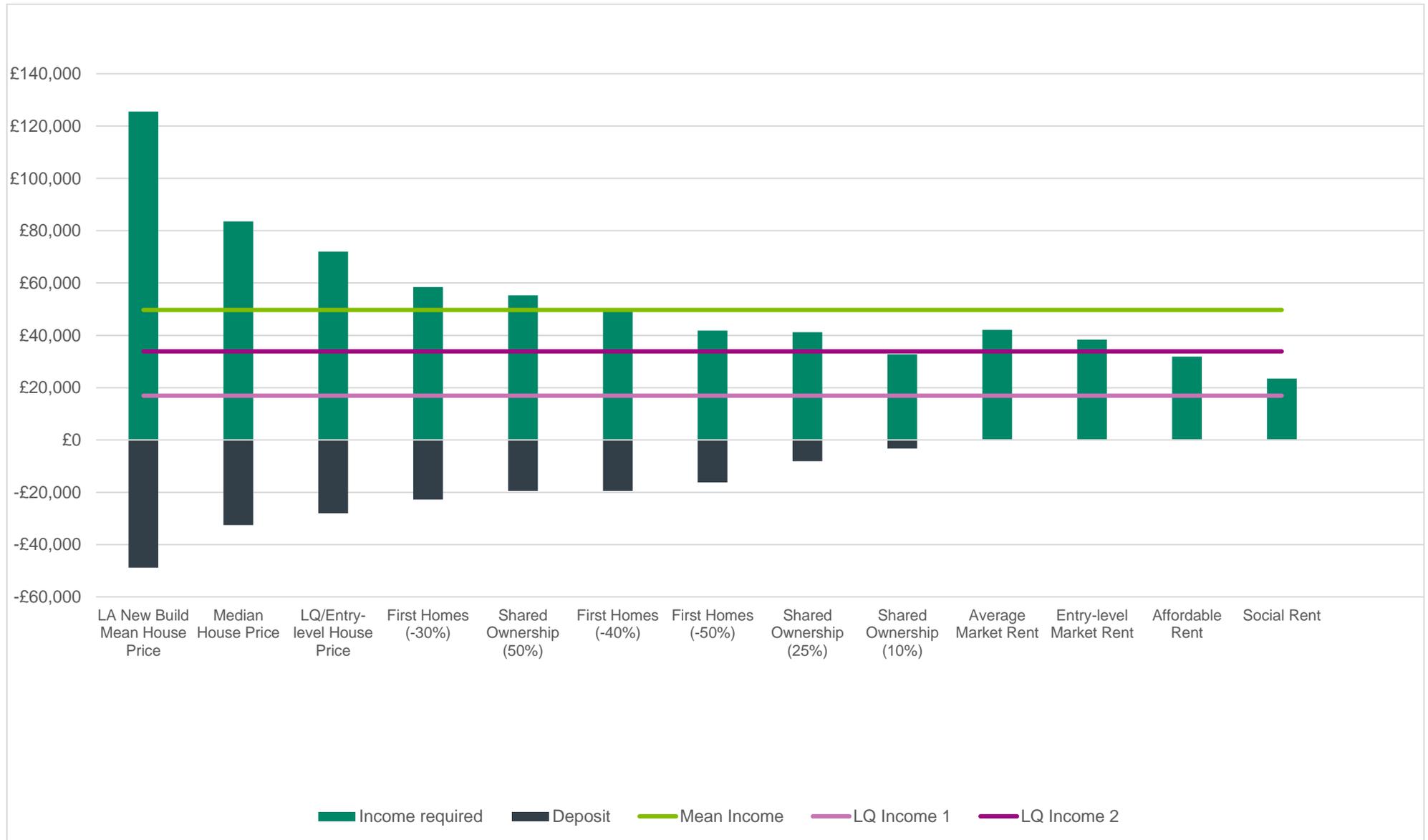
necessarily be more attractive than the alternatives (such as shared ownership at higher equity shares and First Homes) for those who can afford them.

57. The transition from 10% to 100% ownership would be long, and during this period the rent on the 90% unsold value would not be subsidised, meaning that monthly costs for occupants will remain relatively high and the build-up of equity will be relatively slow. This product would therefore only be a realistic route to full ownership for households prepared to take a long-term view.
58. The income required to access rent to buy is assumed to be the same as that required to afford market rents. On that basis, First Homes and shared ownership are less affordable options.
59. These three products need to be considered in relation to what they offer occupants in the long term beyond simply being affordable to access or not.
  - First Homes allow for a greater ownership stake in the property, enabling occupiers to benefit from price appreciation over time. Monthly outgoings are also limited to mortgage costs alone, which tend to be cheaper than renting.
  - Shared ownership at high equity shares performs a similar function to First Homes, but there are additional costs associated with the rented portion.
  - Shared ownership at low equity shares can usually be accessed by lower earning households (than First Homes) and requires a smaller deposit. However, this is a potentially less attractive route to eventual ownership because monthly outgoings remain high. The occupant has to pay a significant monthly rent as well as service charges and other costs, so it can be harder for them to save funds to buy out a greater share in the property over time.
  - Rent to buy requires no deposit, thereby benefitting those with sufficient incomes but low savings. It is more attractive than renting but results in a much slower accumulation of the funds that can provide an eventual route to ownership than the other tenures discussed above.
60. In conclusion, all of these products would provide valuable to different segments of the local population, with shared ownership at a lower than 25% equity share potentially allowing lower earning households to get a foot on the housing ladder, while rent to buy is helpful to those with little or no savings for a deposit, and First Homes (especially at 50% discount) may provide a better long-term investment to those who can afford to access it.

#### **Affordable rented housing**

61. Affordable rented housing is generally affordable to households with two lower earners depending on their household size (average earning households are unlikely to be eligible). However, households with a single lower earner appear unable to afford any of the tenures considered including the smallest socially rented units. Many such individuals will, if unable to secure a social rented dwelling, require additional subsidy through Housing Benefit to access housing.
62. The evidence in this chapter suggests that the affordable rented sector performs a vital function in Capel as the only option for a large segment of those in the greatest need. Social rents are cheaper and would therefore leave households on lower earnings better off and better able to afford their other living costs, such as food and fuel etc. Where households are supported by housing benefit the difference in the cost of affordable and social rents may be irrelevant as the level of housing benefit flexes according to the rent. This means that households supported by housing benefit may be no better off in social rented accommodation because they receive a lower rate of housing benefit to cover their rent.

Figure 4-2: Affordability thresholds in Capel, income required (additional cost of deposit in black)



Source: AECOM Calculations

## Affordable housing- quantity needed

63. The starting point for understanding the need for affordable housing in Capel is the relevant Strategic Housing Market Assessment (SHMA). A SHMA was undertaken for Sevenoaks and Tunbridge Wells in 2015. This study estimates the need for affordable housing in the District based on analysis of the Council's waiting list and analysis of other data sets in line with Planning Practice Guidance at the time. The SHMA identifies the need for 341 additional affordable homes each year in Tunbridge Wells as a whole. This need is largely for social/affordable rent as it relates to households who live in unsuitable housing and who cannot afford to access market rents. A small proportion of these households may be able to afford shared ownership because in some cases it is more affordable than market rents, especially when available at a share of 25%.
64. When the SHMA figures are pro-rated to Capel based on its fair share of the population (2.14% of the LPA's population), this equates to 7 homes per annum (predominately for social/affordable rent) or 119 homes over the Neighbourhood Plan period 2021-2038. However, pro-rating District level estimates of affordable housing need to rural areas presents problems in practice. The District level figures are likely to represent higher needs in the urban areas of the District where there is a large social housing stock and larger numbers of households living in the PRS on housing benefit. Both of these factors tend to generate higher needs. By contrast, in more rural areas like Capel the lack of social housing means there is no need generated from households already living in the sector. Similarly, households who may need social housing often move away to areas where their needs are more likely to be met (either because there is social housing available or more private rented housing). This means it is difficult to identify need for social/affordable rented housing within Capel.
65. In Table 4-5 below we have therefore calculated, using PPG as a starting point,<sup>8</sup> an estimate of the total need for affordable rented housing in Capel over the Plan period. It should, however, be noted that the accuracy of the findings generated by the model are only as strong as the evidence we have available to us. For example, Census 2011 data is increasingly out-of-date. However, given the test of proportionality for evidence supporting neighbourhood plans, and the need to be in conformity with Local Authority strategic policies, the calculations set out here are considered a reasonable basis for understanding and planning for neighbourhood-level affordable housing need.
66. The table shows that there are currently about 11 households in Capel unable to access affordable rented homes suitable to their needs. The table also suggests that, over the Plan period, 19 additional households in the Neighbourhood Plan area will fall into need. However, given the high level of social housing provision in the Parish currently (141 units) and the rate of re-lets it seems there could be a long-term surplus of affordable rented homes, of approximately 2 dwellings per year.
67. This result may initially be surprising since there is understood to be a current backlog of need (in the region of 11 households). The reason for the apparent surplus over the long-term is that model assumes a rate of turnover in the existing affordable housing stock of 3%. So of the 141 units of affordable rented accommodation existing currently, it can be expected that around 4 will come vacant in any given year as their current occupants move to a new location, pass away or cease to be eligible as their circumstances change. This satisfies the projected newly arising need as well as some of the backlog, which is effectively spread out over the 10-year period to produce an annualized figure.
68. An important caveat to this finding is that there are almost certainly households currently in need in the NA, and to 'spread them out' over the Plan period suggests that some of them can be accommodated in ten years' time once a sufficient surplus has been built up through new supply and turnover of the existing stock. While possible, this is not favourable to the individuals involved. In practice, it would be better to frontload any future affordable rented provision to meet those needs as soon as possible, leaving newly arising need in future to be met by turnover in the existing stock.
69. A further caveat worth emphasizing is that one unit of Affordable Housing does not necessarily service one household worth of need, since the unit might have 2 bedrooms while the applicant household might require 4 bedrooms, may be located in an inappropriate location, or be otherwise unsuitable.
70. As such, it is recommended that Capel considers encouraging the delivery of some affordable rented housing, particularly early in the Plan period, with the understanding that if this results in oversupply in future years, the vacancies created when existing occupants leave their properties may need to satisfy new need from elsewhere in the district.

<sup>8</sup> Paragraphs 024-026 Reference ID: 2a-026-20140306, at <https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment>

**Table 4-5: Estimate of need for Affordable Housing for rent in Capel**

Stage and Step in Calculation	Total	Description
<b>STAGE 1: CURRENT NEED</b>		
1.1 Current households in need	11.9	Latest waiting list data available from MHCLG Local authority housing statistics data return (households in priority need). Pro rata for the NA.
1.2 Per annum	0.7	Step 1.1 divided by the plan period to produce an annualised figure.
<b>STAGE 2: NEWLY ARISING NEED</b>		
2.1 New household formation	108.7	MHCLG 2018-based household projections for the LA between start and end of plan period. % increase applied to NA.
2.2 Proportion of new households unable to rent in the market	18.3%	(Steps 1.1 + 2.2.1 + 2.2.2) divided by number of households in NA.
2.2.1 Current number of social renters in parish	141.4	2011 Census social rented occupancy + LA % increase.
2.2.2 Number of private renters on housing benefits	25.0	Housing benefit caseload May 2018. Pro rata for NA.
2.3 New households unable to rent	19.9	Step 2.1 x Step 2.2.
2.4 Per annum	1.2	Step 2.3 divided by plan period.
<b>STAGE 3: TURNOVER OF AFFORDABLE HOUSING</b>		
3.1 Supply of social/affordable re-lets (including transfers) %	3%	Assumed proportion of stock re-let each year.
3.2 Supply of social/affordable re-lets (including transfers)	4.2	Step 3.1 x NA social rented stock (2.2.1).
<b>NET SHORTFALL (OR SURPLUS) OF RENTED UNITS PER ANNUM</b>		
Overall surplus per annum	<b>2</b>	Step 1.2 + Step 2.4 - Step 3.2

*Source: AECOM model, using Census 2011, English Housing Survey 2018, MHCLG 2018 based household projections and net additions to affordable housing stock. 2018 is the latest reliable data for some datasets so is used throughout for consistency. Figures may not sum due to rounding.*

71. Turning now to Affordable Housing providing a route to home ownership, Table 4-6 below estimates the potential demand in Capel. This model aims to estimate the number of households might wish to own their own home but cannot afford to – the 'can rent, can't buy' group described in the previous section. The model is consistent with methods used at Local Authority scale in taking as its starting point households currently living in or expected to enter the private rented sector who are not on housing benefit.
72. There may be other barriers to these households accessing home ownership on the open market, including being unable to save for a deposit, or being unable to afford a home of the right type/size or in the right location. The model also discounts 25% of households potentially in need, assuming a proportion will be renting out of choice. This is assumption is based on consistent results for surveys and polls at the national level which demonstrate that most households (typically 80% or more) aspire to home ownership.<sup>9</sup> No robust indicator exists for this area or a wider scale to suggest aspirations may be higher or lower in the NA.
73. The result of the calculation is 6 households per annum who may be interested in affordable home ownership (or 105 for the entirety of the Plan period).
74. Again this assumes a rate of turnover in the existing stock will satisfy some need, though this is extremely minimal due to the lack of shared ownership in the NA currently.
75. It is important to keep in mind that the households identified in this estimate are, by and large, adequately housed in the private rented sector, Affordable Housing, or living in other circumstances. They do not necessarily lack their own housing but would prefer to buy rather than rent. They have been included in the national planning definition of those in need of Affordable Housing, but their needs are less acute than those on the waiting list for affordable rented housing.

