



Strategic Housing Market Assessment Part 2 Objectively Assessed Need for Affordable Housing

HDH Planning and Development
November 2016

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THIS REPORT IS FORMATTED FOR DOUBLE-SIDED PRINTING.

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1 INTRODUCTION

Purpose

- 1.1 This report forms Part 2 of the Strategic Housing Market Report. It is a Strategic Housing Market Assessment (SHMA) that focuses, principally, on the calculation on the level of affordable housing need (referred to as Affordable Need) and the size and tenure of all dwellings required within the overall Objectively Assessed Need for housing (the OAN) calculated in Part 1 of the SHMA.
- 1.2 Some of the outputs from the calculation of the OAN within the Part 1 study are used within this report. It is therefore important to note that in all instances where the OAN is referred to in this report (either as a total or when it is disaggregated) the figures are based on the modelling of the scenario which requires 751 homes per year in Solihull between 2014 and 2033. This scenario, as is set out in the Part 1 report, includes the demographic projections, a market signals uplift and a SHNS uplift adjustments. The use of this scenario ensures that the impact of the full additional growth required within Solihull is completely mapped in terms of the requirements for both market and affordable housing associated with it. It is also notable that whilst the figure of 751 is referred to as the OAN in this report, it is still for the Council to determine whether this represents the actual OAN or just the Housing Target.

Government guidance

- 1.3 This report forms a component of an SHMA alongside the OAN Part 1 Study¹. National Planning Policy is set out in the National Planning Policy Framework (NPPF). Paragraph 159 of the NPPF (March 2012) sets out the role of an SHMA.

Local planning authorities should have a clear understanding of housing requirements in their area. They should:

Prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries. The Strategic Housing Market Assessment should identify the scale and mix of housing and the range of tenures that the local population is likely to require over the plan period which:

- *meets household and population projections, taking account of migration and demographic change*
- *addresses the need for all types of housing, including affordable housing and the needs of different groups in the community (such as families with*

¹ Peter Brett Associates *Solihull Strategic Housing Market Assessment Report*, November 2016

children, older people, disabled people, service families and people wishing to build their own homes); and

- *caters for housing demand and the scale of housing supply necessary to meet this demand (para 28)*

- 1.4 The NPPF outlines how a SHMA fits into the wider housing policy framework and the Planning Practice Guidance (PPG) sets out how the various elements of a SHMA should be undertaken, including detailing a comprehensive model for the assessment of affordable housing need (Chapter 5). The affordable housing need figure produced is an unconstrained figure set in the current housing market situation. This is calculated using a completely different approach and different data sources to the overall housing requirement; however, it is a consideration in setting the housing target and could be a consideration in setting the OAN.
- 1.5 The report also includes the Long-Term Balancing Housing Markets (LTBHM) model (Chapter 4) which, following the guidance set out in paragraph 021 of the PPG, breaks down the overall OAN into the component household types (tenure and size) of housing required.

Report coverage

- 1.6 This report is focused on detailing the future type and tenure of housing needed in Solihull. This report is therefore limited to:
- Examination of the latest data on the labour market and the resident population and a profile of the housing stock in Solihull and the changes that have occurred to it.
 - Analysis of the price of property in Solihull and the affordability of housing for residents.
 - Production of an analysis of the entire housing market within the LTBHM.
 - Calculation of outputs for the affordable housing needs model in accordance with the PPG approach.
 - An analysis of the specific housing situation of the particular sub-groups of the population identified within the NPPF.
 - A conclusion summarising the implications of these results.

Sub-housing market areas

- 1.7 The results of this report are presented principally at a borough-wide level, with additional detail set out for the three sub-housing market areas in Solihull. These sub-housing market areas have been identified by the Council as being different parts of the borough with unique characteristics and the analysis of these areas within this report will highlight their distinctiveness. These areas have also been used as the basis for the Community Infrastructure Levy Charging Schedule for residential development which has been approved by the Planning Inspectorate.

The composition of the three sub-housing market areas, in terms of their constituent wards, is set out in Table 1.1. It was agreed at the stakeholder consultation event (see below) that it is appropriate to look at these three sub-areas individually, due to the differences between them, and combine these results for the situation for Solihull as a whole.

Table 1.1 Sub-housing market areas in Solihull

Name	Constituent wards
Regeneration area	Chelmsley Wood, Kingshurst & Fordbridge and Smith's Wood
Suburban area	Castle Bromwich, Elmdon, Lyndon, Olton, Shirley East, Shirley South, Shirley West, Silhill, St Alphege
Southern and rural fringe	Bickenhill, Blythe, Dorridge & Hockley Heath, Knowle, Meriden

Source: Solihull Metropolitan Borough Council

Stakeholder consultation

- 1.8 To help disseminate the purpose of this work and ensure the accuracy of this report (and the assumptions used) stakeholders' views have been. An informal consultation event was held on the 4th February 2016, after which written comments were invited.
- 1.9 Details of the stakeholder consultation that took place are presented in **Appendix A** to this report.

2 SOCIO-ECONOMIC CONTEXT

Introduction

- 2.1 Two main drivers of the housing market are the resident population and the local labour market. They affect the nature of housing demand including household formation rates and households' investment in housing. This chapter uses the most recently available data to document the current socio-economic profile in Solihull and each of its constituent sub-housing market areas and how it has changed.
- 2.2 Analysis of the stock of housing allows an understanding of the current market balance and existing occupation patterns. A range of data sources, including the 2011 Census, is used to provide an overview of the housing stock in Solihull and a comparison to the regional and national situation will be presented where the data is available.

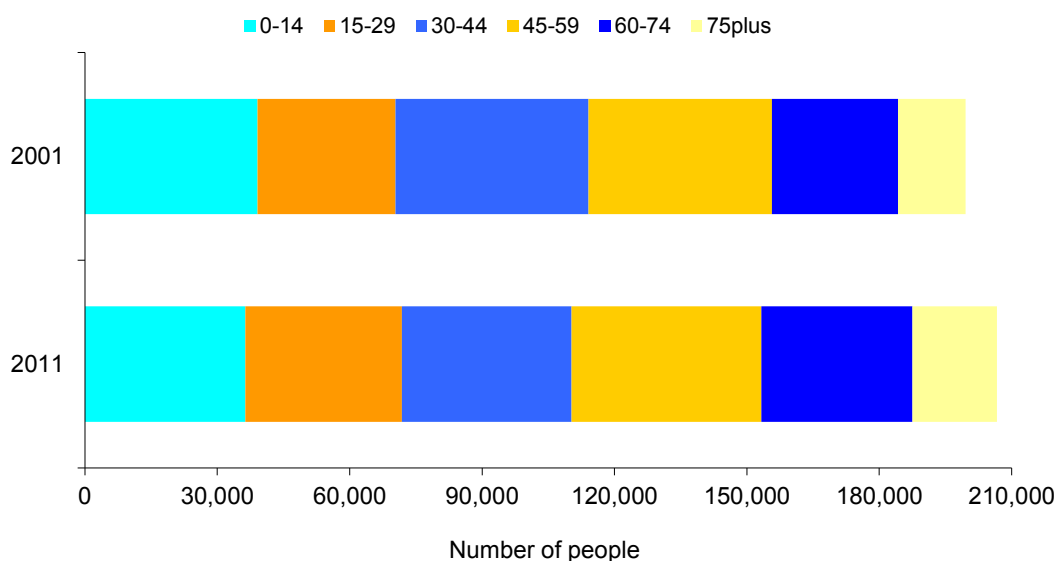
Demography

- 2.3 The 2011 Census data provides a comprehensive profile of the population in Solihull and how it has changed since the previous Census.

Population

- 2.4 The Census indicates that the resident population in Solihull in 2011 was 206,674 and that since 2001 the population had increased by 3.6%, just over 7,150 people. In comparison the population of the West Midlands region increased by 7.9% between the 2001 and 2011 Census, whilst the population of England grew by 6.4%. Figure 2.1 illustrates the age composition of the population in Solihull in 2001 and 2011 according to the Census. It shows that since 2001 the number of people aged 60 or over has markedly increased as has the population in Solihull aged 15 to 29. In contrast, the number of people aged under 15 and between 30 and 44 has decreased. The 2011 Census indicates that 53.2% of the population in the Borough lives in the suburban sub-housing market area, 28.5% live in the southern and rural fringe sub-area and 18.2% live in the regeneration sub-area.

