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Peasmarsh

Housing Needs Assessment (HNA)

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Quality information

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Table of Contents

1. Executive Summary ... 6
Tenure and Affordability ... 6
Type and Size ... 7
2. Context ... 10
Local context ... 10
Planning policy context ... 12
Quantity of housing to be provided ... 13
3. Approach ... 14
Research Questions ... 14
Tenure and Affordability ... 14
Type and Size ... 14
Relevant Data ... 15
4. RQ 1: Tenure, Affordability and the Need for Affordable Housing ... 16
Introduction ... 16
Current tenure profile ... 17
Affordability ... 18
House prices ... 18
Income ... 19
Affordability Thresholds ... 19
Affordable housing- quantity needed ... 26
Affordable Housing policy guidance ... 29
Conclusions- Tenure and Affordability ... 32
5. RQ 2: Type and Size ... 35
Introduction ... 35
Existing types and sizes ... 35
Background and definitions ... 35
Dwelling Type ... 36
Dwelling size ... 37
Age and household composition ... 37
Age structure ... 37
Household composition ... 39
Occupancy ratings ... 40
Dwelling mix determined by life-stage modelling ... 40
Suggested future dwelling size mix ... 40
Conclusions- Type and Size ... 44
6. Conclusions ... 46
Overview ... 46
Recommendations for next steps ... 48
Appendix A : Calculation of Affordability Thresholds ... 50
A.1 Assessment geography ... 50
A.2 Market housing ... 50
i) Market sales ... 51
ii) Private Rented Sector (PRS) ... 51
A.3 Affordable Housing ... 52

i) Social rent 52
ii) Affordable rent 53
iii) Affordable home ownership 53
Appendix B : Housing Needs Assessment Glossary 57

Figures

Figure 2-1: Map of the Peasmarsh Neighbourhood Area 11
Figure 4-1: House prices by quartile in Peasmarsh, 2011-2020 18
Figure 4-2: Affordability thresholds in Peasmarsh, income required (additional cost of deposit in black) 25
Figure 5-1: Age structure in Peasmarsh, 2011 39
Figure 5-2: Age of household reference person by dwelling size in Rother, 2011 42

Tables

Table 4-1: Tenure (households) in Peasmarsh, 2011 17
Table 4-2: House prices by type in Peasmarsh, 2011-2020 (£K) 19
Table 4-3: Affordability thresholds in Peasmarsh based on median house prices (income required, £) 20
Table 4-4 Affordability threshold in Peasmarsh based on terrace house prices (Income required, £) 22
Table 5-1: Accommodation type (households), 2011 37
Table 5-2: Dwelling size (bedrooms), various geographies, 2011 37
Table 5-3: Age structure of Peasmarsh population, 2011 and 2019 38
Table 5-4: Household composition, Peasmarsh, 2011 39
Table 5-5: Occupancy rating by household composition in Peasmarsh, 2011 40
Table 5-6: Projected distribution of households by age of HRP, Peasmarsh 42
Table 5-7: Suggested dwelling size mix to 2039, Peasmarsh 43
Table 6-1: Summary of study findings specific to Peasmarsh with a potential impact on Neighbourhood Plan housing policies 46

List of acronyms used in the text:

DLUHC MHCLG)	Department for Levelling Up, Housing and Communities (formerly
HNA	Housing Needs Assessment
HRF	Housing Requirement Figure (the total number of homes the NA is expected to plan for, usually supplied by LPAs)
HLIN	Housing Learning and Improvement Network
HRP	Household Reference Person
LHN	Local Housing Need
LPA	Local Planning Authority
MHCLG	Ministry for Housing, Communities and Local Government (formerly DCLG)
NA	Neighbourhood Area
NP	Neighbourhood Plan
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
PPG	Planning Practice Guidance
PRS	Private Rented Sector
RDC	Rother District Council
RQ	Research Question
SHMA	Strategic Housing Market Assessment
VOA	Valuation Office Agency

1. Executive Summary

Tenure and Affordability

1. It was found that Peasmarsh has a high level of home ownership, 67.5%, which is slightly higher than rates across England at 63.3%. Private renting appears to be less common in Peasmarsh than across England with high rates of social rent and shared ownership making up the remainder.
2. Data from RDC states that 27 new homes were built since the 2011 Census, of which 16 were for market sale and 11 were for affordable rent. While this slightly added to the affordable housing offering of the NA, recent supply of affordable homes has not met the current demand and the site that provided the 11 units was replacing existing affordable stock rather than adding to the overall total.
3. There has been significant house price growth over the last ten years in Peasmarsh, most notably in detached properties which have increased in value by 150.5% (although the most recent year, driving much of this increase, may not be representative long term). Income data suggests 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 only one earner. The significant rise in house prices is very unlikely to have been matched by growth in incomes, meaning that affordability has become a huge challenge in Peasmarsh.
4. AECOM has compared various measures of local incomes to the estimated costs of various housing tenures, including private renting and various forms of affordable housing. The picture that emerges is that affordability is a major issue in the NA. Purchasing market housing is only an option for the highest earners or those with existing equity or substantial savings. Affordable routes to ownership based on the median house prices do not offer enough of a discount to serve those earning the average income or below, although when a more realistic benchmark related to the cost of terraced housing is used they become more accessible. This study concludes that at least a 50% discount would be needed to make the new First Homes product affordable locally.
5. Those on lower incomes could potentially access shared ownership at the 25% and below equity share, but otherwise people in the NA will be forced to rely on affordable rented housing as private and affordable ownership is still too expensive.
6. The evidence in the tenure and affordability chapter suggests that the affordable rented sector performs a vital function in Peasmarsh 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 mean 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.

7. The affordable housing for rent needs model suggest that 1.4 rented units are needed per annum in Peasmarsh, which equates to a total of 26 units over the plan period. This could be increased to 60 over the period if the larger cohort of people with a local connection to Peasmarsh are taken as the starting point. A similar calculation for affordable housing for sale found potential demand for 1.9 units per annum, resulting in a total of 32 units over the plan period.

8. Anecdotal evidence suggests that recent affordable housing has not addressed local need, due to the Council's allocation strategy, which accords points based on urgency of need above the present location of applicants. A recent example is the Maltings development, where it is understood that none of the new housing was allocated to local people from Peasmarsh currently in need. There remains therefore a risk that additional Affordable Housing provision, while valuable to a wider population, may not necessarily address the identified needs of people within the parish, with the potential consequences that local people will remain unhoused or more Affordable Housing will be needed. This is a matter for discussion with Rother.

9. 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

10. 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.

The existing housing stock

11. Peasmarsh has a housing mix that is skewed toward typically less dense and larger homes- i.e. a far higher proportion of semi- detached homes than the country and fewer other types. This is not unusual for a rural village. Given that around 20% of homes in Peasmarsh fall into the categories of terraced houses and flats, it might be expected to limit the options for local people on lower incomes, whether they are able to buy or rent.

12. As of 2011, the size mix of housing locally is dominated by larger homes, with 68.6% of homes having 3 or more bedrooms. Correspondingly, Peasmarsh has a notable lack of 1-bedroom housing. As there has been limited development over the last ten years, the housing choice has not meaningfully widened.

Demographics

13. The age structure of the population is a key indicator of the future need for housing. Peasmarsh had a much older population profile than Rother and England in 2011. The older age brackets have also grown the fastest between 2011 and the latest ONS estimates for 2019. It is clear that ageing will be a major driver of housing need in Peasmarsh going forward, whether older households intend to occupy the same dwellings they currently live in, or perhaps move within the community to a home better suited to the size of their household, or their evolving needs.

14. The NA has a high rate of under-occupancy, with around 83% of people living in a home with at least one bedroom more than they would expect to need (at the time of the last Census). The percentage of people living in homes with fewer bedrooms than they might be expected to need is small at 9%. Although this does indicate that a number of people may have been (or still are) living in inadequate housing conditions.

15. The previous chapter established the high property values in the area, so it would appear in many cases the largest homes are not necessarily occupied by those with the largest families but by those with the financial capacity to do so, irrespective of their household size. Indeed, over-occupancy is strongly correlated with age, with those aged 65 and over the most likely to have more than two additional bedrooms after families with no children.

The future dwelling mix

16. The results of a modelling exercise, which looks at the sizes of dwellings occupied by households at different life stages and projects the growth and decline of those household age groups over the plan period, suggest that new development should be focused on medium and smaller homes. 3-bedroom properties, while already one of the most common, are not recommended in the model but will likely continue to be needed as they are suitable to many groups. 2-bedroom properties will require the biggest injection of housing.

17. A future increase in small and mid-sized homes would both improve Peasmarsh's offering for younger households who have few options for their next step on the property ladder and also enable older households currently under-occupying larger homes to downsize and in doing so potentially create churn in the market (although it is acknowledged that many of the larger historic properties may be too expensive to be taken up by young local families).

18. The preceding chapter found that affordability is a serious and worsening challenge in Peasmarsh. While the provision of affordable housing is one way to combat this, another is to ensure that homes which are provided are of an appropriate size, type and density for local resident's budgets. Providing smaller homes with fewer bedrooms would help to address this situation.

19. However, it is never advisable to entirely restrict the supply of specific size categories as is suggested here for homes with 3 and 5+ bedrooms. Further considerations that would justify incorporating flexibility into this relatively unbalanced recommended mix are summarised below.

Further considerations

20. To best meet the needs of the large cohort of older households expected to be present by 2039, it should be considered whether the existing options are well tailored to older people's requirements in terms of space, flexibility, quality, location and accessibility. Variety should be sought within the mid-sized homes that are provided in the future to attract both newly forming households on lower budgets and older households with substantial equity from their existing larger homes, whose needs are far from identical. This is likely to require the continued supply of 3-bedroom homes and smaller proportions of 2-bedroom homes than the large quantity indicated by the model. Facilitating downsizing among older households may release those larger homes for use by families who need more bedrooms.