<sup>9</sup> <http://www.ipsos-mori-generations.com/housing.html>

Figure 4-6: Estimate of the potential demand for affordable housing for sale in Capel

Stage and Step in Calculation	Total	Description
<b>STAGE 1: CURRENT NEED</b>		
1.1 Current number of renters in parish	157.2	Census 2011 number of renters x national % increase to 2018.
1.2 Percentage renters on housing benefit in LA	15.9%	% of renters in 2018 on housing benefit.
1.3 Number of renters on housing benefits in parish	25.0	Step 1.1 x Step 1.2.
1.4 Current need (households)	99.2	Current renters minus those on housing benefit and minus 25% assumed to rent by choice. <sup>10</sup>
1.5 Per annum	5.8	Step 1.4 divided by plan period.
<b>STAGE 2: NEWLY ARISING NEED</b>		
2.1 New household formation	108.7	LA household projections for plan period (2018 based) pro rated to NA.
2.2 % of households unable to buy but able to rent	10.8%	(Step 1.4 + Step 3.1) divided by number of households in NA.
2.3 Total newly arising need	11.7	Step 2.1 x Step 2.2.
2.4 Total newly arising need per annum	0.9	Step 2.3 divided by plan period.
<b>STAGE 3: SUPPLY OF AFFORDABLE HOUSING</b>		
3.1 Supply of affordable housing	6.1	Number of shared ownership homes in parish (Census 2011 + LA new build to 2018/19 pro rated to NA).
3.2 Supply - intermediate resales	0.3	Step 3.1 x 5% (assumed rate of re-sale).
<b>NET SHORTFALL (OR SURPLUS) PER ANNUM</b>		
Overall shortfall per annum	<b>6</b>	(Step 1.5 + Step 2.4) - Step 3.2.

Source: AECOM model, using Census 2011, English Housing Survey 2018, MHCLG 2018 based household projections and net additions to affordable housing stock. 2018 is the latest reliable data for some datasets so is used throughout for consistency.

76. There is no policy or legal obligation on the part either of the Local Authority or Neighbourhood Plan to meet affordable housing needs in full, though there are tools available to the Steering Group that can help ensure that it is met to a greater extent if resources permit (e.g. the ability to allocate sites for affordable housing).
77. It is also important to remember that even after the Neighbourhood Plan is adopted, the assessment of need for Affordable Housing, the allocation of affordable rented housing to those in need, and the management of the housing waiting list all remain the responsibility of the Local Authority rather than the neighbourhood planning group.

## Additional SHMA findings

78. The 2015 SHMA identifies a split of 36% intermediate housing and 64% social/affordable housing to be delivered in Tunbridge Wells. This emphasis on affordable renting is contrary to the findings of the HNA estimates for Capel specifically, but is worth bearing in mind as the delivery of Affordable Housing through mainstream development sites in Capel is not necessary intended solely for the needs of local people – there may also be a degree of obligation to help satisfy the wider district's needs that should be taken into account.

<sup>10</sup> The assumption of approximately 25% preferring to rent and 75% preferring to buy is AECOM's judgement, based on national level polls which consistently reveal that most households who prefer home ownership eg <http://www.ipsos-mori-generations.com/housing.html> and informed by our experience across numerous neighbourhood level HNAs. The assumption is based on the fact that some households choose to rent at certain stages in their life (e.g. when young, when needing flexibility in employment market, or when new migrants move into an area). While most households prefer the added security and independence of owning their own home, private renting is nevertheless a tenure of choice at certain points in many households' journey through the housing market. The actual percentage of preference will differ between areas, being higher in large metropolitan areas with younger households and more new migrants, but lower in other areas. 25% is used as a reasonable proxy and for consistency across HNAs and similar assumptions are used in some larger scale assessments such as LHNAs and SHMAs. If the neighbourhood planning group feel this is not an appropriate assumption in their particular locality they could use the results of a local residents survey to refine or confirm this calculation.

**Figure 4-3 SHMA Affordable Housing Tenure Split**

**Table 4: Need for Different Forms of Affordable Housing**

	Intermediate	Social / Affordable Rent
Sevenoaks	24%	76%
Tunbridge Wells	36%	64%

Source: *Sevenoaks and Tunbridge Wells Strategic Housing Market Assessment*

**i) Affordable Housing policy guidance**

- 79. Tunbridge Wells’ adopted policy on this subject Core Strategy Policy 6 requires 35% of all new housing on sites of 10 or more to be affordable. The emerging Local Plan requires a higher level of affordable housing of 40% on greenfield sites over 9 dwellings and 30% on previously developed sites over 9 dwellings.
- 80. The overall proportion of housing that must be affordable is not an area of policy that a Neighbourhood Plan can usually influence, but it is worth emphasizing that the HNA finds there to be robust evidence of need for Affordable Housing in the NA, and every effort should be made to maximise delivery where viable.
- 81. How the Affordable Housing that comes forward through mainstream development sites is broken down into specific tenures – such as the balance between rented tenures and routes to home ownership – is suggested in the emerging Local Plan as 60% affordable rent and 40% intermediate but notes local evidence will be taken into consideration. The HNA can supply more localized evidence, and this section summarises the factors that might be taken into account before proposing a suggested Affordable Housing tenure mix that might be suitable for Capel specifically.
- 82. The following evidence and considerations may be used as a starting point in the development of policy concerning the Affordable Housing mix:

- A. **Evidence of need for Affordable Housing:** This study estimates that Capel requires roughly 105 units of affordable home ownership, while there is no specific requirement for affordable rented housing, yet it is included in the potential split given its importance in housing those in most need and the value of over-providing in case circumstances change and to meet wider needs.

The relationship between these figures suggests that 20% of Affordable Housing should be rented and 80% should offer a route to ownership. However, as noted above, these figures are not directly equivalent: the former expresses the identified need of a group with acute needs and no alternative options; the latter expresses potential demand from a group who are generally adequately housed in rented accommodation and may not be able to afford the deposit to transition to ownership.

- B. **Can Affordable Housing needs be met in full?** How far the more urgently needed affordable rented housing should be prioritised in the tenure mix depends on the quantity of overall housing delivery expected.

If the Local Plan target of 35% were achieved on every site, up to around 1,456 affordable homes might be expected in the NA. However, this is only the case if the two large proposed allocations come forward.

If these allocations do not come forward and the majority of Capel’s housing is expected to come forward in the form of small infill developments, those schemes are unlikely to be large enough to meet the threshold of 9 dwellings, above which the Affordable Housing policy applies. If that is the case, the potential delivery of Affordable Housing may be very low. It will probably be insufficient to satisfy the total potential demand for Affordable Housing identified here.

Capel is in an uncertain position in this regard; the two alternatives are as follows:

- The proposed allocations are brought forward which would deliver approximately 1,456 affordable dwellings (to be split between social and ownership – in which case the quantity of need identified here would be met regardless).
- The proposed allocations are not brought forward and the neighbourhood plan has discretion over the amount of housing to deliver. In this instance it may be possible to bring forward exception sites to deliver affordable housing to local people. In this instance affordable

housing for sale should be prioritised through the split suggested above – roughly 80% affordable housing for sale and 20% affordable housing for rent.

- C. **Government policy (eg NPPF) requirements:** current NPPF policy requires 10% of all homes to be delivered for affordable home ownership. For 10% of all housing to be affordable ownership in Tunbridge Wells, where 35% of all housing should be affordable, 28% of Affordable Housing should be for affordable ownership. This does comply with the guideline tenure split sought in the Local Plan.

There can be exceptions to this requirement if it would prevent the delivery of other forms of Affordable Housing. Based on the findings of this HNA there is no evidence that meeting the 10% threshold in Capel would prejudice the provision of much needed affordable rented homes.

- D. **Local Plan policy:** As noted above, the emerging Local Plan seeks a tenure split of 60% affordable rented and 40% affordable ownership.

- E. **First Homes policy:** the Government recently concluded a consultation on the introduction of First Homes (to provide at least 30% discount on new build home prices). The proposals have now been enacted through a ministerial statement. A minimum of 25% of all Affordable Housing secured through developer contributions are now required to be First Homes.

This new minimum requirement may have the effect of displacing other products in any established tenure mix, and will reduce the amount of social or affordable rent if this was proposed to be more than 75% of Affordable Housing. However, this is not the case in Tunbridge Wells.

After the 25% First Homes requirement has been met, the remaining 75% of Affordable Housing units should as a first priority protect the provision for social rent set out in the Local Plan. The remaining units should then be allocated to other tenure products in the relative proportions set out in the Local Plan.

This guidance generally applies to district-level policy, and there may still be potential for a neighbourhood plan tenure mix to deviate from how the other tenures are rebalanced if appropriate.

- F. **Viability:** HNAs cannot take into consideration the factors which affect viability in the neighbourhood area or at the site-specific level. Viability issues are recognised in the Local Plan and it is acknowledged that this may affect the provision of affordable housing, the mix of tenures provided and the discounts that can be sought on First Homes properties.
- G. **Funding:** the availability of funding to support the delivery of different forms of Affordable Housing may also influence what it is appropriate to provide at a particular point in time or on any one site. The neighbourhood planning group may wish to keep this in mind so that it can take up any opportunities to secure funding if they become available.
- H. **Existing tenure mix in Capel:** The evidence suggests there is very limited affordable housing for sale within the NA at present (4 dwellings), yet there is a much higher proportion of social rent. This suggests that some provision of Affordable Housing (particularly offering a route to ownership) would offer a wider choice of homes for local residents and, importantly, may allow those on lower incomes including newly forming households and younger families to remain in or move to the area.
- I. **Views of registered providers:** it is not within the scope of this HNA to investigate whether it would be viable for housing associations (registered providers) to deliver and manage affordable rented homes in the parish. The funding arrangements available to housing associations will determine rent levels.
- J. **Wider policy objectives:** the neighbourhood planning group may wish to take account of broader policy objectives for Capel and/or the wider district. These could include, but are not restricted to, policies to attract younger households, families or working age people to the NA. These wider considerations may influence the mix of Affordable Housing provided.

83. On the basis of the considerations above, Table 4-7 below proposes an indicative Affordable Housing tenure mix that might be sought through Neighbourhood Plan policy.
84. This indicative mix is chiefly a response to the scenario in which the proposed allocations do not come forward (as in any case identified needs would be met in those allocations).

- 85. This tenure mix is heavily weighted towards affordable home ownership (in contrast to the emerging Local Plan) given the identified need for 105 dwellings in this tenure, compared to the limited need for affordable rented. Although the calculations above show a surplus of affordable rented it is rarely advised or accepted to omit this tenure completely. Similarly, district need has not been considered here and the LPA may require some affordable rented tenure in Capel to help meet those needs.
- 86. Since rent to buy is the most affordable option locally this tenure has been given the highest proportion, while national policy notes that First Homes should represent 25% of the affordable mix. In the interests of diversity, maximizing choice and similar affordability thresholds, 25% is also allocated to shared ownership rather than more First Homes.
- 87. This mix should be viewed as a starting point, based primarily on secondary evidence, which should be reconsidered in light of considerations F to J above, and in particular the views and objectives of the community.
- 88. Where the neighbourhood planning group wish to develop policy that deviates from that outlined in the Local Plan – either by differing from the headline split between renting and ownership or by specifying a greater level of detail around sub-tenures, it is important that they liaise with Tunbridge Wells to gather more detailed income and viability information, and to ensure that departures from the local policy context have their support.
- 89. Another option when developing Neighbourhood Plan policies on tenure splits is to add caveats to the policy in question, to the effect that the precise mix of affordable housing will be considered on the basis of site-by-site circumstances in addition to this evidence.

**Table 4-7: Indicative tenure split (Affordable Housing)**

Tenure	Indicative mix	Considerations and uncertainties
<b>Routes to home ownership, of which</b>	<b>80%</b>	
First Homes	25%	Product untested so uncertainties around viability, developer, lenders and buyer appetite etc.
Shared ownership	25%	Recently confirmed changes to the model to allow purchases of 10% share - impact on viability unknown. RPs business plans currently reliant on shared ownership model. Impact of displacement by First Homes unknown.
Rent to buy	30%	Emerging product with popularity and effectiveness as yet unknown. Impact of displacement by First Homes unknown.
<b>Affordable Housing for rent, of which</b>	<b>20%</b>	
Social rent	To be set by Registered Providers	Uncertain how much funding available to support this tenure in local area. Uncertain whether RPs willing to own/manage stock in this area.
Affordable rent	To be set by Registered Providers	Uncertain whether RPs willing to own/manage stock in this area.