Figure 2.1 Population composition in Solihull (2001 and 2011)



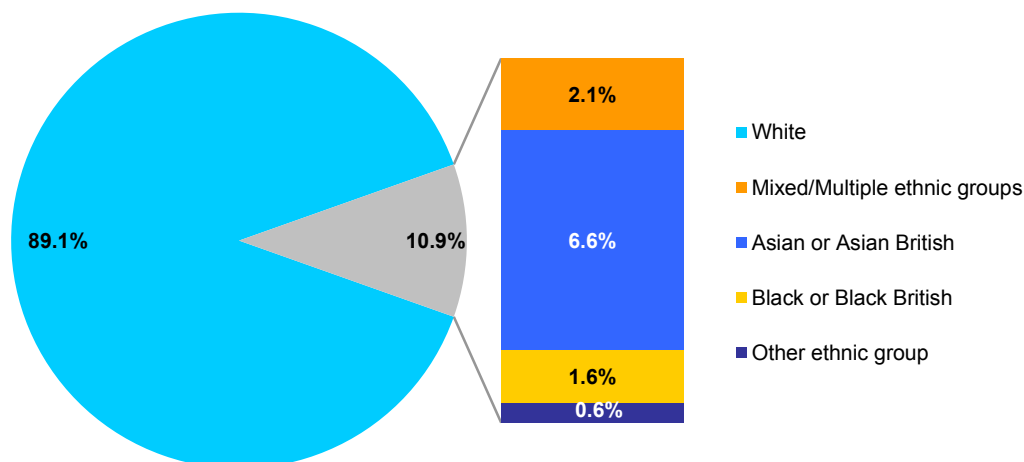
Source: 2001 & 2011 Census

- 2.5 Some 17.9% of the resident population in Solihull have a long-term health problem or disability, compared to 19.0% of residents in the West Midlands region and 17.6% of people across England. Within each sub-housing market area, the proportion of the population with a long-term health problem or disability is, 21.8% in the regeneration sub-area, 18.1% in the suburban sub-area and 15.0% in southern and rural fringe sub-area.

Ethnicity

- 2.6 According to the 2001 Census, the proportion of Black, Asian and Minority Ethnic (BAME) (non-white) groups in Solihull was 5.4%, lower than that recorded for the West Midlands region (11.3%) and the national average (9.1%). The 2011 Census suggests that the BAME population has increased to 10.9% of the total population in Solihull, which is still notably smaller than the regional and national figures (17.3% in the West Midlands and 14.5% in England). In the regeneration sub-area, the BAME population constitutes 9.1% of the total population, 13.1% in the suburban sub-area and 7.8% in the southern and rural fringe sub-area.
- 2.7 Figure 2.2 presents the ethnicity of the population in Solihull in 2011. The 'Asian or Asian British' represents the largest BAME group in Solihull area (comprising 6.6% of total population). It should be noted that the 'White' group includes 'White Irish' (1.9%) and 'White Other' (1.4%) as well as 'White British' (85.8%).

Figure 2.2 Ethnicity of Solihull’s population (2011)



Source: 2011 Census

- 2.8 The Census reveals that just 0.5% of the population of Solihull in 2011 had been resident in the UK for less than two years, compared to 1.3% in the West Midlands region and 1.8% across England. The overwhelming majority of the population of Solihull have resided in the UK for over 5 years (including those born in the UK); 98.8% in Solihull compared to 97.1% in the West Midlands and 96.0% in England. Within Solihull, the suburban sub-area records the highest proportion of the population that were resident in the UK for less than two years in 2011 (at 0.7%) followed by the southern and rural fringe sub-area (0.4%), and the regeneration sub-area (0.2%).

Number of households

- 2.9 The 2011 Census revealed that the number of households in Solihull has increased by 6.3% since 2001, reaching 86,056 households in total. This compares to the regional average of 6.6% and the national figure of 7.9%. In all areas the number of households has risen at a faster rate than the population in households between 2001 and 2011; this implies that the average size of households is falling across Solihull, as is illustrated in Table 2.1 Change in average household size between 2001 and 2011. The average household size within Solihull in 2011 varies from 2.31 in the regeneration sub-area, through 2.39 in the suburban sub-area to 2.42 in the southern and rural fringe sub-area.

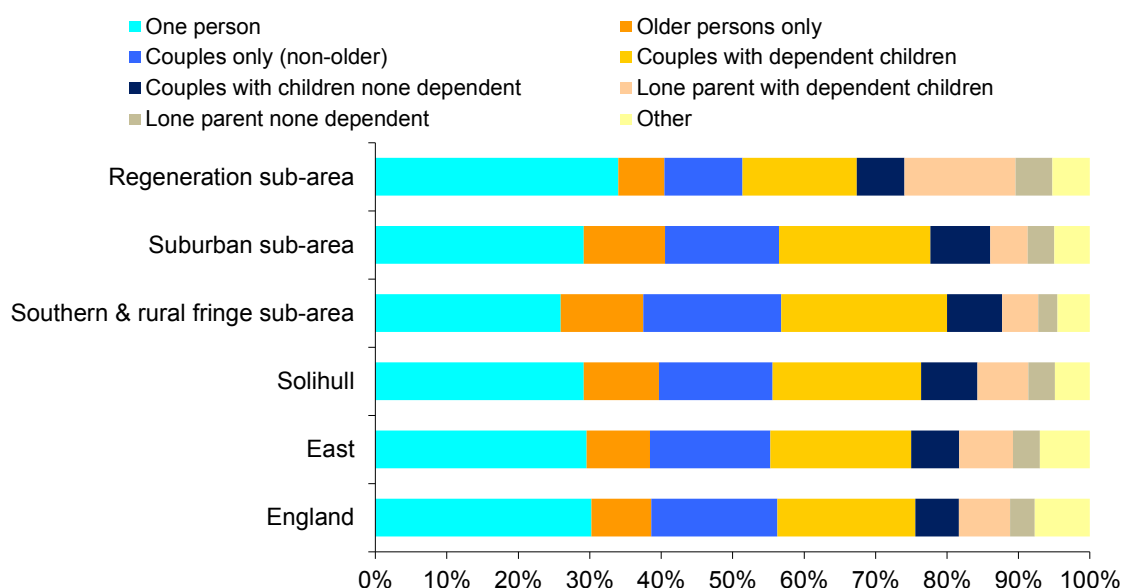
Table 2.1 Change in average household size between 2001 and 2011

Location	Average household size in 2001	Average household size in 2011
Solihull	2.45	2.38
West Midlands region	2.41	2.40
England	2.38	2.36

Source: 2001 & 2011 Census

2.10 It is interesting to note that this average household size of 2.38 compares to an average of 3.0 bedrooms per household in Solihull according to the 2011 Census. Figure 2.3 compares the household composition in Solihull in 2011 with that recorded for the West Midlands region and England. The overall household distribution across Solihull area does not differ notably from the regional and national averages. The regeneration sub-area records the most distinctive profile, with high levels of single person and lone parent households.

Figure 2.3 Household composition in Solihull, the Midlands region and England, 2011

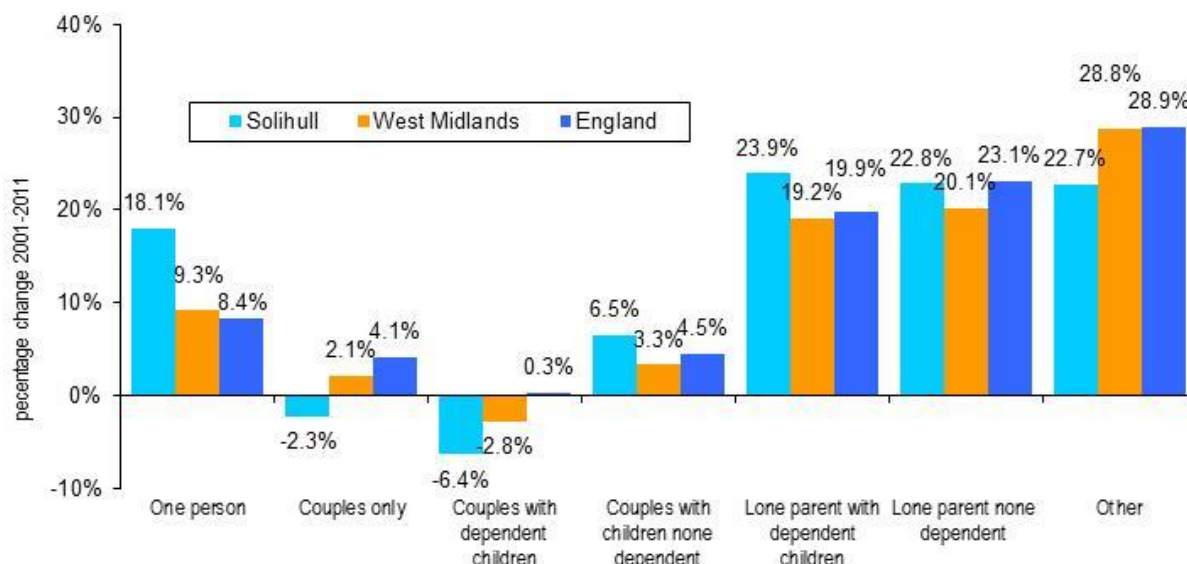


Source: 2011 Census

2.11 Figure 2.4 shows the change recorded between the 2001 and 2011 Census for the different household groups in Solihull. The figure shows that lone parent households have increased the most (although from a very low base), followed by 'other' households. It is interesting to note that couples with only non-dependent children have increased whilst the number of couples with dependent

children has declined. This suggests that household formation rates amongst young adults may have reduced.

Figure 2.4 Change in household types resident in Solihull 2001 to 2011



Source: 2001 & 2011 Census

Economy

- 2.12 Considerable data is available on the economic context in Solihull, which enables a profile of the current local economy to be presented.