21. That said, 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 NA. Reducing the issue of dwelling size to a number of bedrooms is potentially unhelpful in this case. There may be a valid justification to continue supplying larger homes despite their abundance because a different kind of larger home is needed to accommodate growing families with less buying power. This is too speculative to quantify in a percentage size mix but is among the good reasons not to inhibit any size of dwelling entirely (despite the results of the HNA model).

22. More generally, it would be unwise for any new housing that is developed 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 homes but that it is done to a degree that aligns with the wider objectives of the community and does not limit choice or threaten the sustainability of the settlement by restricting offer. The evidence in this section represents a starting point for further thought and consultation.

2. Context

Local context

23. Peasmarsh is a Neighbourhood Area located in the district of Rother, in East Sussex. The boundary of the Neighbourhood Area (NA), which was formally designated by Rother District Council in March 2021, aligns with the boundary of the parish of Peasmarsh.

24. The proposed Neighbourhood Plan period starts in 2021 and extends to 2039, therefore comprising a planning period of 18 years. The evidence supplied in this report will look forward to the Plan end date of 2039, but where possible will also provide annualised figures which can be extrapolated to a different term if the Plan period changes.

25. The NA lies 3 miles northwest of Rye, on the A268 and stretches south from the border between Kent and East Sussex along the River Rother, to the River Tillingham which forms the southern boundary of the parish. The whole parish lies within the High Weald Area of Outstanding Natural Beauty (AONB) and has 54 statutory listed heritage assets. The village benefits from a primary school, two pubs, two country hotels and a large independent supermarket which also acts as post office, pharmacy, ATM, petrol station and cafe.

26. The results of the NA first consultation event held in July 2021 indicate that residents are concerned about the impact new housing will have on existing infrastructure. Residents believe this could cause a strain on existing public transport, utilities, health services, policing and safety. While this HNA is confined to exploring the need for housing rather than its potential impacts on wider issues, this is valid context for much of the discussion here.

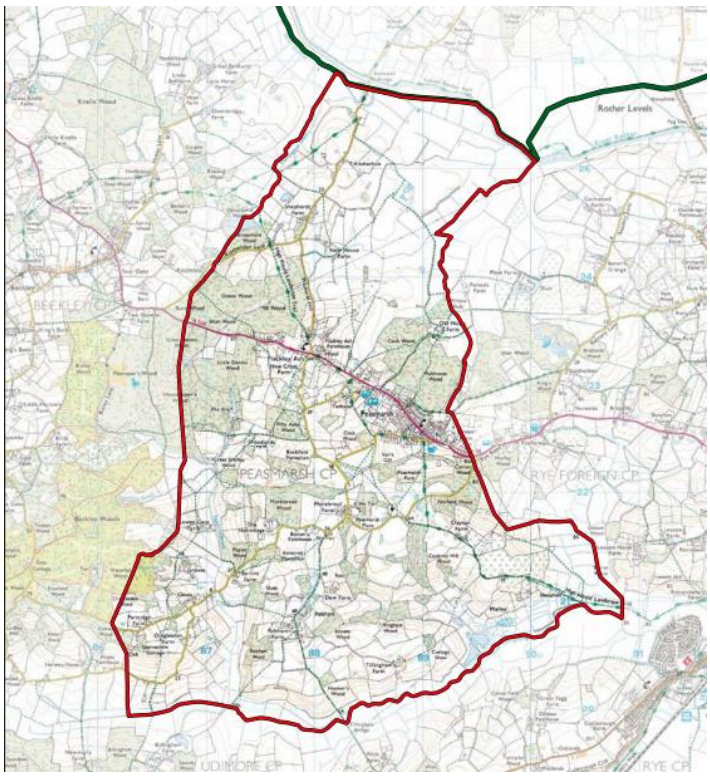
The NA

27. A map of the Neighbourhood Area is shown in Figure 2-1.

28. Data for Peasmarsh was captured in the 2011 Census. Up-to-date population estimates can also be obtained for parishes, and a current snapshot of housing in the parish can be obtained by adding together 2011 Census numbers and completions data from RDC. At points in the report the 2011 data is compared with that from the 2001 Census. However, for the 2001 Census, the parish needs to be recreated using statistical units called Output Areas (OAs). The Plan area equates to the following OAs, which have been used as a statistical proxy for the NA:

    - 21UGGQ0011
    - 21UGGQ0012
    - 21UGGQ0013
    - 21UGGQ0014
    - 21UGGQ0015

Figure 2-1: Map of the Peasmarsh Neighbourhood Area[1]



Source: Rother District Council

Headline population and housing statistics

29. The statistics show that in the 2011 Census the NA had a total of 1,191 residents, formed into 504 households and occupying 557 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 Peasmarsh is 1,294 – indicating population growth of around 103 individuals since 2011. It is worth noting that this figure is an estimate only, based on data which is mostly available at local authority level such as administrative registers of births and deaths, data on moves between local authorities, small-area population estimates and official population projections, and not based on a survey count.

30. Since the 2011 Census there has been some new development in Peasmarsh, with the LPA confirming 27 new dwellings. This broadly aligns with the estimated population change of around 103 individuals mentioned above.

[1] Available at: https://www.rother.gov.uk/planning-and-building-control/planning-policy/neighbourhood-plans/peasmarsh-neighbourhood-plan/

Planning policy context

31. Neighbourhood Plans are required to be in general conformity with the strategic policies in the adopted local plan.[2] In the case of Peasmarsh, the relevant adopted Local Plan for Rother consists of the Core Strategy, adopted in September 2014, and the Development and Site Allocations Local Plan, adopted in December 2019. These are the main documents used to assess planning applications in the district.

32. In line with the requirements of the NPPF, the Council must review local plans every five years to ensure policies remain relevant. The Council are currently undergoing this process, which will cover the period between 2019 and 2039. The emerging Local Plan will set out the spatial strategy for the distribution and development of new homes, employment and supporting infrastructure in Rother. This process is currently at too early a stage for any draft policies to be in the public domain, and therefore is not reviewed here.

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

Table 2-1: Summary of relevant adopted policies in the Peasmarsh Adopted Core Strategy

Policy	Provisions
Policy OSS1: Overall Spatial Development Strategy	- Plans for at least 5,700 dwellings in the district between 2011 and 2028. - Identify sites for small-scale infill and redevelopment, and otherwise enable local needs for housing to be met in other villages.
Policy RA1: Villages	- Opportunities for business development, including home-working, will be sought alongside new housing as part of mixed-use allocations. - 1,670 additional dwellings will be provided across all villages over the plan period, with an aim of 50 new houses in Peasmarsh.
Policy RA3: Development in the Countryside	- Proposals will be determined as a 'rural exception site' to meet an identified local affordable housing need
Policy CO4: Supporting Young People	- Priority will be given to making Rother an attractive place to live through the provision of housing options, including affordable homes suited to the needs of young people, especially in the rural areas.

[2] 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

Policy	Provisions
Policy LHN1: Achieving Mixed and Balanced Communities	- Housing should be of a size, type and mix which will reflect both current and projected housing needs, with at least 30% being one and two bedroom dwellings. - Housing should contribute towards an overall balance of 65% social/affordable rented and 35% intermediate affordable housing. - Affordable and market housing should be integrated where practical.
Policy LHN2: Affordable Housing	- On housing sites or mixed-use developments in rural areas, 40% on-site affordable housing should be provided on schemes of 5 dwellings or more, or a financial contribution equal to 40% should be provided in lieu of on-site provision.
Policy LHN3: Rural Exception Sites	- Planning permission may be granted for small site residential development outside development boundaries in order to meet a local need for affordable housing.
Policy LHN4: Sites for Wholly or Substantially Affordable Housing	- Specific sites may be allocated within rural areas for wholly or substantially affordable housing either within or adjacent to settlement boundaries.
Policy LHN5: Sites for the needs of Gypsies and Travellers	- Provision will be made for 5 permanent pitches in Rother and a further 6 pitches between 2016 and 2021, allocated in the DSAP.
Policy IM3: Phasing of Development	- Maintain a supply of available housing land in compliance with the NPPF.

Source: Rother District Council

Quantity of housing to be provided

34. 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.

35. Rother District Council has fulfilled that requirement by providing Peasmarsh with a definitive figure of 50 dwellings to be accommodated within the Neighbourhood Area by the end of the Plan period.[3] The NP period extends beyond the end of the existing LP period for which the settlement target was given. It is therefore likely that Peasmarsh will be give an updated or additional target in the emerging Local Plan. In the interim, this figure is the most accurate indicator of the expected level of growth. 11 of these homes

[3] As confirmed in an e-mail from the LPA, November 2021.

have already been delivered. The housing need figure for the wider area of Rother is identified as 6,180 net additional dwellings over the plan period to meet the demographic trend-based assessment of need.

3. Approach

Research Questions

36. The following research questions were formulated at the outset of the research through discussion with the Peasmarsh Volunteer Group. They serve to direct the research and provide the structure for the HNA.

Tenure and Affordability

37. 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.

38. This evidence will allow Peasmarsh 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.

39. 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 1: What quantity and tenures of Affordable Housing should be planned for over the Neighbourhood Plan period?

Type and Size

40. The neighbourhood planning group is seeking to determine what size and type of housing would be best suited to the local community. Local people are requesting bungalows, starter homes and small family homes. Some larger homes for big families are also required, but not executive homes.

41. The aim of this research question is to provide neighbourhood planners with evidence on the types and sizes needed by the local community. This will help to shape future development so that it better reflects what residents need.

42. 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.

43. 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 2: 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

44. 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; and
    - Hastings and Rother Strategic Housing Market Assessment Update: Housing Needs Assessment, June 2013. It is worth noting that this document is relatively outdated.
45. 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 accurately be brought up to date in this way. Such patterns are instead generally assumed to persist to the present day.

4. RQ 1: Tenure, Affordability and the Need for Affordable Housing

RQ 1: What quantity and tenures of Affordable Housing should be planned for over the Neighbourhood Plan period?

Introduction

46. 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.

47. 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). Affordable Housing, with capital letters, is used 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.

48. The definition of Affordable Housing set out in the NPPF 2021 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.[4]

49. 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;

[4] 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.