Source: AECOM calculations

## Conclusions- Tenure and Affordability

- 90. The majority of homes in Capel are owned, a similar but slightly higher rate than at wider geographies. As noted there is very limited shared ownership in Capel (4 dwellings), while there is an even split between social and private renting.
- 91. House prices in Capel generally increased between 2011 and 2020, but had significant fluctuations. The median house price increased by almost 50%. Because the mean captures the average of all the house prices, both high and low, the few outlying data points on the high end cause the mean to increase, making it higher than the median with an increase at 72%. Lower quartile house prices have increased to a lesser extent, increasing by 37% (or £75,000 in numerical value), although saw a significant decrease in 2019.
- 92. Market housing, even with the benefit of a higher than average income, is likely to remain out of reach to most. The median house price would require an annual income 50% higher than the current average. Private

renting is generally only affordable to average earners. While the inability of those on lower quartile earnings to afford entry-level market rents, affordable rent and social rent suggests that the need of those on lower incomes are not being met in the market and this group will require a form of discounted or social housing support.

93. The most significant finding is the need for affordable home ownership in Capel. AECOM estimates potential demand for an additional 105 affordable home ownership dwellings. Government policy aimed at tackling the housing crisis continues to attach high priority on helping those on modest incomes and others who are unable to afford market housing for purchase, such as younger buyers, to access affordable routes towards homeownership. In the case of Capel, the most appropriate tenures to help implement this policy goal locally are rent to buy, shared ownership (10% or 25% share) or the new First Homes product (with a 40% or 50% discount being justified).
94. The findings of this chapter on the potential for providing affordable and low-cost tenures across the Neighbourhood Plan area do not align with those of the SHMA. The SHMA focuses on the delivery of socially rented dwellings over affordable housing for sale; however, the findings of this HNA suggest there is already enough socially rented stock in the neighbourhood area but not sufficient affordable housing for sale. Therefore, it is suggested that a greater emphasis is put on affordable housing for sale in future policy for the neighbourhood area. The indicative tenure mix suggested as a result of the evidence presented in this HNA is 20% affordable rent and 80% affordable housing for sale.
95. If the two potential allocation sites go ahead, the needs identified in this assessment would be easily met. However, the Parish Council noted that the location of the two allocations may not be the most appropriate to meet the needs of the Parish, who would prefer the affordable housing to be located in the existing villages. Alternatively, the Parish Council have shown interest in delivering a rural exception site to deliver affordable housing to those with a local connection to the Parish (although there is no particular site in mind currently).
96. Should a rural exception site be delivered it would be subject to emerging Policy H3 which notes that all forms of housing will be provided on the basis of a 'local connection cascade' (determined on a case by case basis; however, generally those in housing need with a connection to the parish through residence or work will be prioritised and then to households from surrounding parishes and then in the wider borough. This will be secured by a Section 106 agreement). If this policy did not come forward in the current form a similar intent could be included in the Neighbourhood Plan as a standalone local connection policy or incorporated into a rural exception policy to ensure the delivery of affordable housing is targeted at the local community.
97. Affordable housing is typically provided and made financially viable by its inclusion as a proportion of larger market developments, as guided by Local Plan policy. However, if the community wishes to boost the supply of affordable housing, there are other, more proactive routes available for its provision. For example, using community development orders, identifying exception sites or developing community land trusts are all ways of boosting the supply of affordable housing.

## 5. RQ Two: Type and Size

***RQ Two: What type (terrace, semi, bungalows, flats and detached) and size (number of bedrooms) of housing is appropriate for the Plan area over the Neighbourhood Plan period?***

### Introduction

98. The evidence in this chapter is intended to give a snapshot of the existing dwelling stock in Capel in terms of type and size, as well as some of the population characteristics that tend to influence housing needs. From this, it is possible to develop an understanding of what sort of housing would be appropriate going forward.
99. It is worth emphasising that this evidence assumes that existing demographic and occupation patterns will persist into the future. It can therefore be thought of as the baseline or default scenario, into which the community may wish to intervene – for example to attract a different or more balanced demographic. The recommendations in this chapter, particularly the final suggested size mix, are a starting point that may be adjusted in light of other community objectives and primary evidence.

### Existing types and sizes

#### Background and definitions

100. Before beginning to explore issues of dwelling type and size, it is important to note that the demand for housing by size and type tends to be determined primarily by wealth – with those having more buying power choosing to occupy larger homes, and often preferring detached properties to denser types, such as flats.
101. This study is concerned primarily with need rather than demand. Need for homes of different sizes is chiefly determined by the number of people occupying the home. In the strict sense, there is no ‘need’ for dwellings of any particular type, other than the specific needs of those with certain disabilities for level access properties, for example.
102. The best proxy for the number of people in a household is age or ‘life stage’, with younger and then older households tending to have one or two people, and those in between these poles more likely to have larger families including children. Life stage is therefore a main indicator considered here for the size of housing needed. But it is worth pointing out that wealth is also correlated with age, so it is not possible to attain a pure view of what is needed from the secondary data alone.
103. It is also useful to clarify the terminology around dwellings and households. Dwellings are counted in the Census by combining address information with Census returns on whether people’s accommodation is self-contained. As such, all dwellings are classified as either shared or unshared dwellings. Households are groups of people who live together as a coherent unit (such as a family), and a dwelling is shared where there is more than one household occupying it (e.g. two families or a group of individual students). Hence, there is usually a different number of households and dwellings in any given area. The number of dwellings can also exceed that of households in areas with large numbers of holiday or second homes.
104. As noted in the Context section of this report, there is no perfect data source for the current mix of dwellings in the NA. For Capel a combination of Census 2011 data and Valuation Office Agency (VOA) has been used.

#### Dwelling type

105. The type of dwellings in Capel were fairly consistent between 2011 and 2020, the difference in numbers shown in the table below is more representative of the different methods of recording housing types between VOA and the census.
106. Census 2011 data is also presented, but this unfortunately cannot be used to fully understand the changes between 2011 and 2020 because Census data counts bungalows within each of the other categories rather than independently (hence the apparent decline in the number of semi-detached properties), and because the Census data relates to a slightly larger proxy area. Note also that VOA data is rounded to the nearest 10 in each dwelling category.

**Table 5-1: Accommodation type, Capel, 2011 and 2020**

Dwelling type	2011 (Census)	2020 (VOA)
Bungalow	-	80
Flat	53	50
Terrace	168	190
Semi-detached	450	400
Detached	276	190
Unknown/other	-	40

107. Source: ONS 2011, VOA 2020, AECOM Calculations

108. The table below uses VOA data and shows that compared with wider geographies Capel has a far higher percentage of semi-detached dwellings and far lower percentage of flats. This is likely due to the more rural character of the Parish. Similarly, there is a higher percentage of bungalows in Capel when compared with Tunbridge Wells.

**Table 5-2: Accommodation type, various geographies, 2020**

Dwelling type	Capel	Tunbridge Wells	England
Bungalow	8.4%	5.9%	9.4%
Flat	5.3%	25.6%	23.0%
Terrace	20.0%	18.8%	26.4%
Semi-detached	42.1%	26.1%	23.8%
Detached	20.0%	21.8%	15.9%
Unknown/other	4.2%	1.8%	1.4%

Source: VOA 2020, AECOM Calculations

## Dwelling size

109. Primarily, dwellings in Capel are made up of 3 or 4 or more bedrooms, with a smaller proportion of smaller dwellings with 1 or 2 bedrooms. This corresponds with the larger proportion of detached and semi-detached dwellings that tend to be larger than terraced houses and flats. However, given the lower numbers of smaller dwellings this may result in increased unaffordability for younger families and/or lack of options for older people who may wish to downsize as they get older.

110. While the VOA data helpfully shows changes that have been made to existing homes (i.e. extensions and the subdivision of rooms) that the other method overlooks (because the 2011 Census mix is effectively frozen at that point in time), it is in other respects less accurate. The VOA data is rounded to the nearest ten for each dwelling category, records a number of properties with an unknown number of rooms, and the newest data available is for 2020 – which misses any homes completed in the last year. It is not clear why the VOA categorised many bedrooms seen as having 4+ bedrooms in 2011 as now having only 3 – this is more likely to be an inconsistency in the data than a trend for subdividing dwellings or knocking through bedroom walls.

**Table 5-3: Dwelling size (bedrooms), Capel, 2011 and 2020**

Number of bedrooms	2011 (Census)	2020 (VOA)
1	44	40
2	169	160
3	467	530
4+	238	190
Unknown	-	0
Total	918	920

Source: ONS 2011, VOA 2020, AECOM Calculations

111. Again it is useful to look at the percentage breakdown of dwelling sizes in comparison with the wider district and country. Compared with wider geographies Capel has a far higher proportion of three bed dwellings and a correspondingly lower proportion of 1 and 2 bedroom dwellings, likely a reflection on the lower proportion of flats. This is a further potential barrier to smaller households seeking more affordable options.

**Table 5-4: Dwelling size (bedrooms), various geographies, 2020**

Number of bedrooms	Capel	Tunbridge Wells	England
1	4.3%	15.1%	12.0%
2	17.4%	27.0%	27.7%
3	57.6%	36.2%	43.0%
4+	20.7%	21.4%	15.2%

Source: VOA 2020, AECOM Calculations

## Age and household composition

112. Having established the current stock profile of Capel and identified recent changes to it, the evidence gathered below examines the composition and age structure of households living in the NA. Many of these indicators have a bearing on what housing might be needed in future years.

### Age structure

113. Table 5-5 below shows the most recent estimated age structure of the NA population, alongside 2011 Census figures. It shows that the demographic structure in Capel has remained relatively consistent between 2011 and 2019, yet there was a slight decline in those aged 44 and under and a slight increase in those aged 65 and above. This may indicate the lack of retention of the younger cohorts potentially due to affordability issues. There are estimated to be around 122 additional people aged over 65, which is a potentially significant driver of housing need today that is likely to persist in future years.

114. Note that ONS advises exercising caution with population estimates by single year of age (from which this 2019 data has been derived), as patterns of variance and bias make it relatively less accurate compared to Census data.

115. It is also worth noting that only the age structure of the population (individuals) can be brought up to date in this way. The life stage of households, which forms the basis of the subsequent analysis of future dwelling size needs, is not estimated each year. The 2011 Census therefore remains the most accurate basis to use in those areas, and the brief comparison here demonstrates that the change from 2011-2019 has not been so significant as to invalidate the 2011 household data used in modelling later in this chapter.

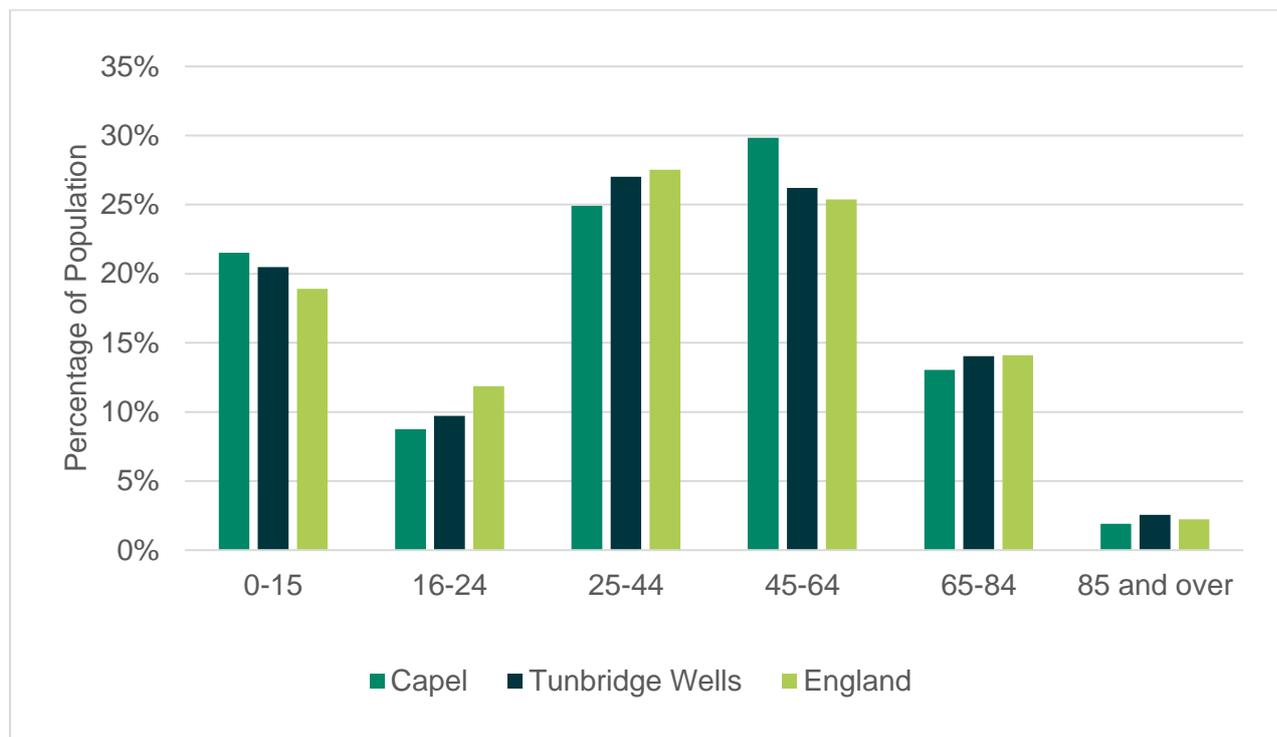
**Table 5-5: Age structure of Capel population, 2011 and 2019**

Age group	2011 (Census)		2019 (ONS, estimated)	
0-15	531	22%	451	19%
16-24	216	9%	198	8%
25-44	615	25%	508	22%
45-64	736	30%	717	30%
65-84	322	13%	416	18%
85 and over	47	2%	75	3%
Total	2,467	100%	2,365	100%

Source: ONS 2011, ONS mid-2019 population estimates, AECOM Calculations

116. For context, it is useful to look at the parish population structure alongside that of the district and country. Figure 5-1 below (using 2011 Census data) shows that broadly the demographics in Capel follow the same pattern as Tunbridge Wells and England. However, although the younger age groups saw a slight decline between 2011 and 2019, when compared with higher level geographies there is a slightly higher percentage of the population in the age brackets 0-15 and 45-64, this may indicate the popularity of the area with younger families. However, there are lower numbers of those aged 16-44 which may again demonstrate the findings from the table above, that those generally requiring smaller, more affordable homes may not be catered for in Capel.