Employment in Solihull

- 2.13 NOMIS² data on 'job density' (this is a measure of the number of jobs per person of working age) for 2013 shows that there are 0.87 jobs per working age person in Solihull, compared to 0.76 jobs per working age person across the West Midlands region, and 0.80 for England as a whole. Solihull records a better job density in 2013 than in 2008, before the start of the economic downturn (an increase from 0.81).
- 2.14 Measured by the Office for National Statistics (ONS) Business Register and Employment Survey there were 103,900 employee jobs in Solihull in 2014. This is the highest level recorded since the data collection began in 2009, an increase of 12.9% over this period. This increase compares to an increase of 4.8% for the region and an increase of 4.9% nationally over the same time period.
- 2.15 Data is also available from the ONS about the number of businesses in the area and how this has changed over the last few years (older data is not available as

² NOMIS is a website provided by the Office for National Statistics that contains a range of labour market data at a local authority level. www.nomisweb.co.uk

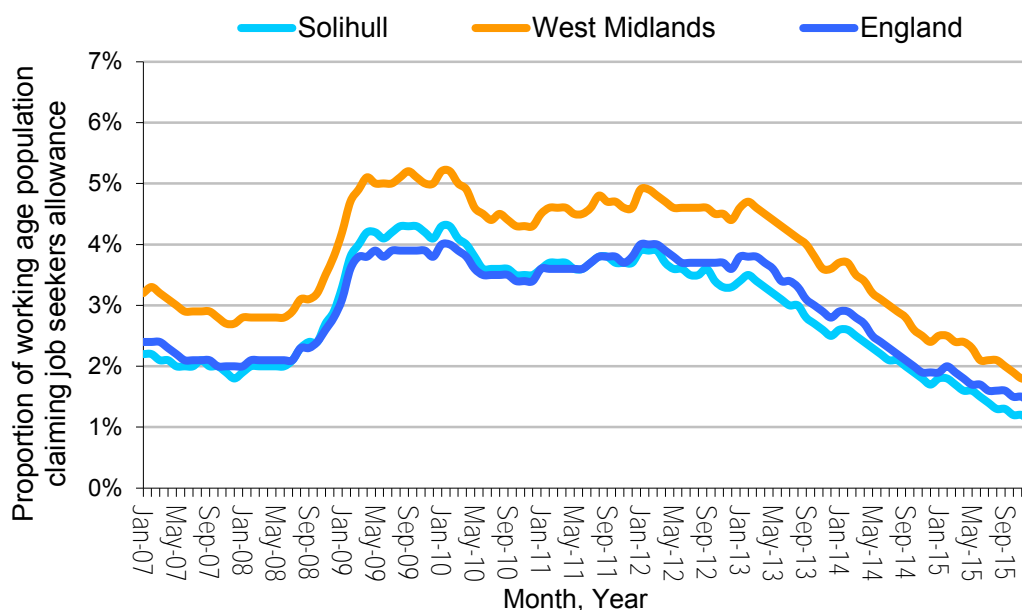
the format of the information collected changed in 2010). This can provide a good indication of the state of the economy as an increase in businesses would suggest either new companies moving to the area or an increase in local entrepreneurship.

- 2.16 The ONS indicates that in 2015 there were 7,560 enterprises across Solihull; the highest level recorded (there were 6,615 enterprises in 2010 when the dataset began). A very similar proportion of enterprises are micro (with 9 or fewer employees) across Solihull (89.7%), compared with the West Midlands (88.2%) and England (88.8%).

Employment profile of residents in Solihull

- 2.17 Although the overall economic performance of Solihull provides important context, an understanding of the effect of the economic climate on the resident population is more pertinent to this study.
- 2.18 The Census provides an overview of the employment situation in Solihull in 2011. It shows that of all residents in work in Solihull (excluding those who are also students), 14.5% are self-employed, with 62.6% full-time employees and 22.9% part-time employees. The level of self-employment is slightly higher than the regional average (14.2%), but lower than the national equivalent (15.7%), whilst part-time employment is lower than the regional figure (23.4%), but higher than the national one (22.1%). The regeneration sub-area records a particularly low level of self-employment (8.4% of residents in work) but a high level of part-time employees (26.4%), whereas self-employment is most common in southern and rural fringe sub-area (17.8%).
- 2.19 Since the 2001 Census the number of part-time employees in Solihull has increased by 18.3%, and the number of full-time employees has risen by 2.5%. The number of self-employed residents in Solihull has increased by 20.6%.
- 2.20 The ONS publishes the number of people claiming Job Seekers Allowance on a monthly basis. This provides a very up-to-date measure of the level of unemployment of residents in an area. Figure 2.5 shows the change in the proportion of the working age population claiming Job Seekers Allowance in Solihull, since January 2007. The figure indicates that the Solihull unemployment level, whilst fluctuating notably, has been consistently lower than the level for the West Midlands region and more in line with the national level. Currently 1.1% of the working age population in Solihull are unemployed, lower than the level recorded nationally (1.4%) and the average for the West Midlands (1.8%). Over the last twelve months unemployment has fallen dramatically in all areas (by 34.5% across Solihull, 24.3% in the West Midlands region and 23.5% in England as a whole).

Figure 2.5 Level of unemployment in Solihull (2007-2015)



Source: ONS Claimant count

- 2.21 It is worth noting that Solihull has a low proportion of young people unemployed; 1.2% of 16 to 24 year olds in Solihull are unemployed compared to 1.4% at the regional level and 1.6% nationally. The level of long-term unemployed in Solihull (more than 12 months unemployed) is also low at 0.4% of the working age population, which compares to 0.7% in the West Midlands region and 0.4% for England.
- 2.22 The Census presents a ‘Standard Occupation Classification’ which categorises all working people resident within an area into one of nine groups depending on the nature of the skills that they use. These nine groups are graded from managerial jobs (Groups 1-3) to unskilled jobs (Groups 8-9). As Table 2.2 illustrates, some 45.4% of employed residents in Solihull work in Groups 1 to 3, higher than the figure for both the West Midlands region and the national one. Solihull has a lower proportion of the workforce in occupation Groups 8 to 9 and also 6 to 7 than is found regionally and nationally. There is a distinct difference in the profile recorded within Solihull, with the regeneration sub-area recording a notably higher proportion of employed residents in Groups 6 to 7 and Groups 8 to 9 and a considerably smaller proportion of employed residents in Groups 1 to 3. In contrast, within the southern and rural fringe sub-area, over half of employed residents work within a Group 1 to 3 occupation and just a tenth of residents are employed in a Group 8 to 9 role. Further analysis shows that, since the 2001 Census, there has been a considerable increase in the number of people resident in Solihull employed within Groups 6 to 7 and also Groups 1 to 3, with a fall in those employed within Groups 8 and 9 and also Groups 4 to 5.

Table 2.2 Occupation structure (2011)

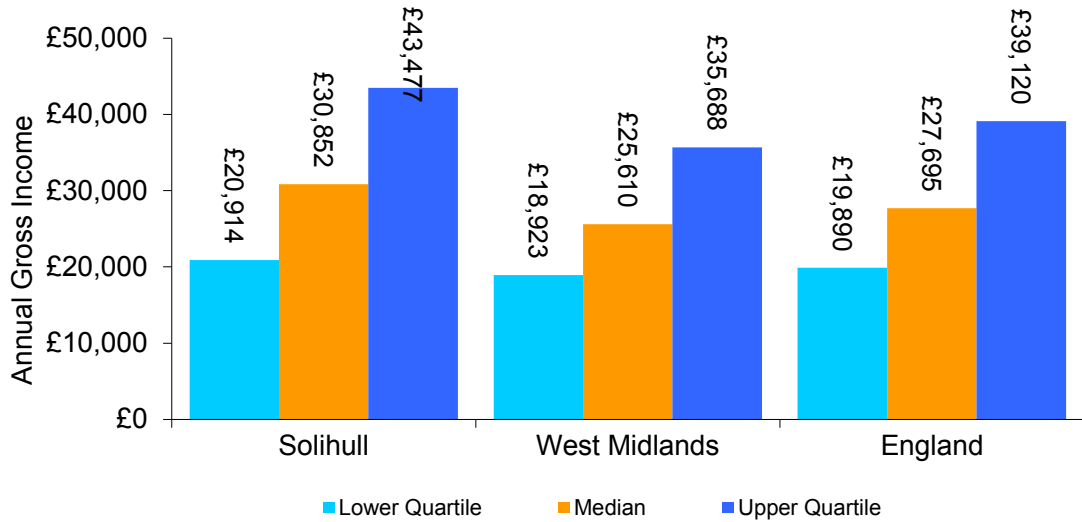
Occupation groups	Solihull	Regeneration sub-area	Suburban sub-area	Southern and rural fringe sub-area	West Midlands	England
Group 1-3: Senior, Professional or Technical	45.4%	20.1%	46.4%	56.5%	37.0%	41.1%
Group 4-5: Administrative, skilled trades	23.4%	25.1%	24.5%	20.6%	23.6%	22.8%
Group 6-7: Personal service, Customer service and Sales	16.1%	23.4%	15.9%	12.7%	18.1%	17.7%
Group 8-9: Machine operatives, Elementary occupations	15.1%	31.4%	13.2%	10.2%	21.3%	18.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

Income

- 2.23 Income has a core effect on the level of choice a household has when determining their future accommodation. The mean earned income for full-time employees resident in Solihull in 2015 was £35,443, according to the ONS Annual Survey of Hours and Earnings, higher than the West Midlands region (at £29,926) and the national average (£33,088). It is important to note that these figures assess individual incomes rather than household incomes. As Figure 2.6 shows, at all points on the distribution, annual gross income in Solihull is notably higher than the equivalent for both the West Midlands region and England as a whole, although the pattern is most pronounced for higher income workers.