- 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.

Current tenure profile

50. The current tenure profile is a key feature of any Neighbourhood 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.
51. Table 4-1 below presents data on tenure in Peasmarsh compared with Rother and England from the 2011 Census, which is the most recent available source of this information.
52. RDC data on the homes built since 2011 suggest that of the 27 new dwellings, 16 were for open market sale or rent and 11 were affordable.
53. There is no current data on the proportion of housing that are 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.
54. However, it is interesting to observe the change recorded between the 2001 and 2011 Census: in Peasmarsh the private rented sector expanded by 11.9% in that period, a rate of growth that is significantly lower than the national average of 82.4%. It is also worth noting that the NA has an ownership rate of 67.5% which is slightly higher than the average across England of 63.3%.

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

Tenure	Peasmarsh	Rother	England
Owned; total	67.5%	73.5%	63.3%
Shared ownership	1.2%	0.5%	0.8%
Social rented; total	20.2%	10.4%	17.7%
Private rented; total	9.3%	14.0%	16.8%

Sources: Census 2011, AECOM Calculations

Affordability

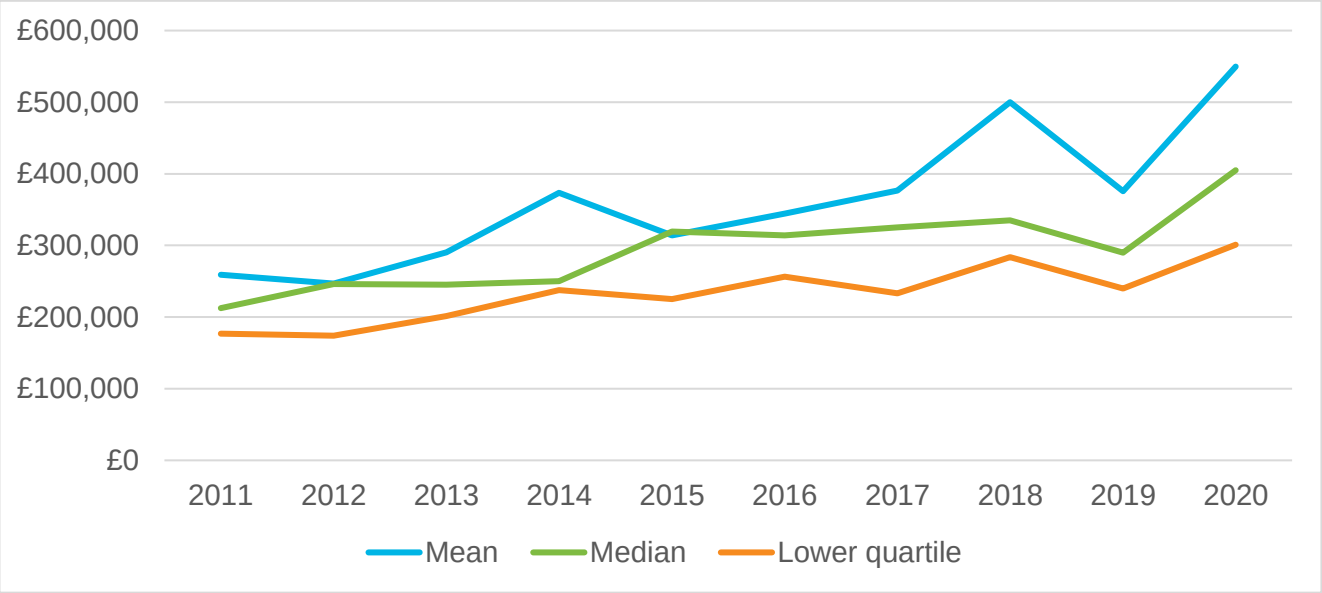
House prices

55. 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.

56. Figure 4-1 below looks at selected measures of house prices in Peasmarsh. It shows that the mean house price in 2020 was £549,676 and median house price in 2020 was £405,000. It is ordinary for the median to be below the mean because the mean captures the average of all house prices, both high and low, and there tend to be more outlying data points at the high end because of exceptionally expensive properties. The median is the middle number when sorting data from smallest to largest, and therefore is not distorted by outlying data points. The lower quartile price in 2020 was £301,000.

57. Price growth has been considerable between 2011 and 2020 with a relatively steady increase in most years, excluding 2019. Mean property prices have grown by 90.6% and median prices also increased by 90.6%. This growth has led to average (median) prices growing from around £212,500 in 2011 to £405,000 in 2020 – a very marked increase.

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



Source: Land Registry PPD

58. Table 4-2 breaks down house prices by type and shows a substantial price growth in all house types in Peasmarsh. It shows that detached homes saw the greatest price increase at 150.5%, followed by terraced homes at 60.6%. There was no data recorded for the price of flats in the area. It is possible that the 2020 median is a slight anomaly, with a higher number of expensive homes being sold than in usual years (rather than an equivalent increase in the value of all detached properties).

Table 4-2: House prices by type in Peasmarsh, 2011-2020 (£K)

Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth
Detached	£222	£290	£275	£348	£345	£351	£435	£400	£373	£556	150.5%
Semi-detached	£250	£246	£228	£221	£240	£237	£230	£280	£218	£265	6.0%
Terraced	£165	£165	£160	£175	£200	£241	£260	£275	£258	£265	60.6%
Flats	-	-	-	-	-	-	-	-	-	-	-
All Types	£213	£246	£245	£250	£320	£314	£325	£335	£290	£405	90.6%

Source: Land Registry PPD

Income

59. 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.

60. 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 £37,400 in 2018.

61. 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. Rother's gross individual lower quartile annual earnings were £12,446 in 2018. To estimate the income of households with two lower quartile earners, this figure is doubled to £24,892.

62. It is immediately clear from this data that there is a large gap between the spending power of households in Peasmarsh and the price of housing, particularly those earning the lowest 25% of incomes and the household which have only one earner.

Affordability Thresholds

63. 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.

64. AECOM has determined thresholds for the income required in Peasmarsh 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.

65. The key assumptions made in assessing the affordability of different tenures are explained alongside the calculations, but it is worth noting here that it has been 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.

66. Table 4-3 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 has been 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.

67. The same information is presented as a graph in Figure 4-2 later in this section with selected measures from the table presented for clarity.

Table 4-3: Affordability thresholds in Peasmarsh based on median house prices (income required, £)

Tenure	Mortgage value (90% of price)	Annual rent	Income required	Affordable on average incomes? £37,400	Affordable on LQ earnings (single earner)? £12,446	Affordable on LQ earnings (2 earners)? £24,892
Market Housing						
Median House Price	£364,500	-	**£104,143**	No	No	No
LA New Build Mean House Price	£279,855		**£79,959**	No	No	No
LQ/Entry-level House Price	£270,900	-	**£77,400**	No	No	No
Average Market Rent	-	£14,184	**£47,280**	No	No	No
Entry-level Market Rent	-	£12,396	**£41,320**	No	No	No
Affordable Home Ownership						
First Homes (-30%)	£229,635	-	**£65,610**	No	No	No
First Homes (-40%)	£196,830	-	**£56,237**	No	No	No
First Homes (-50%)	£164,025	-	**£46,864**	No	No	No
Shared Ownership (50%)	£182,250	£5,063	**£68,946**	No	No	No
Shared Ownership (25%)	£91,125	£7,594	**£51,348**	No	No	No
Shared Ownership (10%)	£36,450	£9,113	**£40,789**	No	No	No
Affordable Rented Housing						
Affordable Rent	-	£6,108	**£20,341**	Yes	No	Yes
Social Rent	-	£5,122	**£17,056**	Yes	No	Yes

Source: AECOM Calculations

68. 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

69. Thinking first about housing for purchase on the open market, it is apparent that a local household would need an income comfortably above the average (or a very large deposit) to qualify for a mortgage even for an entry-level home.

70. Home ownership through the mainstream market is therefore not an option for a majority of local people and there is little chance of new market housing in any form widening access to home ownership to people who do not own already.

Private renting

71. Private renting is similarly out of reach for most people. Average earning households (using a perhaps optimistic measure of local incomes) are almost able to afford entry level rents, if they are able to dedicate a larger portion of their income to housing costs.

72. It is generally assumed that rented housing is affordable if the annual rent does not exceed 30% of a household's gross annual income. However, this is increasingly unrealistic in practice. It is not possible to determine what proportion of their incomes Peasmarsh households will be willing or able to dedicate to rental costs, and this will differ household to household.

73. The average market rent (£47,280) is unachievable for most people in Peasmarsh, as it is well above the average income of £37,400.

74. It can therefore be concluded that private renting only serves those earning close to the average income or above. These people need private renting as they are unable to afford home ownership and are unlikely to be eligible for affordable rented housing, but available rented properties appear to be few and far between in Peasmarsh.

75. Lower earners are in a more difficult situation: they must either apply for affordable rented housing or remain in the private rented sector while relying on housing and other benefits.

Affordable home ownership

76. It has already been established that there is a group of households in Peasmarsh who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £40,000 per year (at which point entry-level rents become affordable) and £75,000 (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.

77. 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.

78. This report has estimated the income required to afford First Homes and tested the implications of 30%, 40% and 50% discount levels. It found that even at a 50% discount level, it would still not be affordable for average earning households. House prices have increased at a rate so much faster than incomes, that even discounted ownership options are not useful in this case.

79. For this reason, a further sensitivity analysis, seen below in Table 4-5, has been completed using the price of terrace houses as the baseline for thinking about the likely cost of affordable home ownership. Median house prices (at a 2020 average of £405,000) are

used in the table previously, but may represent an anomaly both in the average house price in Peasmarsh year-on-year and in relation to new build prices across Rother, which are significantly lower at a 2020 overall median of £310,950.