Figure 5-1: Age structure in Capel, 2011



Source: ONS 2011, AECOM Calculations

## Household composition

117. Household composition (i.e. the combination and relationships of adults and children in a dwelling) is an important factor in the size (and to an extent, the type) of housing needed over the Neighbourhood Plan period. Table 5-6 shows that the majority of households in Capel are families and of those family households a higher proportion have children compared to those who do not.

118. Between 2001 and 2011, the group which saw the biggest change was family households aged 65 and over, this category grew by 30%. While family households with no children saw a small decline of 1.5%.

119. Note that non-dependent children refer to households in which adult children are living at home, or which students still call their primary residence despite living for most of the year near to university. A marked increase in this category can be taken to indicate the relative unaffordability of entry-level homes, where young people are financially unable to move out and form their own households. While the data is quite old at this point, it is interesting to observe that this category grew by 12.5% between 2001 and 2011 in the parish – this was a slower rate than the district average.

Table 5-6: Household composition, Capel, 2011

Household composition		Capel	Tunbridge Wells	England
<b>One person household</b>	<b>Total</b>	19.2%	29.0%	30.2%
	Aged 65 and over	9.6%	12.3%	12.4%
	Other	9.6%	16.7%	17.9%
<b>One family only</b>	<b>Total</b>	74.6%	64.8%	61.8%
	All aged 65 and over	8.8%	8.6%	8.1%
	With no children	21.7%	19.0%	17.6%
	With dependent children	32.4%	28.3%	26.5%
	All children Non-Dependent <sup>11</sup>	11.8%	9.0%	9.6%
<b>Other household types</b>	<b>Total</b>	6.2%	6.2%	8.0%

Source: ONS 2011, AECOM Calculations

<sup>11</sup> Refers to households containing children who are older than 18 e.g students or young working people living at home.

## ii) Occupancy ratings

120. The tendency of households to over- or under-occupy their homes is another relevant consideration to the future size needs of the NA. A person is considered to under-occupy their home when there are more bedrooms in their home than a family of their size and composition would normally be expected to need. This is expressed as an occupancy rating of +1 or +2, indicating that there is one surplus bedroom or at least two surplus bedrooms (respectively). Over-occupancy works in the same way, with a rating of -1 indicating at least one bedroom too few.
121. Census data on occupancy rating is only provided down to MSOA level. So for the purpose of this analysis, the NA is represented by MSOA Tunbridge Wells 001. Across all age groups, there is a higher proportion of households with underoccupancy rather than overoccupancy. Generally, however, the trend shows that older people tend to have higher underoccupancy while younger people have an overoccupancy.
122. This might suggest that the larger housing isn't being occupied by households with the most family members, but by the people with the most wealth or by older people who have not chosen or been able to move to smaller properties.

**Table 5-7: Occupancy rating by age in Capel, 2011**

Age group	+2 rating	+1 rating	0 rating	-1 rating
0-15	10%	23%	26%	35%
16-49	30%	47%	53%	53%
50-64	31%	17%	12%	9%
65 and over	29%	12%	9%	3%
All ages	34%	34%	25%	6%

Source: ONS 2011, ONS mid-2019 population estimates, AECOM Calculations

## Dwelling mix determined by life-stage modelling

### b) Suggested future dwelling size mix

123. As noted above, there is a strong link between the life stage of a household and the size of dwelling that household can be expected to need. The final part of this chapter presents the results of a model that aims to estimate the dwelling size needs of the parish at the end of the Neighbourhood Plan period. The steps involved in this model are not presented in full, but can be summarised – along with the underpinning assumptions and some limitations – as follows:
- The starting point is the age distribution of Capel households in 2011.
    - The life stage of a household is determined by the age of the household reference person (HRP), a more modern term for the head of household.
    - As noted above, household life stages are not estimated annually, so the older Census data must be used.
  - This life stage data is then projected forward to the end of the Plan period by applying the growth rates for each household age group as suggested by the latest household projections. This allows for an estimate of how the parish population might evolve in future.
    - ONS household projections are produced every two years but are only available at Local Authority level. The growth rates are therefore applied to the 2011 starting household age profile of the NA.
  - Next, we turn to a Census dataset that shows the occupation patterns or preferences of each household life stage (e.g. what proportion of households aged under 24 tend to live in 1 bedroom homes as opposed to 2, 3 or 4 bedroom homes). This data is mapped to the distribution of the projected NA population for each life stage and each dwelling size category to form a picture of what mix of homes might be appropriate in future.
    - This occupation data is again only available at Local Authority scale, so it does risk embedding any unusual characteristics present in the area.

- The model also assumes that today’s occupation patterns persist into the future, which is not a given, particularly with the change in preferences for home working space and other features arising from the Covid-19 pandemic. However, there is no better indication of what those patterns might look like. It is considered more appropriate to adjust the end mix that results from this model to reflect such trends than to build further speculative assumptions into the model.
- Finally, this ‘ideal’ future mix of dwelling sizes can be compared to the current stock of housing in the NA. From this we can identify how future development might best fill the gaps.
  - The 2011 dwelling size mix is used for consistency, so any imbalances in new development since then may justify adjustments to the final results.

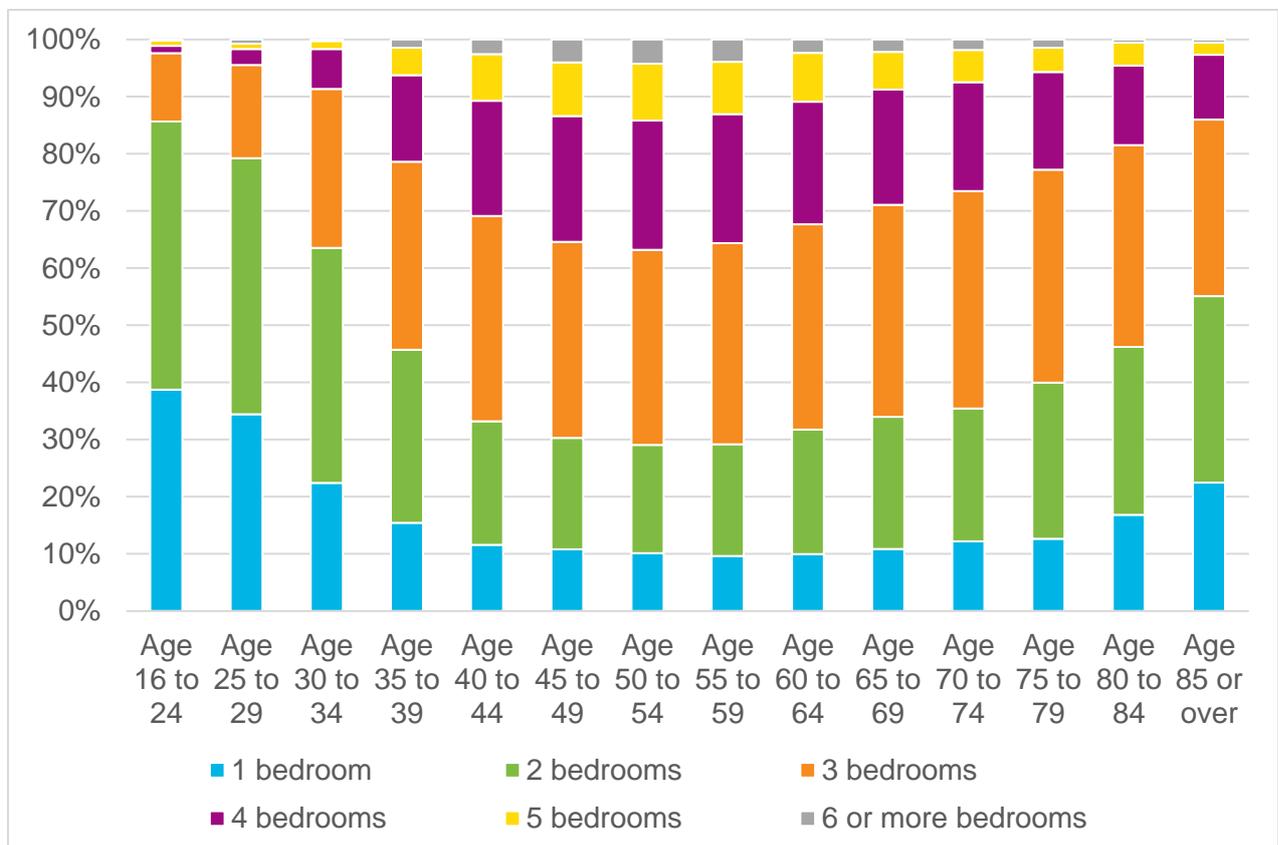
124. It is important to keep in mind that housing need is not an exact science and this exercise provides an estimate based on demographic trends and occupancy patterns alone. It does not take into account income and wealth, other than in an indirect way through the tendency of households to occupy more or less space than they ‘need’. It also does not anticipate changes in how people may wish to occupy their homes in response to social and technological change.

125. The approach therefore embeds existing patterns of occupancy which may or may not be desirable. As such, it is appropriate for the result of this model to be taken as a baseline scenario – what would occur if current trends persisted. It may well be the intention of the community to intervene to produce a different outcome more in line with their interpretation of emerging trends and their place- and community-shaping objectives. Layering these factors on top of the indicative picture provided by this model is considered entirely appropriate for the purpose of drafting neighbourhood plan policy.

126. Before presenting the results of this exercise, it may be interesting to review two of the inputs described above.

127. The first, given as Figure 5-2 below, sets out the relationship between household life stage and dwelling size for Tunbridge Wells in 2011. This shows how the youngest households occupy the smallest dwellings, before rapidly taking up larger homes as their families expand, and then more gradually downsizing to smaller homes again as they age.

**Figure 5-2: Age of household reference person by dwelling size in Tunbridge Wells, 2011**



Source: ONS 2011, AECOM Calculations

128. The second dataset of note is the result of applying Local Authority level household projections to the age profile of Capel households in 2011 and the updated estimates of household numbers described in the bullets above. Table 5-8 below makes clear that population growth can be expected to be driven by the oldest households, with those who are 65 and over seeing the greatest increase, followed by those aged 55-65, while households headed by those of under 54 are expected to decline.

**Table 5-8: Projected distribution of households by age of HRP, Capel**

Year	Age of HRP 24 and under	Age of HRP 25 to 34	Age of HRP 35 to 54	Age of HRP 55 to 64	Age of HRP 65 and over
2011	5	87	403	208	215
2038	4	70	392	260	360
% change 2011-2038	-29%	-20%	-3%	25%	67%

Source: AECOM Calculations

129. The final result of this exercise is presented in Table 5- below. The model suggests that primarily smaller dwellings with 1 or 2 bedrooms should be the priority (with an even split between the two), yet there should also be some provision for larger housing with an even split between 4 and 5 bedrooms. It seems there are enough 3 bedroom dwellings in the parish.