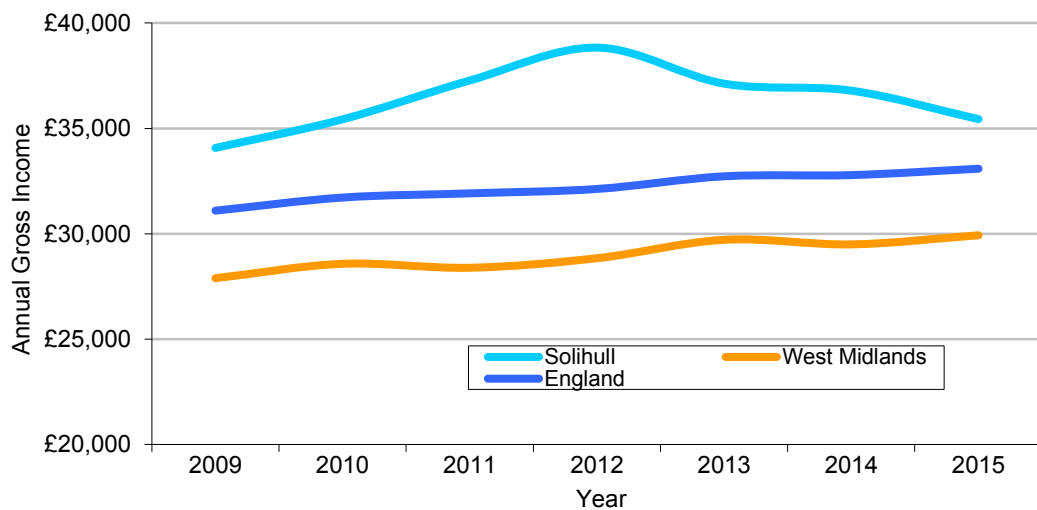
Figure 2.6 Annual gross income of full-time employed residents 2015



Source: ONS Annual Survey of Hours and Earnings (2015)

2.24 Figure 2.7 shows the change in the mean income of full-time employees resident in Solihull, the West Midlands region and England since 2009. Solihull has recorded a lower increase since 2009 (at 4.0%) than the West Midlands region (7.3%) and England (6.4%).

Figure 2.7 Change in mean annual income of full-time employed residents 2009-2015



Source: ONS Annual Survey of Hours and Earnings (2009-2015)

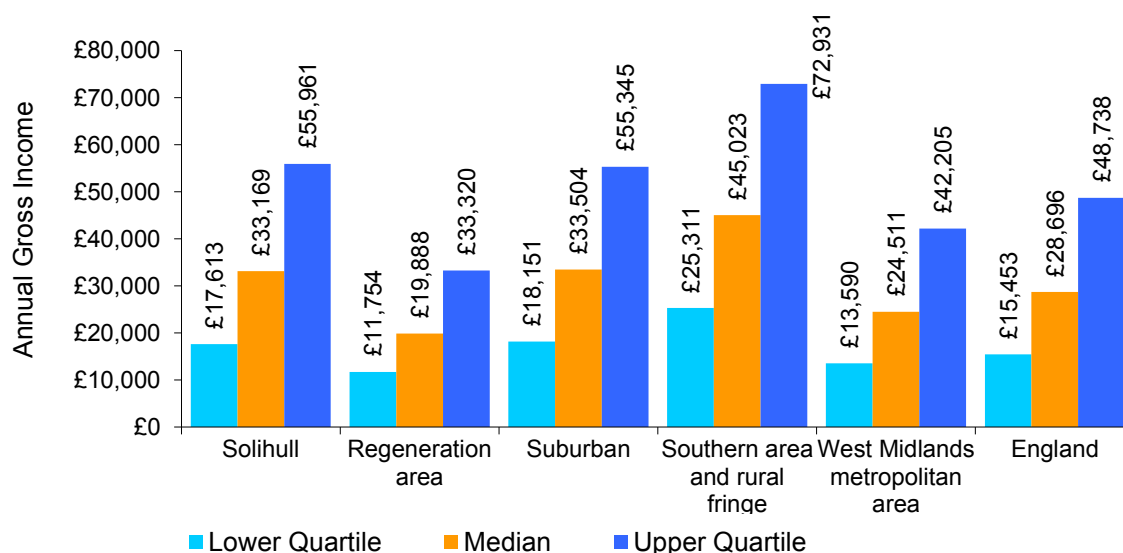
Household income

2.25 CACI Paycheck estimates that the mean gross annual household income in Solihull is £41,789, which is 23.9% above the equivalent for the West Midlands

metropolitan area (£31,792) and 12.7% above the England figure (£36,450). The same data source indicates that the mean gross annual household income in the regeneration sub-area is £24,654, whilst it is £41,370 in the suburban sub-area and £53,446 in the southern area and rural fringe sub-area.

- 2.26 Figure 2.8 shows how household income at various points on the income distribution for each sub-area and Solihull itself compares with the metropolitan area and national equivalents. The data indicates that households in the southern area and rural fringe sub-area are the most affluent in Solihull, followed by households in the suburban sub-area. Household incomes in the regeneration sub-area are not only notably lower than the other authorities in Solihull but also lower than the national and metropolitan area averages.

Figure 2.8 Distribution of annual gross household income



Source: CACI Paycheck, 2015

Dwelling stock

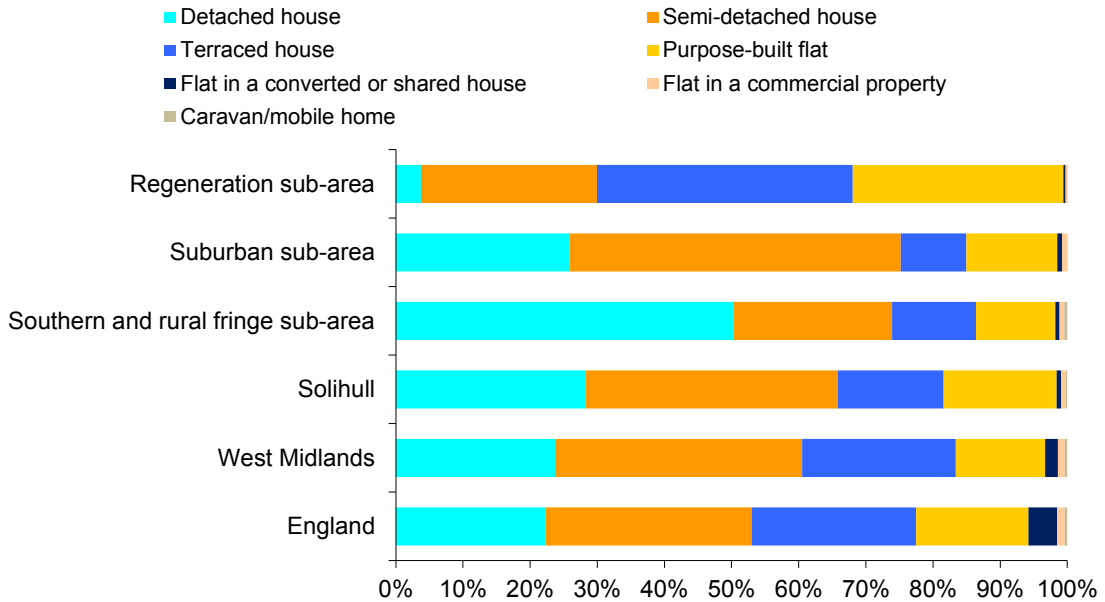
- 2.27 The Census indicates that there were 88,229 dwellings in Solihull in 2011, and that since 2001 the number of dwellings has increased by 5.7%, almost 4,800 properties. In comparison, the dwelling stock in the West Midlands region increased by 6.7% between the 2001 and 2011 Census, whilst the dwelling stock of England increased by 8.3%.

Accommodation profile

- 2.28 Figure 2.9 compares the type of accommodation in Solihull in 2011 with that recorded for the West Midlands region and England. Solihull contains more detached houses and fewer terraced dwellings than the regional and national averages. The most common property type across Solihull is semi-detached houses followed by detached dwellings. There are some notable differences within Solihull; almost a third of dwellings in the regeneration sub-area are flats

and there are few detached houses. In the suburban sub-area almost half of homes are semi-detached houses, whilst in the southern and rural fringe sub-area over half of dwellings are detached properties.