80. A more realistic benchmark for the equivalent open market cost of a First Home or shared ownership dwelling was therefore sought. This should be an entry-level property because the target market for these products is first-time buyers. It should also be a new build property because these products can only come forward as new housing. There is no data on the cost of new terraces in the parish because, so little has been built. But it was possible to compare the cost of an existing terrace in Peasmarsh (2020 median of £265,000) with the cost of a new build terrace in Rother (2020 median of £250,000). This implies that housing in Peasmarsh is more expensive generally than across Rother. It also suggests there is not generally a large new build premium on terraced housing, likely because of the plot size, location and other characteristics of new terraces.

81. As such, in the interest of simplicity it is considered that the 2020 median existing terraced house price for Peasmarsh should represent the equivalent value of a First Home or shared ownership dwelling in Peasmarsh. On this basis, the calculations are repeated (see Appendix A), and these products appear slightly more accessible.

Table 4-4 Affordability threshold in Peasmarsh based on terrace house prices (Income required, £)

Tenure	Mortgage value (90% of price)	Annual rent	Income required	Affordable on average incomes? £37,400	Affordable on LQ earnings (single earner)? £12,446	Affordable on LQ earnings (2 earners)? £24,892
Market Housing						
Median House Price	£364,500	-	**£104,143**	No	No	No
LA New Build Mean House Price	£279,855		**£79,959**	No	No	No
LQ/Entry-level House Price	£270,900	-	**£77,400**	No	No	No
Average Market Rent	-	£14,184	**£47,280**	No	No	No
Entry-level Market Rent	-	£12,396	**£41,320**	No	No	No
Affordable Home Ownership						
First Homes (-30%)	£166,950	-	**£47,700**	No	No	No
First Homes (-40%)	£143,100	-	**£40,886**	No	No	No
First Homes (-50%)	£119,250	-	**£34,071**	Yes	No	No
Shared Ownership (50%)	£119,250	£3,313	**£45,113**	No	No	No
Shared Ownership (25%)	£59,625	£4,969	**£33,598**	Yes	No	No
Shared Ownership (10%)	£23,850	£5,963	**£26,689**	Yes	No	No
Affordable Rented Housing						
Affordable Rent	-	£6,108	**£20,341**	Yes	No	Yes
Social Rent	-	£5,122	**£17,056**	Yes	No	Yes

82. Table 4-4 illustrates the discount required for First Homes to be affordable to the three income groups assuming the prices are based on terraced houses. On this basis, First

Homes would be comfortably affordable to average earners at the 50% discount level and shared ownership becomes accessible at lower equity shares.

83. Assuming the price of terrace houses again, 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.[5] 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 necessarily be more attractive than the alternatives (such as shared ownership at higher equity shares and First Homes) for those who can afford them.

84. 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.

85. 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 more affordable options.

86. 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.

87. In conclusion, all of these products would provide valuable to different segments of the local population, with shared ownership at the 25% and lower equity share potentially allowing average earning households to get a foot on the housing ladder, while rent to buy

[5] 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.

is helpful to those with little or no savings for a deposit, and First Homes (at 50% discount) may provide a better long-term investment to those who can afford to access it.

88. Figure 4-2 on the next page shows the affordability thresholds in Peasmarsh based on median house prices. For ease of reading, the sensitivity analysis based on terrace house prices has not been included.

Affordable home ownership

89. Affordable rented housing appears broadly affordable to average earners and lower earning households where there are two earners. This is positive because of the relative unaffordability of renting and market ownership.

90. However, households in which there is only one lower earner appear unable to afford even social rented homes. They may be able to afford a smaller (1-2 bedroom) social rented property, or a room in a shared house, and because of the ways benefits are calculated and combine together they are likely to be able to afford socially rented housing if available. Therefore this tenure is a vital segment of the market, catering to those in the greatest need.

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

Source: AECOM Calculations

Affordable housing- quantity needed

91. The starting point for understanding the need for affordable housing in Peasmarsh would typically be the relevant Strategic Housing Market Assessment (SHMA). However, the SHMA was undertaken for Rother District Council in 2013. It therefore is no longer sufficiently up to date to be useful.

92. Alternatively, using PPG as a starting point,[6] an estimate of the total need for affordable rented housing in Peasmarsh over the Plan period has been calculated in Table 4-5. It should, however, be noted that the accuracy of the findings generated by the model is only as strong as the evidence available. 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 general conformity with the strategic polices in the adopted local plan, the calculations set out here are considered a reasonable basis for understanding and planning for neighbourhood-level affordable housing need.

93. It should also be noted that figures in Table 4-6 are largely dependent on information provided by RDC in its capacity as manager of the local housing waiting list. RDC stated that as of November 2021 there are 50 households on the waiting list for affordable rented housing in Rother who are claiming a local connection to Peasmarsh. While this data has been anonymised, the village-level address is provided so that it is possible to determine how many of these households currently live in Peasmarsh. Based on AECOM's tally, the result is 21.

94. In response to a request from the Neighbourhood Plan group, RDC were able to provide an indication of the number of Peasmarsh households who have been accommodated elsewhere in the district in recent years, or those with a preference for Peasmarsh whose preference could not be accommodated. 13 households with a preference for Peasmarsh were housed elsewhere in 2021, the figure was 9 households in 2020, but the figure was 0 in the three previous years. This suggests that it has recently become more difficult to accommodate households in Peasmarsh as the waiting list has grown.

95. The table below calculates the estimated annual need for affordable rented housing in Peasmarsh based on applicants on the waiting list who actually live in Peasmarsh. The result is 1.4 households per year or 26 for the entirety of the Plan period.

96. There is no set approach for deciding upon the appropriate starting point for this calculation. Therefore, the same exercise was repeated using the full 50 households with a local connection to Peasmarsh as an alternative starting point. The result thereby rises to 3.3 households per year or 60 over the Plan period as a whole.

[6] 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 Peasmarsh

Stage and Step in Calculation	Total	Description
STAGE 1: CURRENT NEED		
1.1 Current households in need	21	RDC waiting list data for households claiming a local connection to Peasmarsh and whose address includes the name of the village.
1.2 Per annum	**1.2**	Step 1.1 divided by the plan period to produce an annualised figure.
STAGE 2: NEWLY ARISING NEED		
2.1 New household formation	100.3	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	26.4%	(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	111.6	2011 Census social rented occupancy + LA % increase.
2.2.2 Number of private renters on housing benefits	13.8	Housing benefit caseload May 2018. Pro rata for NA.
2.3 New households unable to rent	26.5	Step 2.1 x Step 2.2.
2.4 Per annum	1.5	Step 2.3 divided by plan period.
STAGE 3: TURNOVER OF AFFORDABLE HOUSING		
3.1 Supply of social/affordable re-lets (including transfers) %	1.2	Average number of affordable rented homes that have come vacant in Peasmarsh in the years since 2017, supplied by RDC.
NET SHORTFALL (OR SURPLUS) OF RENTED UNITS PER ANNUM		
Overall shortfall per annum	1.4	Step 1.2 + Step 2.4 - Step 3.2
Overall shortfall over the plan period	25.9	(Step 1.1 + Step 2.3) - Step 3.2 * plan period

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.

97. Anecdotal evidence suggests that recent affordable housing has not addressed local need, due to the Council's allocation strategy, which accords points based on urgency of need above the present location of applicants. A recent example is the Maltings development, where it is understood that none of the new housing was allocated to local people from Peasmarsh currently in need. There remains therefore a risk that additional Affordable Housing provision, while valuable to a wider population, may not necessarily address the identified needs of people within the parish, with the potential consequences that local people will remain unhoused or more Affordable Housing will be needed. This is a matter for discussion with Rother.

98. Turning now to Affordable Housing providing a route to home ownership, Table 4-7 estimates the potential demand in Peasmarsh. This model aims to estimate the number of households which 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.

99. 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 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.[7] No robust indicator exists for this area or a wider scale to suggest aspirations may be higher or lower in the NA.

100. The result of the calculation is 1.9 households per annum which may be interested in affordable home ownership (or 31.7 for the entirety of the Plan period).

101. Again, this assumes that a rate of turnover in the existing stock will satisfy some need, though this is extremely minimal because of the lack of shared ownership in the NA currently.

102. 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.

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

Stage and Step in Calculation	Total	Description
STAGE 1: CURRENT NEED		
1.1 Current number of renters in parish	57.3	Census 2011 number of renters x national % increase to 2018.
1.2 Percentage renters on housing benefit in LA	24.2%	% of renters in 2018 on housing benefit.
1.3 Number of renters on housing benefits in parish	13.8	Step 1.1 x Step 1.2.
1.4 Current need (households)	32.6	Current renters minus those on housing benefit and minus 25% assumed to rent by choice.[8]
1.5 Per annum	**1.8**	Step 1.4 divided by plan period.
STAGE 2: NEWLY ARISING NEED		
2.1 New household formation	100.3	LA household projections for plan period (2018 based) pro rated to NA.
2.2 % of households unable to buy but able to rent	7.6%	(Step 1.4 + Step 3.1) divided by number of households in NA.
2.3 Total newly arising need	7.6	Step 2.1 x Step 2.2.
2.4 Total newly arising need per annum	**0.6**	Step 2.3 divided by plan period.
STAGE 3: SUPPLY OF AFFORDABLE HOUSING		
3.1 Supply of affordable housing	9.5	Number of shared ownership homes in parish (Census 2011 + LA new build to 2018/19 pro rated to NA).
3.2 Supply - intermediate resales	**0.5**	Step 3.1 x 5% (assumed rate of re-sale).
NET SHORTFALL (OR SURPLUS) PER ANNUM		
Overall shortfall (or surplus) per annum	**1.9**	(Step 1.5 + Step 2.4) - Step 3.2.
Overall shortfall (or surplus) over plan period	**31.7**	(Step 1.4 + Step 2.3) - Step 3.2 * number of years to end of plan period

[7] http://www.ipsos-mori-generations.com/housing.html

[8] 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.

Source: AECOM model, using Census 2011, English Housing Survey 2018, DLUHC 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.

103. 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).

    It is also important to remember that even after the Neighbourhood Plan is Made, 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.