**Table 5-9: Suggested dwelling size mix to 2038, Capel**

Number of bedrooms	Current mix (2011)	Target mix 2038	Balance of new housing to reach target mix
1 bedroom	4.8%	13.3%	38.5%
2 bedrooms	18.4%	24.7%	38.1%
3 bedrooms	50.9%	34.4%	0.0%
4 bedrooms	18.5%	18.5%	11.6%
5 or more bedrooms	7.4%	9.1%	11.8%

Source: AECOM Calculations

130. It is never advisable to restrict future housing delivery to selected size categories only. The result of this model is a relatively blunt measure of what could be beneficial given population change and existing imbalances in housing options. It is a starting point for thinking about how best to address the more nuanced needs of the future population.

131. For example, the preceding chapter found that affordability is a serious and worsening challenge in the NA. While the provision of Affordable Housing (subsidised tenure products) is one way to combat this, another is to ensure that homes come forward which are of an appropriate size, type and density for local residents' budgets. Continuing to provide smaller homes with fewer bedrooms would help to address this situation.

132. The young starter families and downsizing older households mentioned above may both need smaller sized homes, but are likely to have extremely different requirements and degrees of purchasing power. While adult children living at home might take up 1 bedroom housing, this is unlikely to appeal to downsizers.

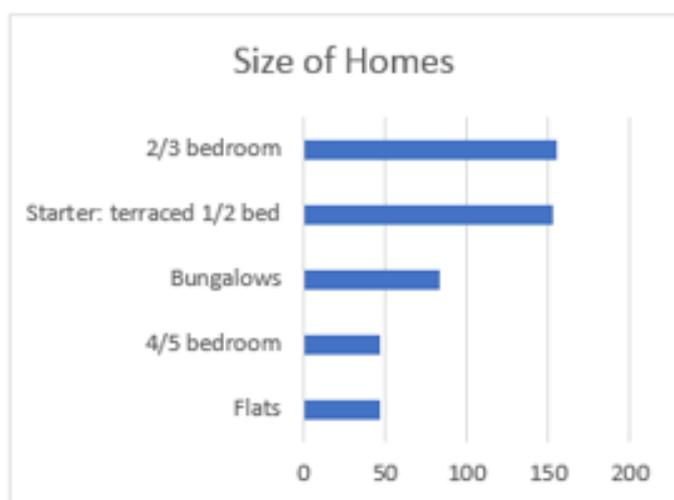
133. Variety should be sought within the smaller-sized homes that come forward in future to attract both newly forming households on lower budgets and older households with substantial equity from their existing larger homes. Facilitating downsizing among older households may release those larger homes for use by families who need more bedrooms.

134. To best meet the needs of the large cohort of older households expected to be present by the end of the Plan period, it should also be considered whether the existing options are well tailored to older people's requirements in terms of space, flexibility, quality, location and accessibility. There is limited scope for Neighbourhood Planning policy to influence the more detailed characteristics of new housing, but additional guidance and prioritisation could be informed by further primary research.

135. It may not be realistic to expect growing families to be able to afford the larger detached homes that are currently under-occupied in the parish. Reducing the issue of dwelling size to a number of bedrooms is potentially unhelpful in this case. That said, the model suggest there is still a need to deliver some larger dwellings in the neighbourhood area, and if these are to be occupied by growing families the use of intermediate tenures will be ever more important.

- 136. Therefore there is strong justification to continue supplying larger homes because a different kind of larger home is needed to accommodate growing families with less buying power. Similarly, 3 bedroom homes are already plentiful but they are also occupied and could come in different forms. They may remain a valuable part of the housing offering and should not be inhibited entirely.
- 137. More generally, it would be unwise for any new housing that does come forward to be delivered in an unbalanced way. Those wishing to move within or relocate to the area will have a range of circumstances and preferences, and they should be offered a range of choices. As such, it is recommended that priority is given to smaller-sized homes but that this is done to a degree that aligns with the wider objectives of the community and does not limit choice or threaten viability. The evidence in this section represents a starting point for further thought and consultation.
- 138. The Household Questionnaire asked what size housing the community would like to see delivered, the overwhelming response was smaller 1 and 2 bed affordable dwellings, as well as 2 and 3 bedroom dwellings, see Figure 5-3 below. This aligns quite closely with the result of the HNA model.

**Figure 5-3 Household Survey - Size of Homes to be Delivered in the Parish**

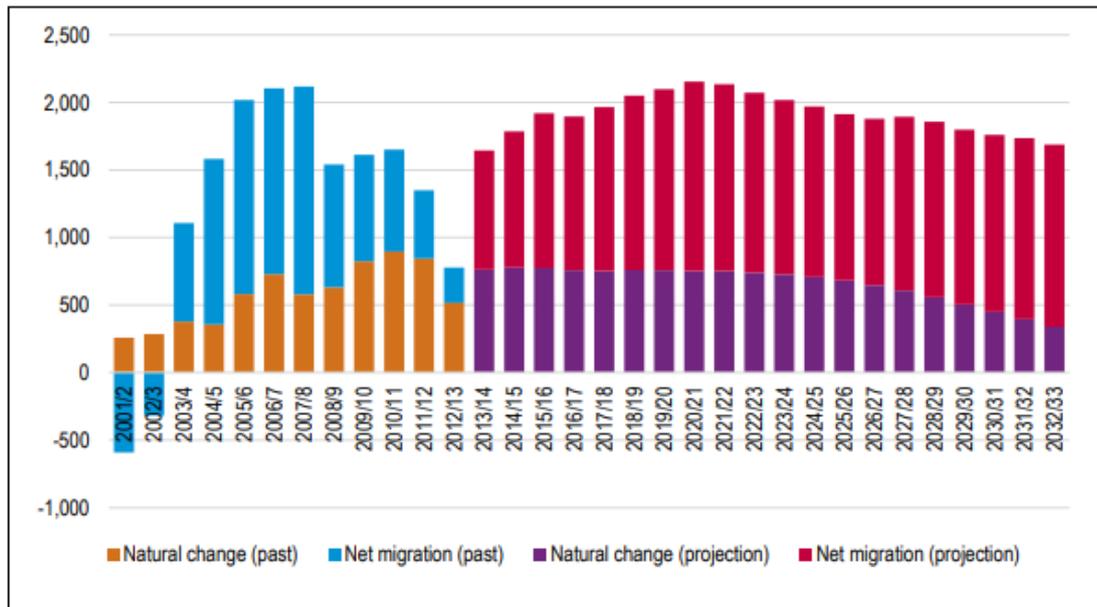


### The SHMA findings

- 139. The SHMA demonstrates past and futures population change in terms of natural change compared with migration, see Figure 5-4 below. Interestingly, it shows that around the mid 2020's the natural change in population will change from being relatively stable to declining, yet the migration into the area will continue to rise. This is likely due to overspill effects of being in such close proximity to London.

Figure 5-4 Components of population change

Figure 20: Components of Population Change, mid-2001 to mid-2033 – Sevenoaks and Tunbridge Wells



Source: Sevenoaks and Tunbridge Wells Strategic Housing Market Assessment

140. The SHMA also outlines the recommended housing mix for both market and affordable dwellings in Tunbridge Wells, see Figure 5-5 below. It suggests that generally the focus should be on 2 and 3 bed dwellings; however, market housing should include a higher proportion of larger dwellings of four or more bedrooms, while affordable housing should deliver a considerable proportion of 1 bedroom dwellings.

Figure 5-5 SHMA Recommended Housing Mix

Table 3: Recommended Housing Mix – Tunbridge Wells Borough

	1-bed	2-bed	3-bed	4+ bed
<b>Market</b>	5-10%	25-30%	35-40%	20-25%
<b>Affordable</b>	35-40%	30-35%	20-25%	5-10%
<b>All dwellings</b>	15-25%	25-30%	30-35%	15-20%

Source: Sevenoaks and Tunbridge Wells Strategic Housing Market Assessment

## Conclusions- Type and Size

141. This study provides an indication of the likely need for different types and sizes of homes based on demographic change. It is important to remember that other factors should be considered in determining the dwelling mix that is desirable in the parish or on any particular site. These include the specific characteristics of the nearby stock of housing (such as its condition and design), the role of the NA or site within the wider housing market area (linked to any Local Authority strategies or plans) and site-specific factors which may justify a particular dwelling mix.
142. Capel has a far higher percentage of semi-detached dwellings and far lower percentage of flats than the district and national average. This is likely due to the more rural character of the Parish. Similarly, there is a higher percentage of bungalows in Capel when compared with Tunbridge Wells.
143. Primarily, dwellings in Capel are made up of those with 3 or more bedrooms, with a smaller proportion of smaller dwellings with 1 or 2 bedrooms. This corresponds with the larger proportion of detached and semi-detached dwellings that tend to be larger than terraced houses and flats. However, given the lower numbers of smaller dwellings this may result in increased unaffordability for younger families and/or lack of options for older people who may wish to downsize as they get older.
144. The demographics in Capel follow the same pattern as Tunbridge Wells and England. However, although the younger age groups saw a slight decline between 2011 and 2019, when compared with higher level geographies there is a slightly higher percentage of the population in the age brackets 0-15 and 45-64, this

may indicate the popularity of the area with younger families. However, there are lower numbers of those aged 16-44 which may again demonstrate that those generally requiring smaller, more affordable homes may not be catered for in Capel.

145. Across all age groups, there is a higher proportion of households with more bedrooms than they need rather than fewer than they need. Generally, however, the trend shows that older people tend to have higher underoccupancy while younger people have an overoccupancy. This might suggest that the larger housing isn't being occupied by households with the most family members, but by the people with the most wealth or by older people who have not chosen or been able to move to smaller properties.
146. The results of a life-stage modelling exercise, which looks at the sizes of dwelling occupied by different age groups and projects the growth and decline of those age groups over the Plan period in order to understand what should be built, demonstrates that in Capel an appropriate response would be to prioritise the supply smaller dwellings with 1 or 2 bedrooms (with an even split between the two), yet there should also be some provision for larger housing with an even split between 4 and 5 bedrooms. It seems there are enough 3 bedroom dwellings in the Parish.
147. This model, however, operates on the assumption that households can and will wish to occupy only housing specifically suitable for their household size, which is not a realistic prospect given that people are willing to pay for extra bedrooms for a range of reasons. It is not surprising, then, that demand for all dwelling sizes will remain. The provision of 3 bedroom homes should therefore not be inhibited entirely (though some of that demand will be met by natural churn within the market), but to the extent that the community wish to influence the size mix of housing coming forward, small sized homes should be the priority followed by larger homes.
148. The Household Questionnaire corroborated these findings. It asked what size housing the community would like to see delivered, and the overwhelming response was smaller 1 and 2 bed affordable dwellings, as well as 2 and 3 bedroom dwellings.
149. In the Tenure and Affordability chapter analysis, it was found that market housing for sale (as opposed to market housing for rent and all types of Affordable Housing) is increasingly unaffordable and that those on the median incomes are unable to afford to live outside of the rented sector. While Affordable Housing should be well balanced in terms of size to cater for all circumstances, the provision of smaller and mid-sized homes for sale and rent should make an important contribution to improving affordability more widely. If older households wishing to 'rightsize' and younger ones seeking to form their own independent households are to be able to afford to live in Capel, increasing the provision of small sized homes will be crucial.

# 6. Conclusions

## Overview

150. Table 6-1 below sets out in full the conclusions and recommendations of this Neighbourhood Plan housing needs assessment, based on the evidence reviewed and analysed.