Figure 2.9 Dwelling type in Solihull, the West Midlands region and England (2011)



Source: 2011 Census

- 2.29 Since 2001 the number of purpose built flats has increased markedly in Solihull, by 19.0%. The change in the number of houses has been less notable, although terraced properties have recorded the biggest rise (2.1%).
- 2.30 Table 2.3 compares the size of accommodation (in terms of bedrooms) in Solihull, the West Midlands region and England. The table indicates that Solihull has a greater proportion of large properties (four or more bedrooms) and fewer small homes (one or fewer bedrooms) than the West Midlands region and England as a whole. Overall, three bedroom homes account for some 46.1% of all dwellings in Solihull. Within Solihull, the regeneration sub-area records the lowest proportion of large dwellings and the southern and rural fringe sub-area the highest proportion of large homes.

Table 2.3 Size of dwelling stock in Solihull, the West Midlands region and England (2011)

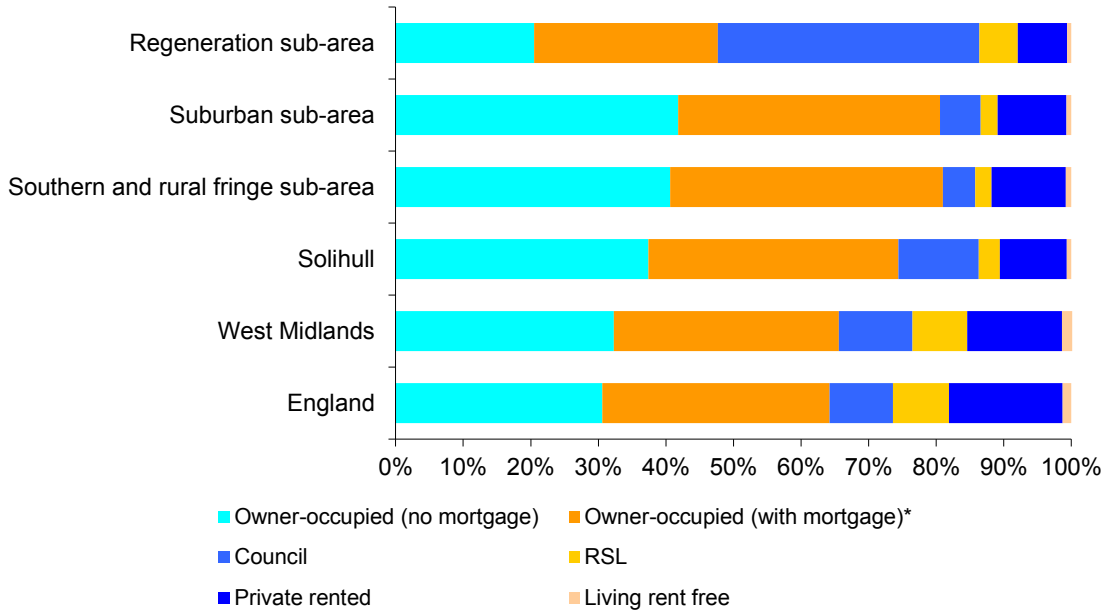
Property size	Solihull	Regeneration sub-area	Suburban sub-area	Southern and rural fringe sub-area	West Midlands	England 2011
No bedrooms	0.2%	0.4%	0.2%	0.1%	0.2%	0.2%
1 bedroom	8.4%	16.7%	6.6%	6.1%	9.6%	11.8%
2 bedrooms	18.9%	22.5%	17.6%	18.8%	25.3%	27.9%
3 bedrooms	46.1%	53.6%	50.5%	32.7%	47.0%	41.2%
4 bedrooms	20.5%	5.9%	19.8%	31.8%	13.9%	14.4%
5 or more bedrooms	5.9%	0.9%	5.3%	10.5%	4.0%	4.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: 2011 Census

Tenure

- 2.31 Figure 2.10 compares the tenure of households in Solihull in 2011 with that recorded for the West Midlands region and England. The data indicates that 37.4% of households in Solihull are owner-occupiers without a mortgage, compared to 32.3% in the region and 30.6% nationally. The proportion of owner-occupiers with a mortgage in Solihull (37.0%) is also higher than the regional (33.3%) and national average (33.6%). Some 15.0% of households in Solihull are resident in the social rented sector, lower than the figure for the West Midlands region (19.0%) and England as a whole (17.7%). Finally, some 9.9% of households in Solihull live in private rented accommodation, compared to 14.0% in the West Midlands and 16.8% across England. Within Solihull, the regeneration sub-area records by far the largest social rented sector, whilst the other two sub-areas have a larger proportion of owner-occupied and private rented households.

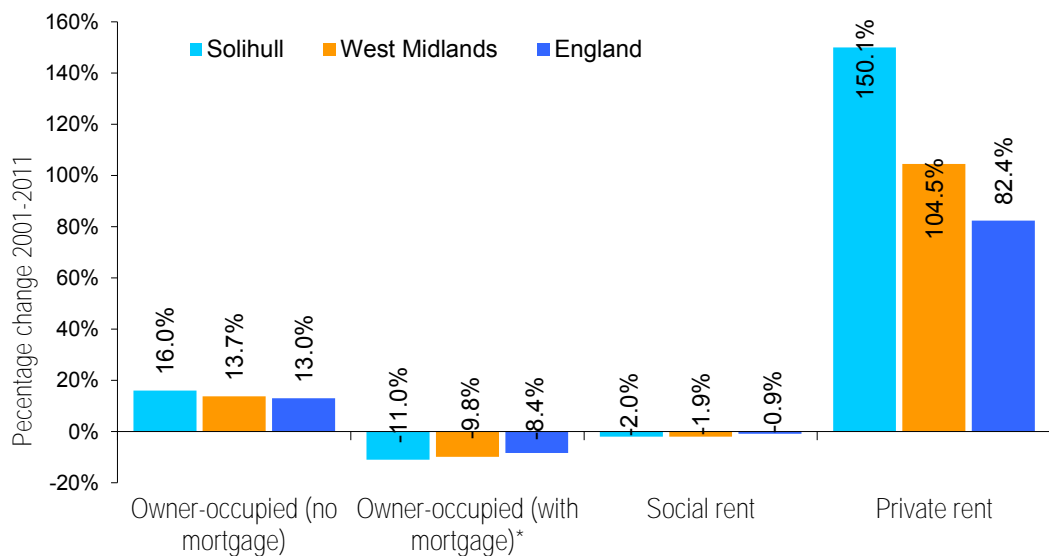
Figure 2.10 Tenure profile in Solihull, the West Midlands region and England (2011)



Source: 2011 Census *Includes shared ownership

2.32 Figure 2.11 shows the change in the size of each tenure between the 2001 and 2011 Census. The figure shows that in all areas the private rented sector has increased dramatically and the number of owner-occupiers with no mortgage has also grown. In comparison, the number of owner-occupiers with a mortgage has decreased. The social rented sector has generally shown the smallest change.

Figure 2.11 Change in number of households in each tenure 2001 to 2011



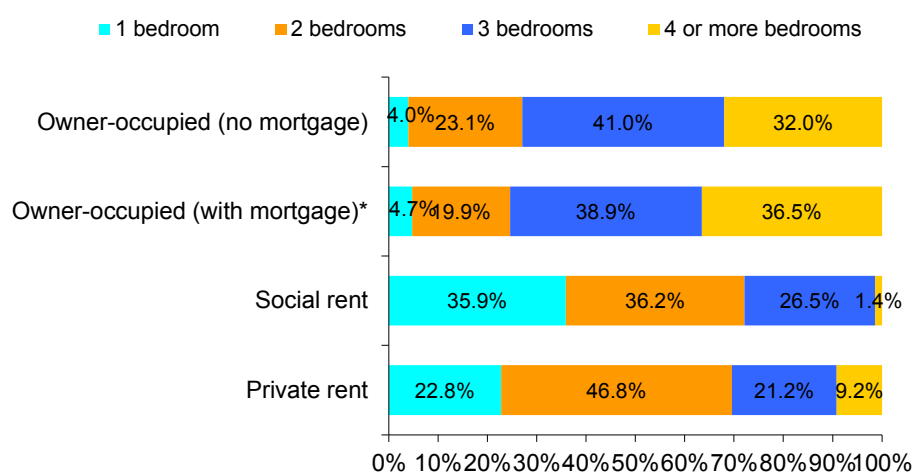
*Includes shared ownership. Source: 2001 & 2011 Census

2.33 It should be noted that whilst the owner-occupied (with mortgage) sector has decreased, the number of shared ownership properties has increased, rising by 36.5% between 2001 and 2011 in Solihull.

Tenure by bedroom

2.34 Finally, it is useful to understand the size of accommodation within each tenure as recorded in the 2011 Census. This is shown in Figure 2.12. The data indicates that, in Solihull, rented accommodation is smaller on average than owned dwellings.

Figure 2.12 Dwelling size within each tenure in Solihull, 2011



Source: 2011 Census *Includes shared ownership

3 THE COST AND AFFORDABILITY OF HOUSING

Introduction

- 3.1 An effective housing requirements study is founded on a thorough understanding of local housing – what it costs and how this varies. This chapter describes the changes in the housing market that have been recorded in Solihull. Subsequently, it assesses the entry-level costs of housing across the different price markets. A comparison of the cost of different tenures will be used to identify the housing market gaps that exist. Finally, the chapter will report changes in affordability as well as the affordability of housing for different groups of the population currently.