Affordable Housing policy guidance

104. Rother's adopted policy on this subject Policy LHN2 requires 40% of all new housing to be affordable. Affordable Housing made up 41% of new housing in Peasmarsh over the last decade according to Rother District Council's completions figures, suggesting that this target is being met in the NA (although the vast majority of affordable homes were on a single site which replaced an existing affordable development).

105. 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.

106. 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 specified as 65%:35% split in the Local Plan. However, in some rural areas, the local plan states it may be appropriate to seek all affordable housing as 100% affordable rented accommodation. 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 Peasmarsh specifically.

107. 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 Peasmarsh requires roughly 26-60 units of affordable rented housing over the Plan period depending on whether it is desired that only applicants currently resident in the parish or all households with a local connection should be accommodated. It is also estimated that potential demand for affordable home ownership may be around 32 units over the Plan period. Affordable Renting appears to be more valuable in meeting the needs of various people across Peasmarsh.

    If the quantity of new housing overall were unlimited, the existing local plan tenure split of 65% rented to 35% ownership may be appropriate (being

similar to the relationship between the identified need of 60 rented units (upper end of range) and 32 ownership units).

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 40% were achieved on every site contributing to Peasmarsh's settlement housing target of 50 (although some of which has already been met it applies only to 2028 and so 50 remains a reasonable estimate for the overall delivery figure to be expected), up to around 20 affordable homes might be expected in the NA. If the majority of Peasmarsh's HRF is expected to come forward in the form of small infill developments – as has been the case in recent years – those schemes are unlikely to be large enough to meet the threshold of 5 dwellings, above which the Affordable Housing policy applies. If that is the case, the potential delivery of Affordable Housing is likely to be lower still. This is not sufficient to satisfy the total potential demand for Affordable Housing identified here.

   As a result, affordable rented housing should have a higher weighting in the tenure mix to ensure that the most acute needs are met as a priority. But given the expected volume of future delivery it is reasonable to assume that supply will be limited, and affordable rented accommodation should be prioritised. The 65% rented 35% ownership guideline mix in the Local Plan may offer an appropriate benchmark, though this could be amended to give greater weight to affordable rented housing using the flexibility the Local Plan allows to go up to 100% affordable rent.

C. **Government policy (eg NPPF) requirements**: current NPPF policy requires 10% of all homes to be delivered for affordable home ownership. This does comply with the guideline tenure split sought in the Local Plan.

D. **Local Plan policy**: As noted above, the adopted Local Plan seeks a tenure split of 65% affordable rented tenures and 35% routes to 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. This is not the case in Peasmarsh.

   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 Peasmarsh**: Evidence suggests there is limited Affordable Housing (either to rent or for sale) within the NA at present. This suggests that some provision of Affordable Housing 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 Peasmarsh 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.

108. On the basis of the considerations above, Table 4-7 proposes an indicative Affordable Housing tenure mix that might be sought through Neighbourhood Plan policy.

109. This indicative mix is chiefly a response to the expectation that the delivery of Affordable Housing will be lower than the needs identified here. In this context, affordable rented tenures should be prioritised. The Local Plan guideline mix of 65% rented to 35% ownership appears to offer a suitable benchmark, which also complies with the various minimum requirements mandated nationally. There is, however, justification to weight it further in the direction of affordable renting in order to accommodate households who have a connection but do not live in the parish. 75% to 25% may be a suitable alternative if this is the wish of the community. Going higher than this would not comply with First Homes requirements and may be difficult to bring into force.

110. Since First Homes appears the most affordable and helpful option locally, assuming it can be offered at the appropriate discount level of 50%, national policy that First Homes should represent 25% of the affordable mix is suitable here. In the interests of diversity and maximizing choice, a further 7% is allocated to shared ownership rather

than more First Homes. A small amount of Rent to buy has also be included to add further choice.

111. 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 previously, and in particular the views and objectives of the community.

112. Where the neighbourhood planning group wishes 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 it liaises with RDC to gather more detailed income and viability information, and to ensure that departures from the local policy context have its support.

113. 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
Routes to home ownership, of which	**35%**	
First Homes	25%	Product untested so uncertainties around viability, developer, lenders and buyer appetite etc.
Shared ownership	7%	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	3%	Emerging product with popularity and effectiveness as yet unknown. Impact of displacement by First Homes unknown.
Affordable Housing for rent, of which	**65%**	
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

114. It was found that Peasmarsh has a high level of home ownership, 67.5%, which is slightly higher than rates across England at 63.3%. Private renting appears to be less common in Peasmarsh than across England with high rates of social rent and shared ownership making up the remainder.

115. Data from RDC states that 27 new homes were built since the 2011 Census, of which 16 were for market sale and 11 were for affordable rent. While this slightly added to the affordable housing offering of the NA, recent supply of affordable homes has not met the current demand and the site that provided the 11 units was replacing existing

affordable stock rather than adding to the overall total.

116. There has been significant house price growth over the last ten years in Peasmarsh, most notably in detached properties which have grown by 150.5% (although the most recent year, driving much of this increase, may not be representative long term). Income data suggests 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 only one earner. The significant rise in house prices is very unlikely to have been matched by growth in incomes, meaning that affordability has become a huge challenge in Peasmarsh.

117. AECOM has compared various measures of local incomes to the estimated costs of various housing tenures, including private renting and various forms of affordable housing. The picture that emerges is that affordability is a major issue in the NA. Purchasing market housing is only an option for the highest earners or those with existing equity or substantial savings. Affordable routes to ownership based on the median house prices do not offer enough of a discount to serve those earning the average income or below, although when a more realistic benchmark related to the cost of terraced housing is used they become more accessible. This study concludes that at least a 50% discount would be needed to make the new First Homes product affordable locally.

118. Those on lower incomes could potentially access shared ownership at the 25% and below equity share, but otherwise people in the NA will be forced to rely on affordable rented housing as private and affordable ownership is still too expensive.

119. The evidence in this chapter suggests that the affordable rented sector performs a vital function in Peasmarsh 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 mean 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.

120. The affordable housing for rent needs model suggest that 1.4 rented units are needed per annum in Peasmarsh, which equates to a total of 26 units over the plan period. This could be increased to 60 over the period if the larger cohort of people with a local connection to Peasmarsh are taken as the starting point. A similar calculation for affordable housing for sale found potential demand for 1.9 units per annum, resulting in a total of 32 units over the plan period.

121. Anecdotal evidence suggests that recent affordable housing has not addressed local need, due to the Council's allocation strategy, which accords points based on urgency of need above the present location of applicants. A recent example is the Maltings development, where it is understood that none of the new housing was allocated to local people from Peasmarsh currently in need. There remains therefore a risk that additional Affordable Housing provision, while valuable to a wider population, may not necessarily address the identified needs of people within the parish, with the potential

consequences that local people will remain unhoused or more Affordable Housing will be needed. This is a matter for discussion with Rother.

122. Table 4-8 below summarises the position in Peasmarsh with regards to the expected delivery of Affordable Housing, and how this might ideally be apportioned among sub-categories of tenure to meet local needs over the Plan period. This exercise simply applies the housing requirement figure for the area to the Local Plan policy expectation and shows the quantities of affordable housing for rent and sale that would be delivered if the tenure mix proposed in this HNA were to be rigidly enforced. In this sense it is hypothetical, and the outcomes in practice may differ, either as a result of measures taken in the neighbourhood plan (e.g. if the group plan for more housing (and therefore more affordable housing) than the local plan, or if the group decide to influence the tenure mix in other ways), or as a result of site-specific constraints.

Table 4-8: Estimated delivery of Affordable Housing in Peasmarsh

	Step in Estimation	Expected delivery
A	Provisional capacity figure	50
B	Affordable housing quota (%) in LPA's Local Plan	40%
C	Potential total Affordable Housing in NA (A x B)	20
D	Rented % (e.g. social/ affordable rented)	65%
E	Rented number (C x D)	13
F	Affordable home ownership % (e.g. First Homes, Rent to Buy)	35%
G	Affordable home ownership number (C x F)	7

Source: AECOM estimate based on LPA's affordable housing policies, AECOM's indicative tenure mix

123. 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 2: Type and Size

RQ 2: 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

124. The evidence in this chapter is intended to give a snapshot of the existing dwelling stock in Peasmarsh 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.

125. 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. However, 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

126. 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 housing types.

127. 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 a 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.

128. 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.

129. It is also useful to clarify the terminology used for dwellings and households. Dwellings are counted in the Census by combining address information with Census return information about 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.

130. As noted in the Context section of this report, there is no perfect data source for the current mix of dwellings in the NA. The VOA data isn't ideal because the parish is a smaller area than the most relevant VOA boundary. The relevant VOA boundary is LSOA E01021116. 5 out of the 6 OAs within it are in the parish, but one is not.

131. In the Census in 2011 there were 1191 people in Peasmarsh but 1526 in the LSOA. So ideally, the 2011 Census housing mix for Peasmarsh would be used and the completions data provided by the LPA added to it. However, it only provided totals by year and wasn't able to break them down by type or number of bedrooms. So effectively it is not possible to give a fully accurate and updated snapshot of the housing stock in Peasmarsh.

132. Since the amount of new development from the 2011 Census has been relatively low (27 net additional homes is only about 5% growth on the 2011 baseline of 557, although a further 28 homes were built that replaced existing ones and may be different types and sizes), the 2011 Census mix in terms of overall proportions is unlikely to have changed very much. It is therefore more accurate than the VOA data, which includes an extra 300 homes due to the boundary areas covered that will overly skew the data.

Dwelling Type

133. The data in Table 5-1 below shows the mix of dwelling types in Peasmarsh. The data is compared with wider geographies for consistency. According to RDC, there have been 27 new dwellings built since 2011 however, the Local Authority were not able to provide further description on the type of these dwellings, meaning they could not be added to the 2011 Census baseline.

134. The data shows that detached housing is the dominant dwelling type across Peasmarsh and Rother, which is typically less dense and larger than other types. 51.2% of the properties in Peasmarsh are detached, which is higher than both the amount in Rother (41.9%) and significantly higher than England compared with just 22.4%. The proportion of flats across Peasmarsh (4.5%) are significantly lower than England as a whole (16.4%), further adding to the affordability issue in Peasmarsh.