**Table 6-1: Summary of study findings specific to Capel with a potential impact on Neighbourhood Plan housing policies**

Issue	Summary of evidence and data assessed	Conclusions and recommendations
<p>Housing tenure and affordability</p>	<p>The majority of homes in Capel are owned, this proportion is at a similar, although slightly higher rate, than at wider geographies. As noted there is very limited shared ownership in Capel (4 dwellings), while there is an even split between social and private renting.</p> <p>House prices in Capel generally increased between 2011 and 2020, but had significant fluctuations. The median house price increased by almost 50%. Lower quartile house prices have increased to a lesser extent, increasing by 37% (or £75,000 in numerical value), although saw a significant decrease in 2019.</p> <p>Market housing, even with the benefit of a higher than average income, is likely to remain out of reach to most. The median house price would require an annual income 50% higher than the current average. Private renting is generally only affordable to average earners. While the inability of those on lower quartile earnings to afford entry-level market rents, affordable rent and social rent suggests that the need of those on lower incomes are not being met in the market and this group will require a form of discounted or social housing support.</p>	<p>The most significant finding is the need for affordable home ownership in Capel. There is an identified need for an additional 105 affordable home ownership dwellings. In the case of Capel, the most appropriate tenures to help implement this policy goal locally are rent to buy, shared ownership (10% or 25% share) or discounted market sale (40% or 50% discount).</p> <p>The findings of this HNA suggest there is already enough socially rented stock in the neighbourhood area but not sufficient affordable housing for sale. Therefore, it is suggested that a greater emphasis is put on affordable housing for sale in future policy for the neighbourhood area. The indicative tenure mix suggested as a result of the evidence presented in this HNA is 20% affordable rent and 80% affordable housing for sale.</p> <p>If the two potential allocation sites go ahead, the needs identified in this assessment would be easily met. However, the Parish Council noted that the location of the two allocations may not be the most appropriate to meet the needs of the Parish, who would prefer the affordable housing to be located in the existing villages. Alternatively, the Parish Council have shown interest in delivering a rural exception site to deliver affordable housing to those with a local connection to the Parish (although there is no particular site in mind currently).</p> <p>Should a rural exception site be delivered it would be subject to emerging Policy H3 which notes that all forms of housing will be provided on the basis of a 'local connection cascade' (determined on a case by case basis; however, generally those in housing need with a connection to the parish through residence or work will be prioritised and then to households from surrounding parishes and then in the wider borough. This will be secured by a Section 106 agreement. If this policy did not come forward in the current form a similar intent could be included in the Neighbourhood Plan as a standalone local connection policy or incorporated into a rural exception policy.</p>

Issue	Summary of evidence and data assessed	Conclusions and recommendations
<p>Housing type and size</p>	<p>Capel has a far higher percentage of semi-detached dwellings and far lower percentage of flats. This is likely due to the more rural character of the Parish. Similarly, there is a higher percentage of bungalows in Capel when compared with Tunbridge Wells.</p> <p>Primarily, dwellings in Capel are made up of 3 or 4 or more bedrooms, with a smaller proportion of smaller dwellings with 1 or 2 bedrooms. This corresponds with the larger proportion of detached and semi-detached dwellings that tend to be larger than terraced houses and flats. However, given the lower numbers of smaller dwellings this may result in increased unaffordability for younger families and/or lack of options for older people who may wish to downsize as they get older.</p> <p>The demographics in Capel follow the same pattern as Tunbridge Wells and England. However, although the younger age groups saw a slight decline between 2011 and 2019, when compared with higher level geographies there is a slightly higher percentage of the population in the age brackets 0-15 and 45-64, this may indicate the popularity of the area with younger families. However, there are lower numbers of those aged 16-44 which may again demonstrate that those generally requiring smaller, more affordable homes may not be catered for in Capel.</p> <p>Across all age groups, there is a higher proportion of households with underoccupancy rather than overoccupancy. Generally, however, the trend shows that older people tend to have higher underoccupancy while younger people have an overoccupancy. This might suggest that the larger housing isn't being occupied by households with the most family members, but by the people with the most wealth or by older people who have not chosen or been able to move to smaller properties.</p>	<p>The results of a life-stage modelling exercise, which looks at the sizes of dwelling occupied by different age groups and projects the growth and decline of those age groups over the Plan period in order to understand what should be built, demonstrates that in Capel an appropriate response would be to prioritise the supply smaller dwellings with 1 or 2 bedrooms (with an even split between the two), yet there should also be some provision for larger housing with an even split between 4 and 5 bedrooms. It seems there are enough 3 bedroom dwellings in the Parish.</p> <p>This model, however, operates on the assumption that households can and will wish to occupy only housing specifically suitable for their household size, which is not a realistic prospect given that people are willing to pay for extra bedrooms for a range of reasons. It is not surprising, then, that demand for all dwelling sizes will remain. The provision of 3 bedroom homes should therefore not be inhibited entirely (though some of that demand will be met by natural churn within the market), but to the extent that the community wish to influence the size mix of housing coming forward, small sized homes should be the priority followed by larger homes.</p> <p>The Household Questionnaire asked what size housing the community would like to see delivered, the overwhelming response was smaller 1 and 2 bed affordable dwellings, as well as 2 and 3 bedroom dwellings.</p> <p>In the Tenure and Affordability chapter analysis, it was found that market housing for sale (as opposed to market housing for rent and all types of Affordable Housing) is increasingly unaffordable and that those on the median incomes are unable to afford to live outside of the rented sector. While Affordable Housing should be well balanced in terms of size to cater for all circumstances, the provision of smaller and mid-sized homes for sale and rent should make an important contribution to improving affordability more widely. If older households wishing to 'rightsize' and younger ones seeking to form their own independent households are to be able to afford to live in Capel, increasing the provision of small sized homes will be crucial.</p>

## Recommendations for next steps

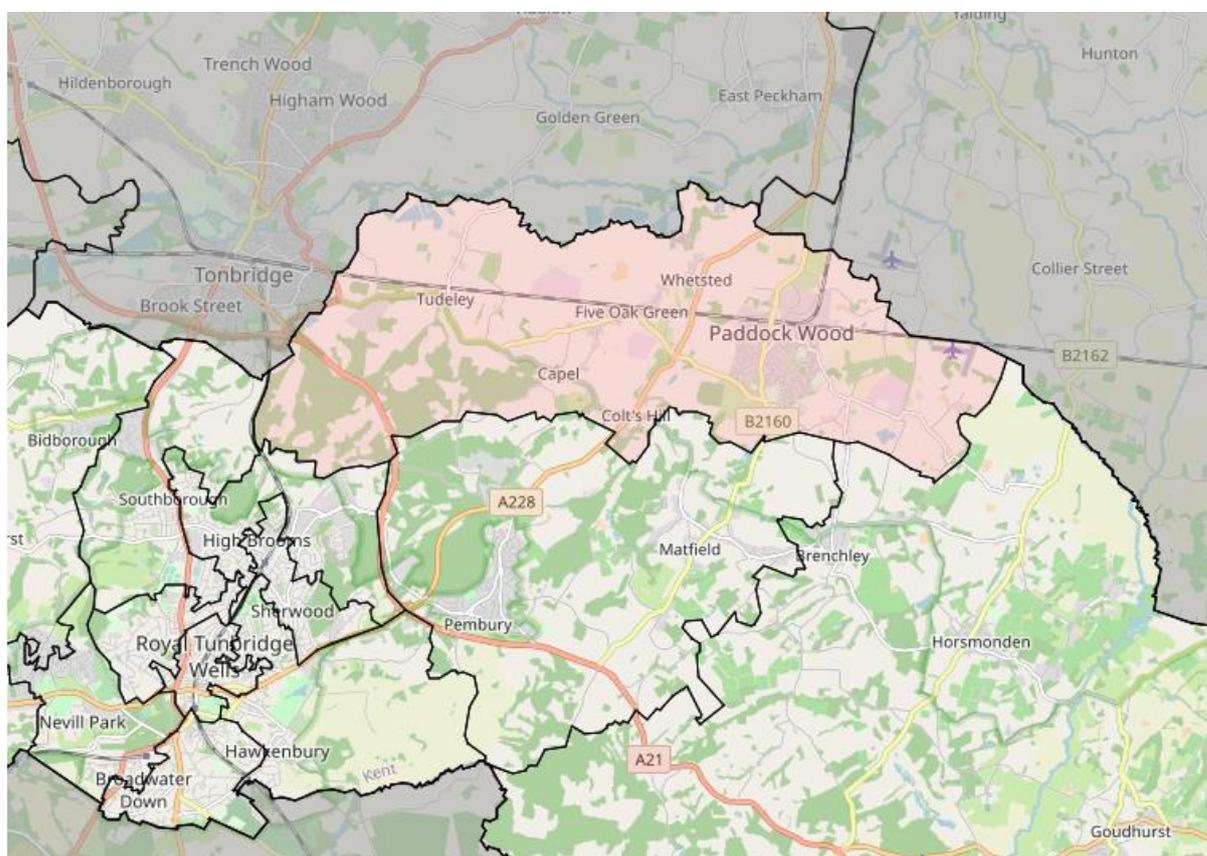
151. This Neighbourhood Plan housing needs assessment aims to provide Capel with evidence on a range of housing trends and issues from a range of relevant sources. We recommend that the neighbourhood planners should, as a next step, discuss the contents and conclusions with Tunbridge Wells with a view to agreeing and formulating draft housing policies, bearing the following in mind:
- All Neighbourhood Planning Basic Conditions, but in particular Condition E, which is the need for the Neighbourhood Plan to be in general conformity with the strategic policies of the adopted development plan;
  - The views of Tunbridge Wells;
  - The views of local residents;
  - The views of other relevant local stakeholders, including housing developers and estate agents; and
  - The numerous supply-side considerations, including local environmental constraints, the location and characteristics of suitable land, and any capacity work carried out by Tunbridge Wells.
152. This assessment has been provided in good faith by AECOM consultants on the basis of housing data, national guidance and other relevant and available information current at the time of writing.
153. Bearing this in mind, it is recommended that the Neighbourhood Plan steering group should monitor carefully strategies and documents with an impact on housing policy produced by the Government, Tunbridge Wells or any other relevant party and review the Neighbourhood Plan accordingly to ensure that general conformity is maintained.
154. At the same time, monitoring on-going demographic or other trends over the Neighbourhood Plan period will help ensure the continued relevance and credibility of its policies.

# Appendix A : Calculation of Affordability Thresholds

## A.1 Assessment geography

- 155. As noted in the Tenure and Affordability chapter above, affordability thresholds can only be calculated on the basis of data on incomes across the Neighbourhood Plan area. Such data is available at MSOA level but not at the level of neighbourhood plan areas.
- 156. As such, when calculating affordability thresholds, an MSOA needs to be selected that is a best-fit proxy for the Neighbourhood Plan area. In the case of Capel, it is considered that MSOA Tunbridge Wells 001 is the closest realistic proxy for the Neighbourhood Plan area boundary, and as such, this is the assessment geography that has been selected. A map of Tunbridge Wells appears below in Figure 6-1. The MSOA covers the parish of Capel and the neighbouring parish of Paddock Wood.

**Figure 6-1: MSOA Tunbridge Wells 001 used as a best-fit geographical proxy for the Neighbourhood Plan area**



Source: ONS

## A.2 Market housing

- 157. Market housing is not subsidised, and tends to be primarily accessible to people on higher incomes.
- 158. To determine affordability in market housing, this assessment considers two primary indicators: income thresholds, which denote the maximum share of a family’s income that should be spent on accommodation costs, and purchase thresholds, which denote the standard household income required to access mortgage products.

## A.2.1 Market sales

159. The starting point for calculating the affordability of a dwelling for sale (i.e. the purchase threshold) from the perspective of a specific household is the loan to income ratio which most mortgage companies are prepared to agree. This ratio is conservatively estimated to be 3.5.
160. To produce a more accurate assessment of affordability, the savings required for a deposit should be taken into account in addition to the costs of servicing a mortgage. However, unlike for incomes, data is not available for the savings available to households in Capel, and the precise deposit a mortgage provider will require of any buyer will be determined by their individual circumstances and the state of the mortgage market. An assumption is therefore made that a 10% purchase deposit is required and is available to the prospective buyer. In reality it is possible that the cost of the deposit is a greater barrier to home ownership than the mortgage costs.
161. The calculation for the purchase threshold for market housing is as follows:
- Value of a median NA house price (2020) = £325,000 ;
  - Purchase deposit at 10% of value = £32,500;
  - Value of dwelling for mortgage purposes = £292,500;
  - Divided by loan to income ratio of 3.5 = purchase threshold of £83,571.
162. The purchase threshold for an entry-level dwelling is a better representation of affordability to those with lower incomes or savings, such as first-time buyers. To determine this threshold, the same calculation is repeated but with reference to the lower quartile rather than the median house price. The lower quartile average in 2020 was £280,000, and the purchase threshold is therefore £72,000.
163. Finally, it is worth assessing the purchase threshold for new build homes, since this most closely represents the cost of the new housing that will come forward in future. Land Registry records 1 sale of new build properties in the NA in 2020. Given this small sample, the average new build price for the LA was used. This was £488,272 resulting in a purchase threshold of £125,556.

## A.2.2 Private Rented Sector (PRS)

164. Income thresholds are used to calculate the affordability of rented and affordable housing tenures. It is assumed here that rented housing is affordable if the annual rent does not exceed 30% of the household's gross annual income.
165. This is an important assumption because it is possible that a household will be able to afford tenures that are deemed not affordable in this report if they are willing or able to dedicate a higher proportion of their income to housing costs. It is becoming increasingly necessary for households to do so. However, for the purpose of planning it is considered more appropriate to use this conservative lower benchmark for affordability on the understanding that additional households may be willing or able to access housing this way than to use a higher benchmark which assumes that all households can afford to do so when their individual circumstances may well prevent it.
166. The property website [Home.co.uk](https://www.home.co.uk) shows rental values for property in the Neighbourhood Plan area. The best available data is derived from properties available for rent within the TN12 postcode area, which covers a larger area than the Plan area itself but can be used as a reasonable proxy for it. Moreover, because it forms a larger geography with a greater number of rental properties offered, the larger sample size is likely to generate more robust findings.
167. According to [home.co.uk](https://www.home.co.uk), there were 10 properties for rent at the time of search in July 2021, with an average monthly rent of £1,052. There were 4 two-bed properties listed, with an average price of £960 per calendar month.
168. The calculation for the private rent income threshold for entry-level (2 bedroom) dwellings is as follows:
- Annual rent = £960 x 12 = £11,520;
  - Multiplied by 3.33 (so that no more than 30% of income is spent on rent) = income threshold of £38,400.
169. The calculation is repeated for the overall average to give an income threshold of £42,080

## A.3 Affordable Housing

170. There are a range of tenures that constitute the definition of Affordable Housing within the 2019 NPPF: social rent and affordable rent, discounted market sales housing, and other affordable routes to home ownership. More recently, a new product called First Homes has been introduced in 2021. Each of the affordable housing tenures are considered below.