Relative prices

- 3.2 House price data from the Land Registry for 2014, is presented for Solihull, the West Midlands region and England as a whole in Table 3.1. The prices recorded for 2009 are also presented and the change in median price over the last five years is shown. The table indicates that the median price of dwellings in Solihull in 2014, at £179,995, is notably lower than the national average, but higher than the regional average. The table shows that between 2009 and 2014 average prices have increased at a faster rate in Solihull than they have regionally.

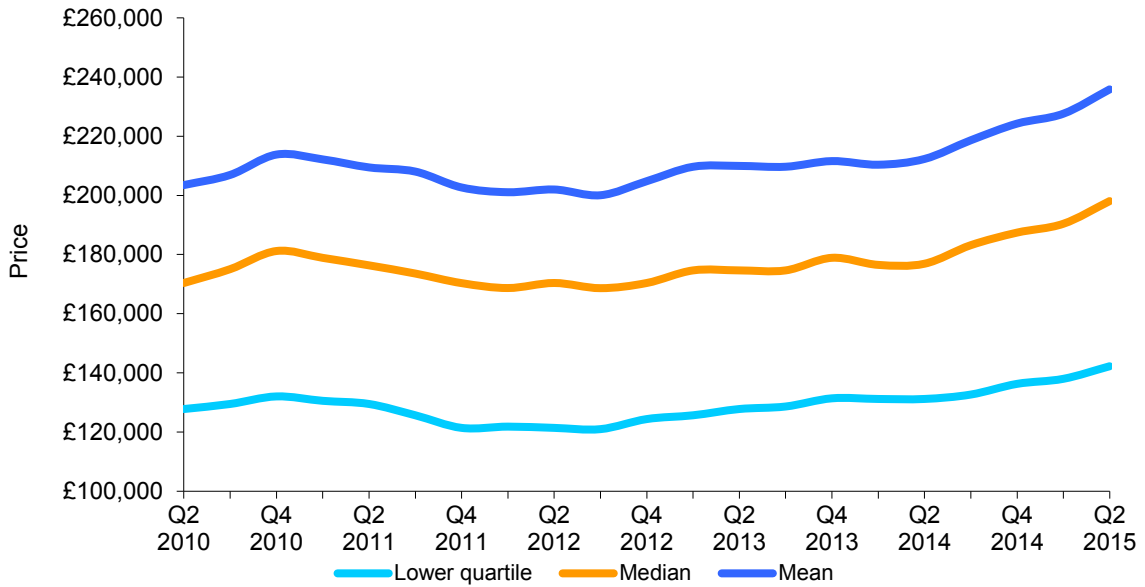
Table 3.1 Change in median property prices 2009-2014

Location	Median price 2009	Median price 2014	Percentage change recorded 2009-2014
Solihull	£151,500	£179,995	18.9%
West Midlands region	£152,750	£167,750	9.7%
England	£183,000	£217,250	18.7%

Source: Land Registry

- 3.3 Analysis of average property prices at sub-area level indicate that price increases have not been uniform across Solihull with the Southern area and rural fringe sub-area recording the highest rise in prices over the last five years and prices in the regeneration area growing at the slowest rate.
- 3.4 Figure 3.1 shows quarterly price change by property price level in Solihull over the last five years. The figure shows that the fluctuations in prices recorded over this period have been similar at all points on the property price distribution. Overall the data suggests that the price of expensive property has increased at a greater rate than cheaper accommodation; lower quartile prices have risen by 11.3% compared to a 15.9% increase in mean prices.

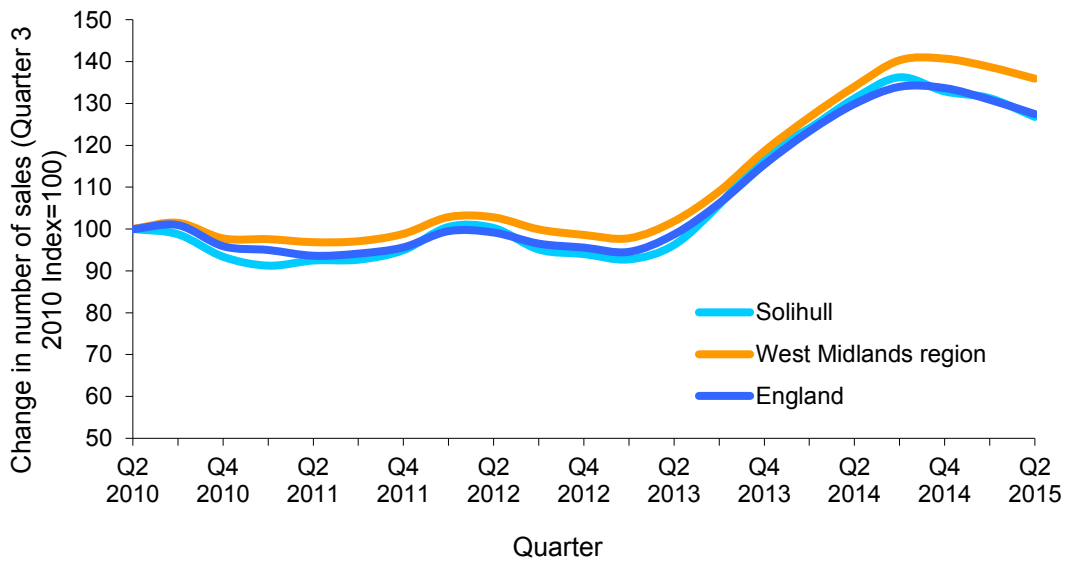
Figure 3.1 Price change by price level in Solihull over the past five years



Source: Land Registry

3.5 Figure 3.2 shows the change in the number of property sales over the last five years for Solihull, the West Midlands region and England & Wales. The figure suggests that the pattern in Solihull is broadly similar to the fluctuations recorded across the country and region.

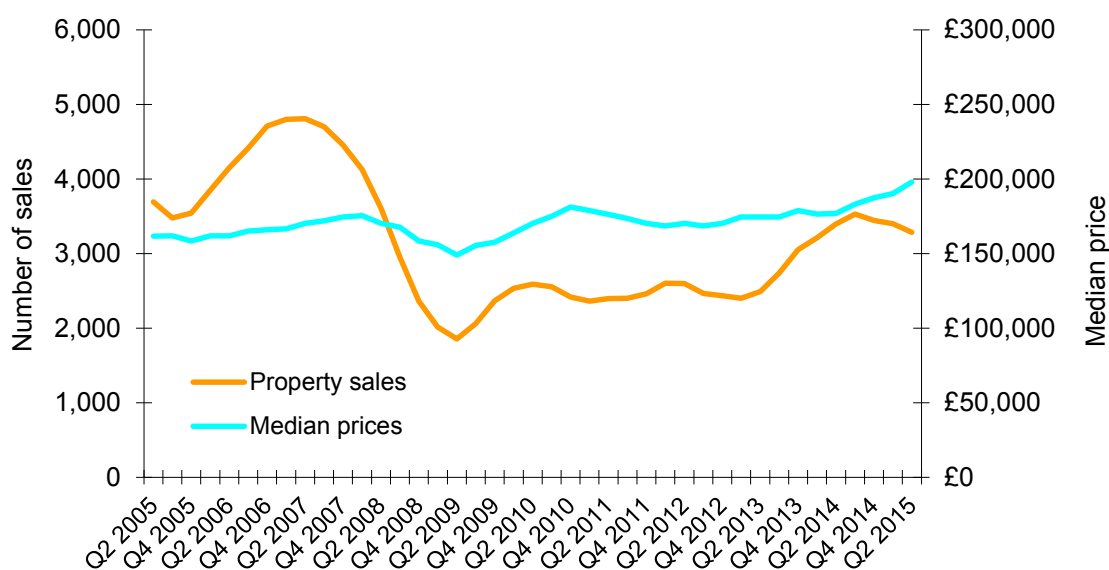
Figure 3.2 Indexed change in sales in Solihull, the West Midlands region and England over the past five years



Source: Land Registry

- 3.6 It is useful to briefly review housing market activity over a longer period to consider influences on property price changes.
- 3.7 Figure 3.3 shows the variation in median prices and property sales levels since 2005 in Solihull. The data suggests that property prices remained relatively stable over the last ten years despite property sales declining dramatically for part of that period (summer 2007 to summer 2009).