135. This trend is not unusual for a rural village and to diversify the stock towards flats and terraces may be an appropriate option in this location, as terraces and flats (or maisonettes separating houses into smaller units, which tend to be more in keeping with the character of villages) are generally the most affordable home types. It would be beneficial to increase the supply of the smaller homes over the plan period as only 20.8% of the current housing stock in Peasmarsh are flats or terraces.

Table 5-1: Accommodation type (households), 2011

Dwelling type	Peasmarsh	Rother	England
Detached	51.2%	41.9%	22.4%
Semi-detached	26.4%	21.8%	31.2%
Terraced	16.3%	13.4%	24.5%
Purpose built block of flats or tenement	4.5%	14.1%	16.4%
Parts of a converted or shared house	0.7%	6.6%	3.8%
In commercial building	0.4%	1.8%	1.0%

Source: Census 2011, AECOM Calculations

Dwelling size

136. Again, it is useful to look at the percentage breakdown of dwelling sizes in comparison with the wider district and country. The size mix aligns with the dominance of semi-detached and detached properties mentioned above. As can be seen from Table 5-2 below, the numbers of one (7.1%) and two (24.2%) bedroom dwellings in Peasmarsh and Rother (10.1% and 32.6%) are lower than the average across England (11.8% and 27.9%), showing an undersupply of smaller homes in the area. Most homes have 3 bedrooms or more, which are likely to be unaffordable for the majority of people in Peasmarsh given the average income.

Table 5-2: Dwelling size (bedrooms), various geographies, 2011

Number of bedrooms	Peasmarsh	Rother	England
1	7.1%	10.1%	11.8%
2	24.2%	32.6%	27.9%
3	45.6%	35.6%	41.2%
4	14.9%	15.3%	14.4%
5 or more bedrooms	8.1%	6.2%	4.6%

Source: Census 2011, AECOM Calculations

137. It is also worth noting the required dwelling size of people on the waiting list for Peasmarsh to reflect the future housing need. Most of the people on the list require 1-bedroom dwellings, closely followed by 2 bedroom dwellings. Only 16% of applicants require 3 bedrooms or more, suggesting that the focus for future development should be on 1 and 2 bedroom dwellings.

Age and household composition

138. Having established the current stock profile of Peasmarsh, 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

139. Table 5-3 shows the most recent estimated age structure of the NA population, alongside 2011 Census figures. The data shows that there is an ageing population in Peasmarsh, with the largest age group being 45-64, closely followed by 65-84. The

percentage of younger people in the area has decreased slightly from 2011 to 2019, with the 0-15 age group dropping from 17% to 15.1% of the total and the 16-24 age group marginally decreasing from 8% to 7.7%. The largest change in raw numbers is the increase of 85 people in the 65-84 age group, and the largest relative change is the 50% expansion of the 85+ age group.

140. 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.

141. 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.

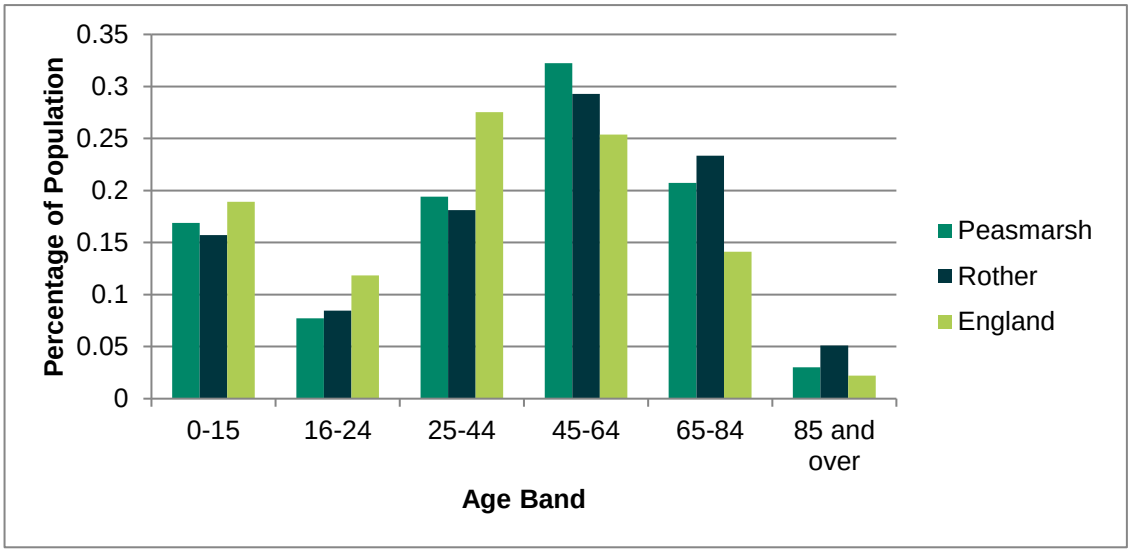
Table 5-3: Age structure of Peasmarsh population, 2011 and 2019

Age group	2011 (Census)		2019 (ONS, estimated)	
0-15	201	17%	196	15.1%
16-24	92	8%	100	7.7%
25-44	231	19%	203	15.7%
45-64	384	32%	409	31.6%
65-84	247	21%	332	25.7%
85 and over	36	3%	54	4.3%
Total	1191		1294	

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

142. 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) confirms that the 45-64 age group makes up the greatest portion of the population, which is echoed in Rother, while the largest age group across England is 25-44 year olds. The younger age cohorts (0-15 and 16-24) in Peasmarsh are smaller than the average across England. Peasmarsh appeared younger than Rother at the time of the 2011 Census, with smaller populations in the oldest age bands, however a larger 45-64 cohort has since aged by ten years and will continue to age over the plan period – effectively catching up with Rother's ageing trend.

Figure 5-1: Age structure in Peasmarsh, 2011



Source: ONS 2011, AECOM Calculations

Household composition

143. Household composition is an important factor in the size (and to an extent, the type) of housing needed over the Neighbourhood Plan period. Table 5-4 shows that Peasmarsh had proportionally fewer one person households than Rother and the majority of them were aged 65 and over. One family households make up the biggest composition and of the one family households, 24.2% had dependent children and 9.7% had non-dependent children, a feature which generally matches the district and national trend.

144. 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. This is a trend which can be found in Peasmarsh, with an increase of 48% in non-dependent children between 2001 and 2011 in the parish – significantly higher than the district average rate of 10.6%.

Table 5-4: Household composition, Peasmarsh, 2011

Household composition		Peasmarsh	Rother	England
One person household	**Total**	27.4%	34.0%	30.2%
	Aged 65 and over	14.9%	19.8%	12.4%
	Other	12.5%	14.2%	17.9%
One family only	**Total**	68.5%	60.9%	61.8%
	All aged 65 and over	13.1%	13.8%	8.1%
	With no children	21.4%	19.0%	17.6%
	With dependent children	24.2%	20.1%	26.5%
	All children Non-Dependent[9]	9.7%	7.9%	9.6%
Other household types	**Total**	4.2%	5.1%	8.0%

Source: ONS 2011, AECOM Calculations

[9] Refers to households containing children who are older than 18 e.g students or young working people living at home.

Occupancy ratings

145. 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.

146. 47.6% of households in Peasmarsh have 2 extra bedrooms and a further 34.9% have one extra bedroom, equating to a total over-occupancy of 82.5%. Under 65's with no children are the most likely to over-occupy, possibly people who have not yet had children and plan to in the future. However, there is no way of knowing this information.

147. A small number of households (9%) are under occupied. However, it is worth noting that all of these households fall into the category of family under 65 with adult children. This is likely the people who have been mentioned previously as being unable to afford to move out of their family homes and are still living with parents.

Table 5-5: Occupancy rating by household composition in Peasmarsh, 2011

Household Composition	+2 rating	+1 rating	0 rating	-1 rating
Family 65+	66.7%	24.2%	9.1%	0.0%
Single Person 65+	50.7%	26.7%	22.7%	0.0%
Family under 65- no children	75.9%	24.1%	0.0%	0.0%
Family under 65 – adult children	18.9%	37.7%	34.4%	9.0%
Single Person under 65	38.8%	30.6%	28.6%	2.0%
All households	47.6%	34.9%	17.5%	0.0%

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

Dwelling mix determined by life-stage modelling

Suggested future dwelling size mix

148. 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 Peasmarsh 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, is 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 it is possible to 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.