### A.3.1 Social rent

171. Rents in socially rented properties reflect a formula based on property values and average earnings in each area, resulting in substantial discounts to market rents. As such, this tenure is suitable for the needs of those on the lowest incomes and is subject to strict eligibility criteria.

172. To determine social rent levels, data and statistical return from Homes England is used. This data is only available at the LPA level so must act as a proxy for Capel. This data provides information about rents and the size and type of stock owned and managed by private registered providers and is presented for Tunbridge Wells in the table below.

173. To determine the income needed, it is assumed that no more than 30% of income should be spent on rent. This is an assumption only for what might generally make housing affordable or unaffordable – it is unrelated to the eligibility criteria of Affordable Housing policy at Local Authority level. The overall average across all property sizes is taken forward as the income threshold for social rent.

**Table A-1: Social rent levels (£)**

Size	1 bed	2 beds	3 beds	4 beds	All
Average social rent per week	£97.02	£110.94	£126.33	£141.05	£112.96
Annual average	£5,045	£5,769	£6,569	£7,335	£5,874
Income needed	£20,180	£23,076	£26,277	£29,338	£23,496

Source: Homes England, AECOM Calculations

### A.3.2 Affordable rent

174. Affordable rent is controlled at no more than 80% of the local market rent. However, registered providers who own and manage affordable rented housing may also apply a cap to the rent to ensure that it is affordable to those on housing benefit (where under Universal Credit the total received in all benefits to working age households is £20,000).

175. Even an 80% discount on the market rent may not be sufficient to ensure that households can afford this tenure, particularly when they are dependent on benefits. Registered Providers in some areas have applied caps to larger properties where the higher rents would make them unaffordable to families under Universal Credit. This may mean that the rents are actually 50-60% of market levels rather than 80%.

176. Data on the most realistic local affordable rent costs is obtained from the same source as social rent levels for Tunbridge Wells. Again it is assumed that no more than 30% of income should be spent on rent, and the overall average is taken forward.

177. Comparing this result with the average 2 bedroom annual private rent above indicates that affordable rents in the NA are actually closer to 70% of market rates than the maximum of 80%, a feature that is necessary to make them achievable to those in need.

**Table A-2: Affordable rent levels (£)**

Size	1 bed	2 beds	3 beds	4 beds	All
Average affordable rent per week	£122.01	£154.08	£184.02	£229.02	£153.23
Annual average	£6,345	£8,012	£9,569	£11,909	£7,968
Income needed	£25,378	£32,049	£38,276	£47,636	£31,872

Source: Homes England, AECOM Calculations

### A.3.3 Affordable home ownership

178. Affordable home ownership tenures include products for sale and rent provided at a cost above social rent, but below market levels. The three most widely available are discounted market housing (a subset of which is the new First Homes product), shared ownership, and rent to buy. These are considered in turn below.
179. In paragraph 64 of the NPPF 2019, the Government introduces a recommendation that “where major housing development is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership.” The recently issued Ministerial Statement and updates to PPG state that 25% of all Affordable Housing should be First Homes – the Government’s new flagship discounted market sale product. When the NPPF is next updated, it is expected that the 10% affordable home ownership requirement referenced above may be replaced by the First Homes requirement.

#### First Homes

180. Whether to treat discounted market housing as affordable or not depends on whether discounting the asking price of new build homes of a size and type suitable to first time buyers would bring them within reach of people currently unable to buy market housing.
181. The starting point for these calculations is therefore the estimated cost of new build housing in Capel of £325,000. This is in fact the median existing house price, which is used as a proxy for new build entry-level housing (which tends to be cheaper because it is smaller, aimed at first-time buyers, but also more expensive than existing entry-level homes because of the premium associated with newly built housing).
182. For the minimum discount of 30% the purchase threshold can be calculated as follows:
- Value of a new home (estimated) = £325,000;
  - Discounted by 30% = £227,500;
  - Purchase deposit at 10% of value = £22,750;
  - Value of dwelling for mortgage purposes = £204,750;
  - Divided by loan to income ratio of 3.5 = purchase threshold of £58,500.
183. The income thresholds analysis in the Tenure and Affordability chapter also compares local incomes with the costs of a 40% and 50% discounted First Home. This would require an income threshold of £50,143 and £41,786 respectively.
184. All of the income thresholds calculated here for First Homes are below the cap of £80,000 above which households are not eligible.
185. Note that discounted market sale homes may be unviable to develop if the discounted price is close to (or below) build costs. Build costs vary across the country but as an illustration, the build cost for a 2 bedroom home (assuming 70 sq m and a build cost of £1,500 per sq m) would be around £105,000. This cost excludes any land value or developer profit. This would not appear to be an issue in Capel.

#### Shared ownership

186. Shared ownership involves the purchaser buying an initial share in a property, typically of between 25% and 75% (but now set at a minimum of 10%), and paying rent on the share retained by the provider. Shared ownership is flexible in two respects, in the share which can be purchased and in the rental payable on the share retained by the provider. Both of these are variable. The share owned by the occupant can be increased over time through a process known as 'staircasing'.
187. In exceptional circumstances (for example, as a result of financial difficulties, and where the alternative is repossession), and at the discretion of the provider, shared owners may staircase down, thereby reducing the share they own. Shared equity is available to first-time buyers, people who have owned a home previously and council and housing association tenants with a good credit rating whose annual household income does not exceed £80,000.
188. To determine the affordability of shared ownership, calculations are again based on the estimated costs of new build housing as discussed above. The deposit available to the prospective purchaser is assumed to be 10% of the value of the dwelling, and the standard loan to income ratio of 3.5 is used to calculate the income required to obtain a mortgage. The rental component is estimated at 2.5% of the value of the remaining (unsold) portion of the price. The income required to cover the rental component of the dwelling is

based on the assumption that a household spends no more than 30% of the income on rent (as for the income threshold for the private rental sector).

189. The affordability threshold for a 25% equity share is calculated as follows:

- A 25% equity share of £325,000 is £81,250;
- A 10% deposit of £8,125 is deducted, leaving a mortgage value of £73,125;
- This is divided by the loan to value ratio of 3.5 to give a purchase threshold of £20,893;
- Rent is charged on the remaining 75% shared ownership equity, i.e. the unsold value of £243,750;
- The estimated annual rent at 2.5% of the unsold value is £6,094;
- This requires an income of £20,312.50 (annual rent multiplied by 3.33 so that no more than 30% of income is spent on rent).
- The total income required is £41,205 (£30,893 plus £20,312.50).

190. The same calculation is repeated for equity shares of 10% and 50% producing affordability thresholds of £32,732 and £55,327 respectively.

#### **Rent to buy**

191. Rent to buy is a relatively new and less common tenure, which through subsidy allows the occupant to save a portion of their rent to build up a deposit to eventually purchase the home. It is therefore estimated to cost the same as private rents – the difference being that the occupant builds up equity in the property with a portion of the rent, but this portion is still a monthly outgoing for the occupant.

#### **Help to Buy (Equity Loan)**

192. The Help to Buy Equity Loan is not an affordable housing tenure but allows households to afford market housing through a loan provided by the government. With a Help to Buy Equity Loan the government lends up to 20% (40% in London) of the cost of a newly built home. The household must pay a deposit of 5% or more and arrange a mortgage of 25% or more to make up the rest. Buyers are not charged interest on the 20% loan for the first five years of owning the home.

193. It is important to note that this product widens access to market housing but does not provide an affordable home in perpetuity.

# Appendix B : Housing Needs Assessment Glossary

## Adoption

This refers to the final confirmation of a local plan by a local planning authority.

## Affordability

The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain groups of households. 'Affordable housing' refers to particular products outside the main housing market.

## Affordability Ratio

Assessing affordability involves comparing housing costs against the ability to pay. The ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing. The Ministry for Housing, Community and Local Governments publishes quarterly the ratio of lower quartile house price to lower quartile earnings by local authority (LQAR) as well as median house price to median earnings by local authority (MAR) e.g. income = £25,000, house price = £200,000. House price: income ratio =  $\text{£}200,000/\text{£}25,000 = 8$ , (the house price is 8 times income).

## Affordable Housing (NPPF Definition)

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) 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.

c) 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.

## Affordable rented housing

Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). The national rent regime is the regime under which the social rents of tenants of social housing are set, with particular reference to the Guide to Social Rent Reforms (March 2001) and the Rent Influencing Regime Guidance (October 2001). Local market rents are calculated using the Royal Institution for Chartered Surveyors (RICS) approved valuation methods<sup>12</sup>.

<sup>12</sup> The Tenant Services Authority has issued an explanatory note on these methods at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf>

### **Age-Restricted General Market Housing**

A type of housing which is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens but does not include support or care services.

### **Annual Monitoring Report**

A report submitted to the Government by local planning authorities assessing progress with and the effectiveness of a Local Development Framework.

### **Basic Conditions**

The Basic Conditions are the legal tests that are considered at the examination stage of neighbourhood development plans. They need to be met before a plan can progress to referendum.

### **Backlog need**

The backlog need constitutes those households who are eligible for Affordable Housing, on account of homelessness, over-crowding, concealment or affordability, but who are yet to be offered a home suited to their needs.

### **Bedroom Standard<sup>13</sup>**

The bedroom standard is a measure of occupancy (whether a property is overcrowded or under-occupied, based on the number of bedrooms in a property and the type of household in residence). The Census overcrowding data is based on occupancy rating (overcrowding by number of rooms not including bathrooms and hallways). This tends to produce higher levels of overcrowding/ under occupation. A detailed definition of the standard is given in the Glossary of the EHS Household Report.

### **Co-living**

Co-living denotes people who do not have family ties sharing either a self-contained dwelling (i.e., a 'house share') or new development akin to student housing in which people have a bedroom and bathroom to themselves, but share living and kitchen space with others. In co-living schemes each individual represents a separate 'household'.

### **Community Led Housing/Community Land Trusts**

Housing development, provision and management that is led by the community is very often driven by a need to secure affordable housing for local people in the belief that housing that comes through the planning system may be neither the right tenure or price-point to be attractive or affordable to local people. The principle forms of community-led models include cooperatives, co-housing communities, self-help housing, community self-build housing, collective custom-build housing, and community land trusts. By bringing forward development which is owned by the community, the community is able to set rents and/or mortgage payments at a rate that it feels is appropriate. The Government has a range of support programmes for people interested in bringing forward community led housing.

### **Community Right to Build Order<sup>14</sup>**

A community right to build order is a special kind of neighbourhood development order, granting planning permission for small community development schemes, such as housing or new community facilities. Local community organisations that meet certain requirements or parish/town councils are able to prepare community right to build orders.

### **Concealed Families (Census definition)<sup>15</sup>**

The 2011 Census defined a concealed family as one with young adults living with a partner and/or child/children in the same household as their parents, older couples living with an adult child and their family or unrelated families sharing a household. A single person cannot be a concealed family; therefore one elderly parent living with their adult child and family or an adult child returning to the parental home is not a concealed family; the latter are reported in an ONS analysis on increasing numbers of young adults living with parents.

### **Equity Loans/Shared Equity**

<sup>13</sup> See <https://www.gov.uk/government/statistics/english-housing-survey-2011-to-2012-household-report>

<sup>14</sup> See <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

<sup>15</sup> See [http://webarchive.nationalarchives.gov.uk/20160107160832/http://www.ons.gov.uk/ons/dcp171776\\_350282.pdf](http://webarchive.nationalarchives.gov.uk/20160107160832/http://www.ons.gov.uk/ons/dcp171776_350282.pdf)

An equity loan which acts as a second charge on a property. For example, a household buys a £200,000 property with a 10% equity loan (£20,000). They pay a small amount for the loan and when the property is sold e.g. for £250,000 the lender receives 10% of the sale cost (£25,000). Some equity loans were available for the purchase of existing stock. The current scheme is to assist people to buy new build.

### **Extra Care Housing or Housing-With-Care**

Housing which usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are included in retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

### **Fair Share**

'Fair share' is an approach to determining housing need within a given geographical area based on a proportional split according to the size of the area, the number of homes in it, or its population.

### **First Homes**

The Government has recently confirmed the introduction of First Homes as a new form of discounted market housing which will provide a discount of at least 30% on the price of new homes. These homes are available to first time buyers as a priority but other households will be eligible depending on agreed criteria. New developments will be required to provide 25% of Affordable Housing as First Homes. A more detailed explanation of First Homes and its implications is provided in the main body of the HNA.