Figure 3.3 Changes in prices and sales levels in Solihull over the past 10 years



Source: Land Registry

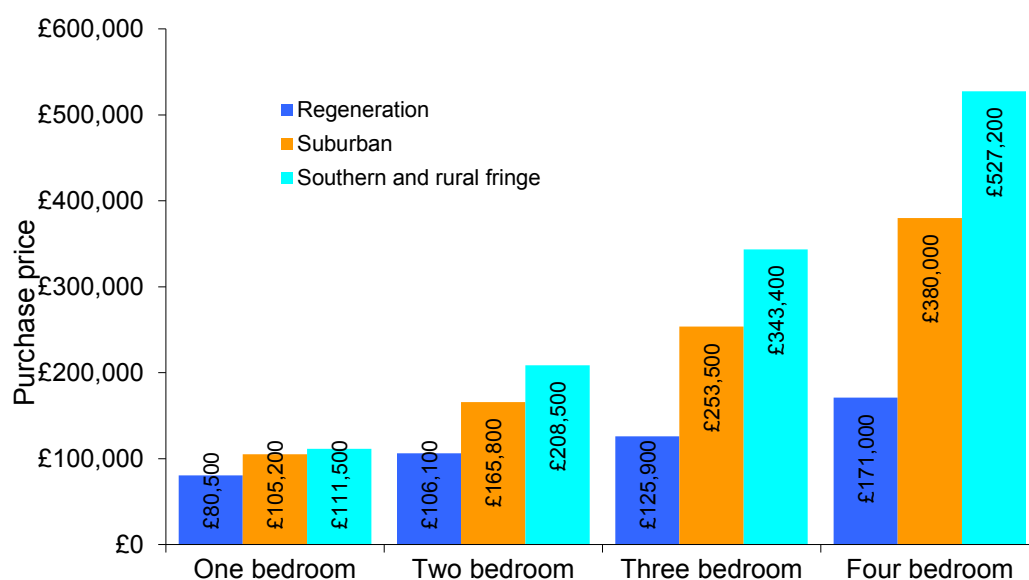
The cost of housing

- 3.8 To fully understand the affordability of housing within an area, it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household. However, no secondary data contains this information. As part of this study we have therefore undertaken a price survey to assess the current cost of market (owner-occupied and private rented) and affordable housing in Solihull.
- 3.9 Variations in prices across the Council area were examined and it was clear that the sub-housing market areas identified by the Council reflect the market boundaries that exist within Solihull. Median property prices by number of bedrooms were obtained in each sub-housing market area via an online search of properties advertised for sale during January 2016. The results of this online price survey are presented in Figure 3.4. The prices recorded include a discount to reflect that the full asking price is not usually achieved (with sales values

typically 5% lower in the regenerations sub-area and 2.5% lower in the other two sub-areas of Solihull).

- 3.10 The figure shows that prices are highest in the southern and rural fringe sub-area and lowest in the regeneration sub-area. In the regeneration sub-area the difference between two and three bedroom homes is smallest, whilst in the suburban and the southern and rural fringe sub-areas the smallest difference is between one and two bedroom homes. In terms of market availability, the analysis showed that three bedroom properties are most commonly available to purchase in all sub-areas. In the suburban and the southern and rural fringe sub-areas, one bedroom homes are most scarce, whilst in the regeneration sub-area four bedroom homes are the least widely available.

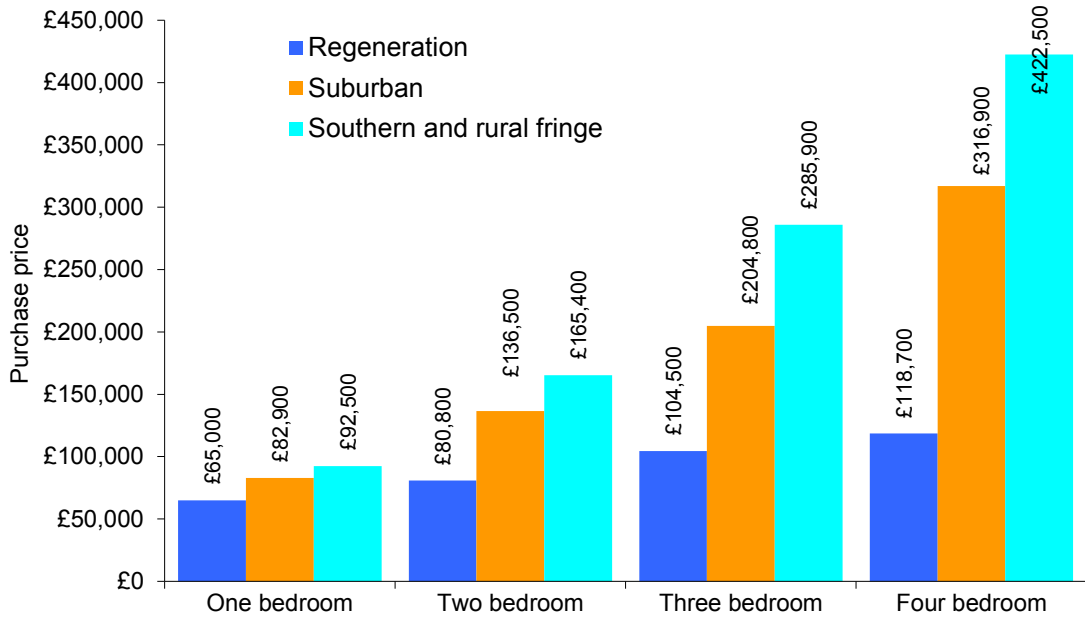
Figure 3.4 Median property prices by size and sub-area



Source: Online estate agents survey January 2016Z

- 3.11 The online survey also collected information at different points of the price distribution. Entry-level property prices for each price market are presented in Figure 3.5. In accordance with the PPG, entry-level prices are based on lower quartile prices (paragraph 025 Reference ID: 2a-025-20140306). The figure indicates that entry-level prices range from £65,000 for a one-bedroom home in the regeneration sub-area, up to £425,500 for a four-bedroom property in the southern and rural fringe sub-area.

Figure 3.5 Entry-level property prices by size and sub-area

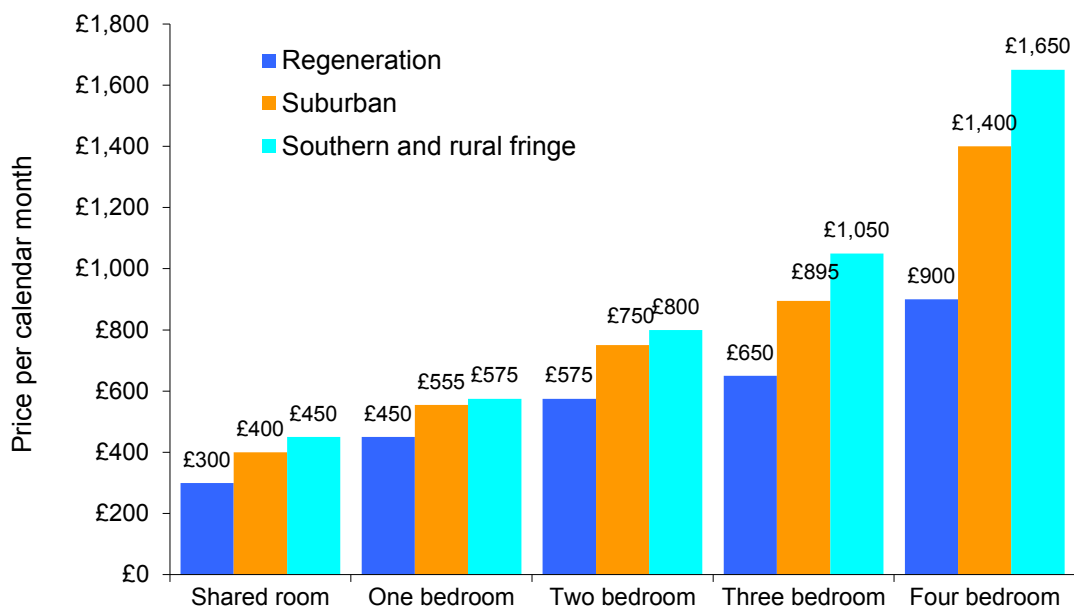


Source: Online estate agents survey January 2016

Private rents

- 3.12 Whilst private rent levels vary by sub-area across Solihull, the distinction between the areas is less marked than with owner-occupation, reflecting that location is not as important a determinant in rent levels as condition of the property. The median price for private rented accommodation by property size in each sub-areas is presented in Figure 3.6. The figure also includes the cost of a shared room within the private rented sector. The Local Housing Allowance regulations, which indicates that single people 35 or under are only entitled to the shared accommodation rate rather than the rate for a one-bedroom home, imply that these individuals are deemed suitable to meet their housing needs within the market in this way. The cost of a room within shared accommodation is therefore included as it represents appropriate accommodation for single person household 35 or under and this groups of households will be tested against their ability to afford this in the affordable housing needs model set out in Chapter 5. It was agreed at the stakeholder consultation event that single person under 35 households should be tested against the costs of shared housing rather than a self-contained one-bedroom home, so a policy off assessment can be made. Further commentary in relation to this group is provided in **Appendix C**.
- 3.13 The difference between the cost of three and four-bedroom accommodation is less marked in the private rented sector than for owner-occupation. In addition, the profile of properties available is somewhat different to that for purchase with a greater proportion of one and two bedroom homes available to rent in all sub-areas.