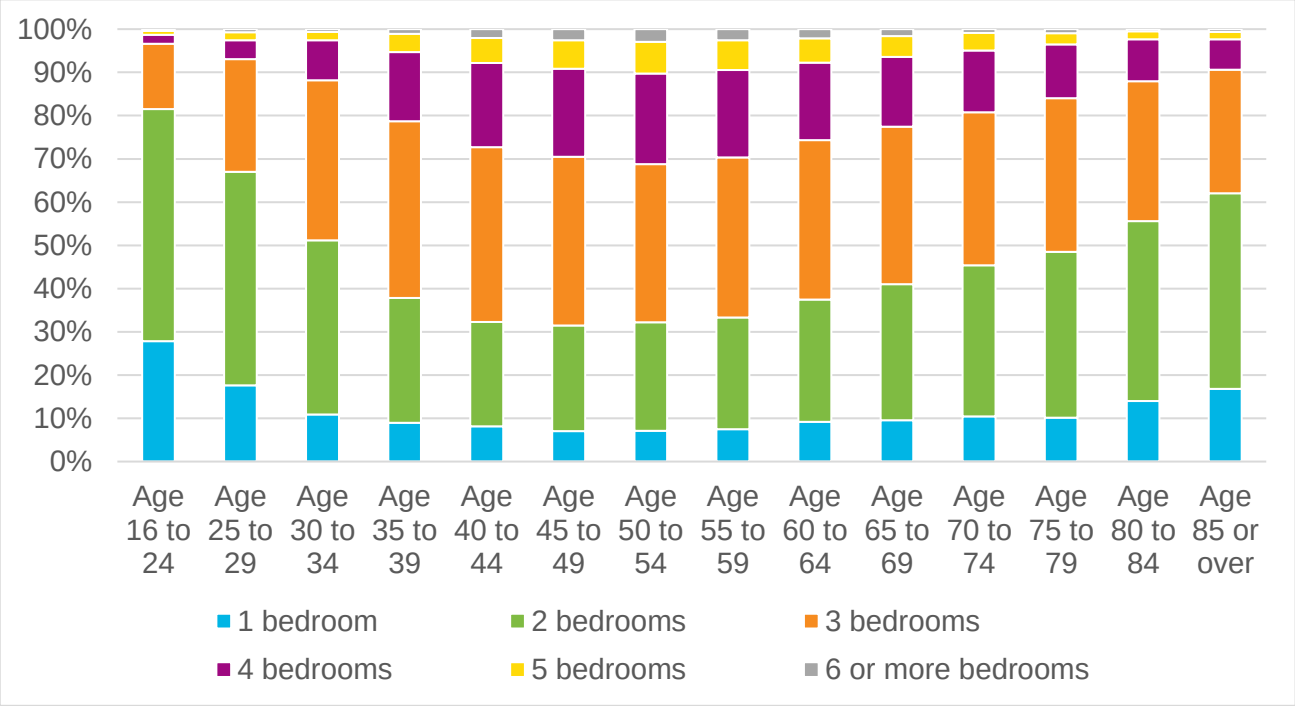
149. It is important to keep in mind that housing need is not an exact science, and this exercise provides an estimate based on demographic trends and occupancy patterns alone. It does not take into account income and wealth, other than in an indirect way through the tendency of households to occupy 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.

150. 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 – and then ask 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.

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

152. The first, given as Figure 5-2, sets out the relationship between household life stage and dwelling size for Rother 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 Rother, 2011



Source: ONS 2011, AECOM Calculations

153. The second dataset of note is the result of applying Local Authority level household projections to the age profile of Peasmarsh households in 2011 and the updated estimates of household numbers described in the bullet points above. Table 5-6 below makes clear that population growth can be expected to be driven by the oldest households, with 70% growth expected in the 65 and over age group. Conversely the younger age groups are decreasing (-13%) in the under 24 group or increasing at a much lower rate (17%) in the 25 to 34 age group.

Table 5-6: Projected distribution of households by age of HRP, Peasmarsh

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	2	27	180	122	173
2039	2	31	169	131	294
% change 2011-2039	-13%	17%	-6%	8%	70%

Source: AECOM Calculations

154. The final result of this exercise is presented in Table 5-7. The model suggests that new development should be focused on medium and smaller homes, particularly 2-bedroom properties. The other clear direction is to avoid too many additional large homes because there are already more than the population is expected to need.

155. In the interests of balance, it may be wise to share the 63% of homes indicated as having 2 bedrooms with the 3-bedroom category, simply because 3 bedroom homes cater to a wide range of potential households. Even though there may be plenty of 3-

bedroom homes already, these are occupied and new households are still likely to want new 3 bedroom homes.

Table 5-7: Suggested dwelling size mix to 2039, Peasmarsh

Number of bedrooms	Current mix (2011)	Target mix (2039)	Balance of new housing to reach target mix
1 bedroom	7.1%	10.2%	21.4%
2 bedrooms	24.2%	32.7%	62.8%
3 bedrooms	45.6%	35.7%	0.0%
4 bedrooms	14.9%	15.3%	15.8%
5 or more bedrooms	8.1%	6.1%	0.0%

Source: AECOM Calculations

156. 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.

157. For example, the young starter families and downsizing older households mentioned above may both need ‘mid-sized’ homes but are likely to have extremely different requirements and degrees of purchasing power. 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.

158. 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.

159. 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 be considered whether the existing options are well tailored to older people’s requirements in terms of space, flexibility, quality, location and accessibility. Variety should be sought within the mid-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.

160. That said, 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. There may be a strong justification to continue supplying larger homes despite their abundance because a different kind of larger home is needed to accommodate growing families with less buying power. This is too speculative to quantify in a percentage size mix but is among the good reasons not to inhibit any size of dwelling entirely.

161. 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/larger/mid-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.

Conclusions- Type and Size

162. 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.

The existing housing stock

163. Peasmarsh has a housing mix that is skewed toward typically less dense and larger homes- i.e. a far higher proportion of semi- detached homes than the country and fewer other types. This is not unusual for a rural village. Since around 20% of homes in Peasmarsh fall into the categories of terraced houses and flats, it might be expected to limit the options for local people on lower incomes, whether they are able to buy or rent.

164. As of 2011, the size mix of housing locally is dominated by larger homes, with 68.6% of homes having 3 or more bedrooms. Correspondingly, Peasmarsh has a notable lack of 1-bedroom housing. As there has been limited development over the last ten years, the housing choice has not meaningfully widened.

Demographics

165. The age structure of the population is a key indicator of the future need for housing. Peasmarsh had a much older population profile than Rother and England in 2011. The older age brackets have also grown the fastest between 2011 and the latest ONS estimates for 2019. It is clear that ageing population will be a major driver of housing need in Peasmarsh going forward, whether older households intend to occupy the same dwellings they currently live in, or perhaps move within the community to a home better suited to the size of their household, or their evolving needs.

166. The NA has a high rate of under-occupancy, with around 83% of people living in a home with at least one bedroom more than they would expect to need (at the time of the last Census). The percentage of people living in homes with fewer bedrooms than they might be expected to need is small at 9%. Although this does indicate that a number of people may have been (or still are) living in inadequate housing conditions.

167. The previous chapter established the high property values in the area, so it would appear the largest homes are not necessarily occupied by those with the largest families but by those with the financial capacity to do so, irrespective of their household size. Indeed, over-occupancy is strongly correlated with age, with those aged 65 and

over the most likely to have more than two additional bedrooms after families with no children.

The future dwelling mix

168. The results of a modelling exercise, which looks at the sizes of dwellings occupied by households at different life stages and projects the growth and decline of those household age groups over the plan period, suggests that new development should be focused on medium and smaller homes. 3-bedroom properties, while already one of the most common, are not recommended in the model but will likely continue to be needed as they are suitable to many groups. 2-bedroom properties will require the biggest injection of housing.

169. A future increase in small and mid-sized homes would both improve Peasmarsh's offering for younger households who have few options for their next step on the property ladder and also enable older households currently under-occupying larger homes to downsize and in doing so potentially create churn in the market (although it is acknowledged that many of the larger historic properties may be too expensive to be taken up by young local families).

170. The preceding chapter found that affordability is a serious and worsening challenge in Peasmarsh. While the provision of affordable housing 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 resident's budgets. Providing smaller homes with fewer bedrooms would help to address this situation.

171. However, it is never advisable to entirely restrict the supply of specific size categories as is suggested here for homes with 3 and 5+ bedrooms. Further considerations that would justify incorporating flexibility into this relatively imbalanced recommended mix are summarised below.

Further considerations

172. To best meet the needs of the large cohort of older households expected to be present by 2039, it should be considered whether the existing options are well tailored to older people's requirements in terms of space, flexibility, quality, location and accessibility. Variety should be sought within the mid-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, whose needs are far from identical. This is likely to require the continued supply of 3-bedroom homes and smaller proportions of 2-bedroom homes than the large quantity indicated by the model. Facilitating downsizing among older households may release those larger homes for use by families who need more bedrooms.

173. 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 homes but that it 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.

6. Conclusions

Overview

174. 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 Peasmarsh with a potential impact on Neighbourhood Plan housing policies

Issue	Summary of evidence and data assessed	Conclusions and recommendations
Housing tenure and affordability	It was found that Peasmarsh has a high level of home ownership, 67.5%, which is slightly higher than rates across England at 63.3%. Private renting appears to be less common in Peasmarsh than across England with high rates of social rent and shared ownership making up the remainder. Data from RDC states that 27 new homes were built since the 2011 Census, of which 16 were for market sale and 11 were for affordable rent. While this slightly added to the affordable housing offering of the NA, recent supply of affordable homes has not met the current demand and the site that provided the 11 units was replacing existing affordable stock rather than adding to the overall total. There has been significant house price growth over the last ten years in Peasmarsh, most notably in detached properties which have grown by 150.5%. Income data suggests 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 only one earner. The evidence in this chapter suggests that the affordable rented sector performs a vital function in Peasmarsh 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. 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 mean 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. The affordable housing for rent needs model suggests that 1.4 rented units are needed per annum in Peasmarsh, which equates to a total of 26 units over the plan period. The same calculations for affordable housing for sale found that 1.9 units are needed per annum, resulting in a total of 32 units over the plan period.	The significant rise in house prices is very unlikely to have been matched by growth in incomes, meaning that affordability has become a major challenge in Peasmarsh. Purchasing market housing is only an option for the highest earners or those with existing equity or substantial savings. Affordable routes to ownership based on the median house prices do not offer enough of a discount to serve those earning the average income or below, although when a more realistic benchmark related to the cost of terraced housing is used, they become more accessible. This study concludes that at least a 50% discount would be needed to make the new First Homes product affordable locally. Those on lower incomes could potentially access shared ownership at the 25% and below equity share, but otherwise people in the NA will be forced to rely on affordable rented housing as private and affordable ownership is still too expensive.