### **Habitable Rooms**

The number of habitable rooms in a home is the total number of rooms, excluding bathrooms, toilets and halls.

### **Household Reference Person (HRP)**

The concept of a Household Reference Person (HRP) was introduced in the 2001 Census (in common with other government surveys in 2001/2) to replace the traditional concept of the head of the household. HRPs provide an individual person within a household to act as a reference point for producing further derived statistics and for characterising a whole household according to characteristics of the chosen reference person.

### **Housing Market Area**

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

The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.

### **Housing Needs**

There is no official definition of housing need in either the National Planning Policy Framework or the National Planning Practice Guidance. Clearly, individuals have their own housing needs. The process of understanding housing needs at a population scale is undertaken via the preparation of a Strategic Housing Market Assessment (see below).

### **Housing Needs Assessment**

A Housing Needs Assessment (HNA) is an assessment of housing needs at the Neighbourhood Area level.

### **Housing Products**

Housing products simply refers to different types of housing as they are produced by developers of various kinds (including councils and housing associations). Housing products usually refers to specific tenures and types of new build housing.

### **Housing Size (Census Definition)**

Housing size can be referred to either in terms of the number of bedrooms in a home (a bedroom is defined as any room that was intended to be used as a bedroom when the property was built, any rooms permanently converted for use as bedrooms); or in terms of the number of rooms, excluding bathrooms, toilets halls or landings, or rooms that can only be used for storage. All other rooms, for example, kitchens, living rooms, bedrooms, utility rooms, studies and conservatories are counted. If two rooms have been converted into one they are counted as one room. Rooms shared between more than one household, for example a shared kitchen, are not counted.

### **Housing Type (Census Definition)**

This refers to the type of accommodation used or available for use by an individual household (i.e. detached, semi-detached, terraced including end of terraced, and flats). Flats are broken down into those in a purpose-built block of flats, in parts of a converted or shared house, or in a commercial building.

### **Housing Tenure (Census Definition)**

Tenure provides information about whether a household rents or owns the accommodation that it occupies and, if rented, combines this with information about the type of landlord who owns or manages the accommodation.

### **Income Threshold**

Income thresholds are derived as a result of the annualisation of the monthly rental cost and then asserting this cost should not exceed 35% of annual household income.

### **Intercensal Period**

This means the period between the last two Censuses, i.e. between years 2001 and 2011.

### **Intermediate Housing**

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as 'low-cost market' housing, may not be considered as affordable housing for planning purposes.

### **Life Stage modelling**

Life Stage modelling is forecasting need for dwellings of different sizes by the end of the Plan period on the basis of changes in the distribution of household types and key age brackets (life stages) within the NA. Given the shared behavioural patterns associated with these metrics, they provide a helpful way of understanding and predicting future community need. This data is not available at neighbourhood level so LPA level data is employed on the basis of the NA falling within its defined Housing Market Area.

### **Life-time Homes**

Dwellings constructed to make them more flexible, convenient adaptable and accessible than most 'normal' houses, usually according to the Lifetime Homes Standard, 16 design criteria that can be applied to new homes at minimal cost: <http://www.lifetimehomes.org.uk/>.

### **Life-time Neighbourhoods**

Lifetime neighbourhoods extend the principles of Lifetime Homes into the wider neighbourhood to ensure the public realm is designed in such a way to be as inclusive as possible and designed to address the needs of older people, for example providing more greenery and more walkable, better connected places.

### **Local Development Order**

An Order made by a local planning authority (under the Town and Country Planning Act 1990) that grants planning permission for a specific development proposal or classes of development.

### **Local Enterprise Partnership**

A body, designated by the Secretary of State for Communities and Local Government, established for the purpose of creating or improving the conditions for economic growth in an area.

### **Local housing need (NPPF definition)**

The number of homes identified as being needed through the application of the standard method set out in national planning guidance (or, in the context of preparing strategic policies only, this may be calculated using a justified alternative approach as provided for in paragraph 60 of this Framework).

### **Local Planning Authority**

The public authority whose duty it is to carry out specific planning functions for a particular area. All references to local planning authority apply to the District Council, London Borough Council, County Council, Broads Authority, National Park Authority or the Greater London Authority, to the extent appropriate to their responsibilities.

### **Local Plan**

This is the plan for the future development of the local area, drawn up by the local planning authority in consultation with the community. In law this is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. Current core strategies or other planning policies form part of the Local Plan and are known as 'Development Plan Documents' (DPDs).

### **Lower Quartile**

The bottom 25% value, i.e. of all the properties sold, 25% were cheaper than this value and 75% were more expensive. The lower quartile price is used as an entry level price and is the recommended level used to evaluate affordability; for example for first time buyers.

### **Lower Quartile Affordability Ratio**

The Lower Quartile Affordability Ratio reflects the relationship between Lower Quartile Household Incomes and Lower Quartile House Prices, and is a key indicator of affordability of market housing for people on relatively low incomes.

### **Market Housing**

Market housing is housing which is built by developers (which may be private companies or housing associations, or Private Registered Providers), for the purposes of sale (or rent) on the open market.

### **Mean (Average)**

The mean or the average is, mathematically, the sum of all values divided by the total number of values. This is the more commonly used "average" measure as it includes all values, unlike the median.

### **Median**

The middle value, i.e. of all the properties sold, half were cheaper and half were more expensive. This is sometimes used instead of the mean average as it is not subject to skew by very large or very small statistical outliers.

### **Median Affordability Ratio**

The Lower Quartile Affordability Ratio reflects the relationship between Median Household Incomes and Median House Prices, and is a key indicator of affordability of market housing for people on middle-range incomes.

### **Mortgage Ratio**

The mortgage ratio is the ratio of mortgage value to income which is typically deemed acceptable by banks. Approximately 75% of all mortgage lending ratios fell below 4 in recent years<sup>16</sup>, i.e. the total value of the mortgage was less than 4 times the annual income of the person who was granted the mortgage.

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<sup>16</sup> See <https://www.which.co.uk/news/2017/08/how-your-income-affects-your-mortgage-chances/>

### **Neighbourhood Development Order (NDO)**

An NDO will grant planning permission for a particular type of development in a particular area. This could be either a particular development, or a particular class of development (for example retail or housing). A number of types of development will be excluded from NDOs, however. These are minerals and waste development, types of development that, regardless of scale, always need Environmental Impact Assessment, and Nationally Significant Infrastructure Projects.

### **Neighbourhood plan**

A plan prepared by a Parish or Town Council or Neighbourhood Forum for a particular neighbourhood area (made under the Planning and Compulsory Purchase Act 2004).

### **Older People**

People over retirement age, including the active, newly-retired through to the very frail elderly, whose housing needs can encompass accessible, adaptable general needs housing for those looking to downsize from family housing and the full range of retirement and specialised housing for those with support or care needs.

### **Output Area/Lower Super Output Area/Middle Super Output Area**

An output area is the lowest level of geography for publishing statistics, and is the core geography from which statistics for other geographies are built. Output areas were created for England and Wales from the 2001 Census data, by grouping a number of households and populations together so that each output area's population is roughly the same. 175,434 output areas were created from the 2001 Census data, each containing a minimum of 100 persons with an average of 300 persons. Lower Super Output Areas consist of higher geographies of between 1,000-1,500 persons (made up of a number of individual Output Areas) and Middle Super Output Areas are higher than this, containing between 5,000 and 7,200 people, and made up of individual Lower Layer Super Output Areas. Some statistics are only available down to Middle Layer Super Output Area level, meaning that they are not available for individual Output Areas or parishes.

### **Overcrowding**

There is no single agreed definition of overcrowding, however, utilising the Government's bedroom standard, overcrowding is deemed to be in households where there is more than one person in the household per room (excluding kitchens, bathrooms, halls and storage areas). As such, a home with one bedroom and one living room and one kitchen would be deemed overcrowded if three adults were living there.

### **Planning Condition**

A condition imposed on a grant of planning permission (in accordance with the Town and Country Planning Act 1990) or a condition included in a Local Development Order or Neighbourhood Development Order.

### **Planning Obligation**

A legally enforceable obligation entered into under section 106 of the Town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

### **Purchase Threshold**

Purchase thresholds are calculated by netting 10% off the entry house price to reflect purchase deposit. The resulting cost is divided by 4 to reflect the standard household income requirement to access mortgage products.

### **Proportionate and Robust Evidence**

Proportionate and robust evidence is evidence which is deemed appropriate in scale, scope and depth for the purposes of neighbourhood planning, sufficient so as to meet the Basic Conditions, as well as robust enough to withstand legal challenge. It is referred to a number of times in the PPG and its definition and interpretation relies on the judgement of professionals such as Neighbourhood Plan Examiners.

### **Private Rented**

The Census tenure private rented includes a range of different living situations in practice, such as private rented/ other including households living "rent free". Around 20% of the private rented sector are in this category, which will have included some benefit claimants whose housing benefit at the time was paid directly to their landlord. This

could mean people whose rent is paid by their employer, including some people in the armed forces. Some housing association tenants may also have been counted as living in the private rented sector because of confusion about what a housing association is.

### **Retirement Living or Sheltered Housing**

Housing for older people which usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.

### **Residential Care Homes and Nursing Homes**

Housing for older people comprising of individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

### **Rightsizing**

Households who wish to move into a property that is a more appropriate size for their needs can be said to be rightsizing. This is often used to refer to older households who may be living in large family homes but whose children have left, and who intend to rightsize to a smaller dwelling. The popularity of this trend is debatable as ties to existing communities and the home itself may outweigh issues of space. Other factors, including wealth, health, status and family circumstance also need to be taken into consideration, and it should not be assumed that all older households in large dwellings wish to rightsize.

### **Rural Exception Sites**

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable dwellings without grant funding.

### **Shared Ownership**

Housing where a purchaser part buys and part rents from a housing association or local authority. Typical purchase share is between 10% and 75%, and buyers are encouraged to buy the largest share they can afford. Generally applies to new build properties, but re-sales occasionally become available. There may be an opportunity to rent at intermediate rent level before purchasing a share in order to save/increase the deposit level

### **Sheltered Housing<sup>17</sup>**

Sheltered housing (also known as retirement housing) means having your own flat or bungalow in a block, or on a small estate, where all the other residents are older people (usually over 55). With a few exceptions, all developments (or 'schemes') provide independent, self-contained homes with their own front doors. There are many different types of scheme, both to rent and to buy. They usually contain between 15 and 40 properties, and range in size from studio flats (or 'bedsits') through to 2 and 3 bedroomed. Properties in most schemes are designed to make life a little easier for older people - with features like raised electric sockets, lowered worktops, walk-in showers, and so on. Some will usually be designed to accommodate wheelchair users. And they are usually linked to an emergency alarm service (sometimes called 'community alarm service') to call help if needed. Many schemes also have their own 'manager' or 'warden', either living on-site or nearby, whose job is to manage the scheme and help arrange any services residents need. Managed schemes will also usually have some shared or communal facilities such as a lounge for residents to meet, a laundry, a guest flat and a garden.

### **Strategic Housing Land Availability Assessment**

A Strategic Housing Land Availability Assessment (SHLAA) is a document prepared by one or more local planning authorities to establish realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified need for housing over the Plan period. SHLAAs are sometimes also called LAAs (Land

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<sup>17</sup> See <http://www.housingcare.org/jargon-sheltered-housing.aspx>

Availability Assessments) or HELAAs (Housing and Economic Land Availability Assessments) so as to integrate the need to balance assessed housing and economic needs as described below.

### **Strategic Housing Market Assessment (NPPF Definition)**

A Strategic Housing Market Assessment (SHMA) is a document prepared by one or more local planning authorities to assess their housing needs under the 2012 version of the NPPF, usually across administrative boundaries to encompass the whole housing market area. The NPPF makes clear that SHMAs should identify the scale and mix of housing and the range of tenures the local population is likely to need over the Plan period. Sometimes SHMAs are combined with Economic Development Needs Assessments to create documents known as HEDNAs (Housing and Economic Development Needs Assessments).

### **Specialist Housing for the Elderly**

Specialist housing for the elderly, sometimes known as specialist accommodation for the elderly, encompasses a wide range of housing types specifically aimed at older people, which may often be restricted to those in certain older age groups (usually 55+ or 65+). This could include residential institutions, sometimes known as care homes, sheltered housing, extra care housing, retirement housing and a range of other potential types of housing which has been designed and built to serve the needs of older people, including often providing care or other additional services. This housing can be provided in a range of tenures (often on a rented or leasehold basis).

### **Social Rented Housing**

Social rented housing is owned by local authorities and private registered providers (as defined in Section 80 of the Housing and Regeneration Act 2008.). Guideline target rents for this tenure are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with Homes England.<sup>18</sup>

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<sup>18</sup> See <http://www.communities.gov.uk/documents/planningandbuilding/doc/1980960.doc#Housing>