Housing type and size	Peasmarsh has a housing mix that is skewed toward typically less dense and larger homes. This is not unusual for a rural village. Only 20% of homes in Peasmarsh fall into the categories of terraced houses and flats, limiting the options for local people on lower incomes. As of 2011, the size mix of housing locally is dominated by larger homes, with 68.6% of homes having 3 or more bedrooms. Correspondingly, Peasmarsh has a notable lack of 1-bedroom housing. The age structure of the population is a key indicator of the future need for housing. Peasmarsh had a much older population profile than Rother and England in 2011. The older age brackets have also grown the fastest between 2011 and the latest ONS estimates for 2019. The NA has a high rate of under-occupancy, with around 83% of people living in a home with at least one bedroom more than they would expect to need. The percentage of people living in homes with fewer bedrooms than they might be expected to need is small at 9%. Although this does indicate that a number of people may have been (or still are) living in inadequate housing conditions. The previous chapter established the high property values in the area, so it would appear the largest homes are not necessarily occupied by those with the largest families but by those with the financial capacity to do so, irrespective of their household size. Indeed, over-occupancy is strongly correlated with age, with those aged 65 and over the most likely to have more than two additional bedrooms after families with no children. Affordability is a serious and worsening challenge in Peasmarsh. While the provision of affordable housing is one way to combat this, another is to ensure that homes which are developed are of an appropriate size, type and density for local residents' budgets. Providing smaller homes with fewer bedrooms would help to address this situation. However, it is never advisable to entirely restrict the supply of specific size categories as it suggested here for homes with 3 and 5+ bedrooms.	As there has been limited development over the last ten years, the housing choice has not meaningfully widened. It is clear that ageing will be a major driver of housing need in Peasmarsh going forward, whether older households intend to occupy the same dwellings they currently live in, or perhaps move within the community to a home better suited to the size of their household, or their evolving needs. A modelling exercise projecting growth and decline of age groups over the plan period, suggests that new development should be focused on medium and smaller homes. 3-bedroom properties, while already one of the most common, are not recommended in the model but will likely continue to be needed as they are suitable to many groups. 2-bedroom properties will require the biggest injection of housing. A future increase in small and mid-sized homes would both improve Peasmarsh's offering for younger households who have few options for their next step on the property ladder and also enable older households currently under-occupying larger homes to downsize and in doing so potentially create churn in the market. To best meet the needs of the large cohort of older households expected to be present by 2039, it should be considered whether the existing options are well tailored to older people's requirements in terms of space, flexibility, quality, location and accessibility. Variety should be sought within the mid-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. This is likely to require the continued supply of 3-bedroom homes and smaller proportions of 2 bedroom homes than the large quantity indicated by the model. That said, 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 NA. Reducing the issue of dwelling

Issue	Summary of evidence and data assessed	Conclusions and recommendations
		size to a number of bedrooms is potentially unhelpful in this case. There may be a valid justification to continue supplying larger homes despite their abundance because a different kind of larger home is needed to accommodate growing families with less buying power. This is too speculative to quantify in a percentage size mix but is among the good reasons not to inhibit any size of dwelling entirely. More generally, it would be unwise for any new housing that is developed 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 homes but that it 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.

Recommendations for next steps

175. This Neighbourhood Plan housing needs assessment aims to provide Peasmarsh with evidence on a range of housing trends and issues from a range of relevant sources. It is recommended that the neighbourhood planners should, as a next step, discuss the contents and conclusions with Rother District Council 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 Rother District Council;
- 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 Rother District Council.

176. 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.

177. It is strongly recommended that the Neighbourhood Plan steering group should carefully monitor strategies and documents with an impact on housing policy produced by the Government, Rother District Council or any other relevant party and review the Neighbourhood Plan accordingly to avoid any disparities or preparing policy that fails to meet the basic conditions.

178. 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

179. 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 Area. Such data is available at MSOA level but not at the level of Neighbourhood Areas.

180. As such, when calculating affordability thresholds, an MSOA needs to be selected that is a best-fit proxy for the Neighbourhood Area. In the case of Peasmarsh, it is considered that MSOA Rother 002 is the closest realistic proxy for the Neighbourhood Area boundary, and as such, this is the assessment geography that has been selected. A map of Rother 002 appears below in Figure A-1.

Figure A-1: MSOA Rother 002 used as a best-fit geographical proxy for the Neighbourhood Area

Source: ONS

A.2 Market housing

181. Market housing is not subsidised and tends to be primarily accessible to people on higher incomes.

182. 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.

i) Market sales

183. 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.

184. 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 Peasmarsh, 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.

185. The calculation for the purchase threshold for market housing is as follows:

- Value of a median NA house price (2020) = £405,000;
- Purchase deposit at 10% of value = £40,500;
- Value of dwelling for mortgage purposes = £364,500;
- Divided by loan to income ratio of 3.5 = purchase threshold of £104,143.

186. 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 median price of a terrace rather than the median house price. The terrace average in 2020 was £265,000, and the purchase threshold is therefore £68,143.

187. 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. The average cost of a new build house in the LA is £310,950. There were no new build properties in the NA in 2020, therefore the average for the LA was used as a proxy.

ii) Private Rented Sector (PRS)

188. 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.

189. 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.

190. The property website Rightmove shows rental values for property in the Neighbourhood Area. A search was conducted for listings within a 5 mile radius of Peasmarsh, which covers a larger area than the Plan area itself, was used as a reasonable proxy for the NA.

191. According to Rightmove, there were 5 properties for rent at the time of search in November 2021, with an average monthly rent of £1,182. There were 3 two-bed properties listed, with an average price of £1,033 per calendar month.

192. The calculation for the private rent income threshold for entry-level (2 bedroom) dwellings is as follows:

- Annual rent = £1,033 x 12 = £12,396;
- Multiplied by 3.33 (so that no more than 30% of income is spent on rent) = income threshold of £41,320.

193. The calculation is repeated for the overall average to give an income threshold of £47,280.

A.3 Affordable Housing

194. There are a range of tenures that constitute the definition of Affordable Housing within the NPPF 2021: 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.

i) Social rent

195. 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.

196. 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 Peasmarsh. This data provides information about rents and the size and type of stock owned and managed by private registered providers and is presented for RDC in Table A-1.

197. 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	£85.00	£96.44	£107.35	£119.55	**£98.50**
Annual average	£4,420	£5,015	£5,582	£6,217	**£5,122**
Income needed	£14,719	£16,700	£18,589	£20,701	**£17,056**

Source: Homes England, AECOM Calculations

ii) Affordable rent

198. 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).

199. 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%.

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

201. Comparing this result with the average 2-bedroom annual private rent above indicates that affordable rents in the NA are actually closer to 49% 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	£91.64	£115.19	£142.72	£175.79	**£117.47**
Annual average	£4,765	£5,990	£7,421	£9,141	**£6,108**
Income needed	£15,868	£19,946	£24,713	£30,440	**£20,341**

Source: Homes England, AECOM Calculations

iii) Affordable home ownership

202. 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.

203. In paragraph 65 of the NPPF 2021, 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

204. 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.

205. The starting point for these calculations is therefore the estimated cost of new build housing in Peasmarsh noted above of £405,000 (based on the median existing home price, which is assumed to be roughly equivalent to a new entry-level home (a smaller property with a new build premium).

206. For the minimum discount of 30% the purchase threshold can be calculated as follows:

- Value of a new home (LA average) = £405,000;
- Discounted by 30% = £255,150;
- Purchase deposit at 10% of value = £25,515;
- Value of dwelling for mortgage purposes = £229,635;
- Divided by loan to income ratio of 3.5 = purchase threshold of £65,610.

207. 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 £56,237 and £46,864 respectively.

208. However, the 2020 median house price of £405,000 appears to be an outlier, representing a significant jump in the median price and far exceeding the average cost of newly built housing across Rother as a whole. All of these calculations were therefore repeated using terrace houses. This is slightly above the new build median of £250,000 for Rother as a whole, so is in line with new build prices and the slightly more expensive homes in the NA compared to Rother.

209. This set of calculations was repeated with the terrace house price as the starting point, with a value of £265,000. The calculation for a 30% discount can be calculated as follows:

- Value of a new home = £265,000;
- Discounted by 30% = £185,500;
- Purchase deposit at 10% of value = £18,550;
- Value of dwelling for mortgage purposes = £166,950;

- Divided by loan to income ratio of 3.5 = purchase threshold of £47,700.

210. This can also be repeated for a 40% and 50% discount requiring an income threshold of £40,886 and £34,071 respectively.

211. All of the income thresholds calculated here for First Homes are below the cap of £80,000 above which households are not eligible.

212. 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 sqm and a build cost of £1,500 per sqm) would be around £105,000. This cost excludes any land value or developer profit. This would not appear to be an issue in Peasmarsh.

Shared ownership

213. 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'.

214. In exceptional circumstances (for example, because 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.

215. 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).

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

- A 25% equity share of £405,000 is £101,250;
- A 10% deposit of £10,125 is deducted, leaving a mortgage value of £91,125;
- This is divided by the loan to value ratio of 3.5 to give a purchase threshold of £26,036;
- Rent is charged on the remaining 75% shared ownership equity, i.e. the unsold value of £303,750;

- The estimated annual rent at 2.5% of the unsold value is £7,594;
- This requires an income of £25,312.50 (annual rent multiplied by 3.33 so that no more than 30% of income is spent on rent);
- The total income required is £51,348 (£26,036 plus £25,312).

217. The same calculation is repeated for equity shares of 10% and 50% producing affordability thresholds of £40,789 and £68,946 respectively.

218. These income thresholds are below the £80,000 cap for eligible households.

219. If these calculations were repeated using the terrace house price as for First Homes, the income threshold for 25% equity share would be £33,598. At a 10% share the income required would be £26,689 and at 50% the income threshold would be £45,113.

Rent to buy

220. 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)

221. 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.

222. 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 = £200,000/£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[10].

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[11]

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.

[10] The Tenant Services Authority has issued an explanatory note on these methods at http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf

[11] See https://www.gov.uk/government/statistics/english-housing-survey-2011-to-2012-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[12]

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)[13]

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

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

[12] See https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary
[13] See http://webarchive.nationalarchives.gov.uk/20160107160832/http://www.ons.gov.uk/ons/dcp171776_350282.pdf

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[14], i.e. the total value of the mortgage was less than 4 times the annual income of the person who was granted the mortgage.

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

[14] See https://www.which.co.uk/news/2017/08/how-your-income-affects-your-mortgage-chances/

(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 25% 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[15]

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 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.

[15] See http://www.housingcare.org/jargon-sheltered-housing.aspx

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.[16]

[16] See http://www.communities.gov.uk/documents/planningandbuilding/doc/1980960.doc#Housing

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