Figure 3.6 Median private rents by size and sub-area

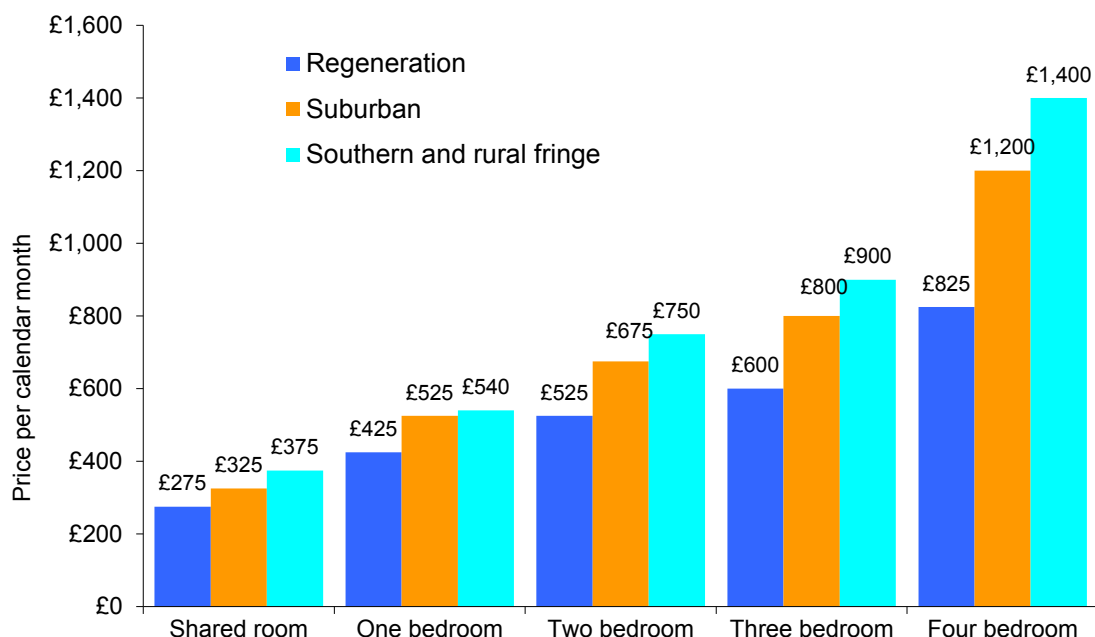


Source: Online estate agents survey January 2016

- 3.14 Entry-level private rents for each price market are presented in Figure 3.7. The figure indicates that entry-level rents in Solihull range from £425 per month for a one-bedroom home in the regeneration sub-area up to £1,400 per month for a four-bedroom property in the southern and rural fringe sub-area. It should be noted that entry-level rents are above the Local Housing Allowance (LHA) caps that apply in Solihull³ (see table 3.7 below) even though the LHA caps are meant to be set at the 30th percentile of the distribution of private rents for each accommodation size in the Broad Rental Market Area (and therefore should be above the entry-level cost, which is based at the lower quartile).

³ Other than entry-level rents in the regeneration sub-area which are lower than the LHA caps in the Solihull Broad Rental Market Area.

Figure 3.7 Entry-level private rents by size and sub-area



Source: Online estate agents survey January 2016

Social rents

- 3.15 The cost of social rented accommodation by dwelling size in Solihull can be obtained from the Homes & Communities Agency’s Statistical Data Return dataset for the RSL sector and from the Local Authority Housing Statistics data return for the Council sector. Table 3.2 below illustrates the cost of social rented dwellings across Solihull. As can be seen, the costs are significantly below those for private rented housing, particularly for larger homes, indicating a significant potential gap between the social rented and market sectors.

Table 3.2 Social rented costs (per month)

Bedrooms	Solihull
One bedroom	£321
Two bedrooms	£357
Three bedrooms	£407
Four bedrooms	£458

Source: HCA’s Statistical Data Return 2015, Council LAHS 2015

Affordable Rent

- 3.16 Affordable Rent is a relatively new product that has been introduced to reduce the requirement for capital subsidy for affordable accommodation. It is within the definition of affordable housing in the NPPF and is intended to house households on the Housing Register. It is not an intermediate product, but a new form of affordable housing for rent that coexists with the existing Social Rent tenure.

Whilst there remain long-standing tenancies on social rent, the majority of new rented affordable accommodation in Solihull is as affordable rent; both re-lets from the existing stock and new affordable rented accommodation added to the stock. Due to its different cost level, detail will be presented on its relative affordability in comparison with social rent where this is possible (in Chapter 5). Affordable Rents (including any service charges associated with the property) can be set at up to 80% of open market rents, implying there is flexibility as to what they may cost.

- 3.17 The Homes & Communities Agency’s (HCA) Statistical Data Return details the Affordable Rent levels charged in Solihull and these are set out in Table 3.3. A comparison with median market rents indicates that Affordable Rent levels are around 55% to 75% of market rents in the suburban and southern and rural fringe sub-areas, and at around 80% to 90% of median market rents in the regeneration sub-area.

Table 3.3 Affordable rented costs (per month)

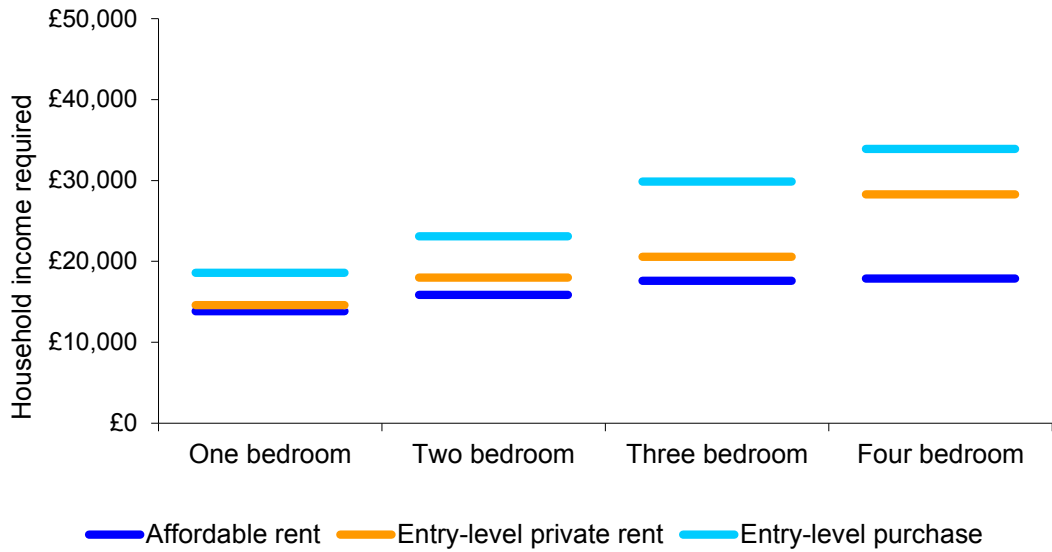
Bedrooms	Solihull
One bedroom	£404
Two bedrooms	£462
Three bedrooms	£513
Four bedrooms	£521

Source: HCA’s Statistical Data Return 2015

Analysis of housing market ‘gaps’

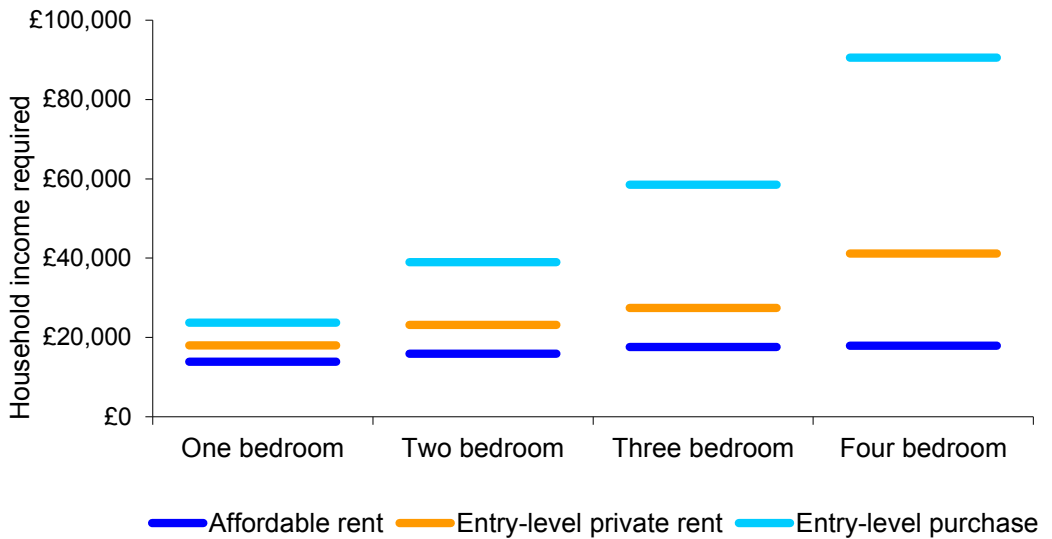
- 3.18 Housing market gaps analysis has been developed to allow comparison of the costs of different tenures. Figures 3.8 to 3.10 show the housing ladder that exists for different sizes of property in each sub-area within Solihull. The housing ladder is illustrated by comparing the different types of housing in terms of the income required to afford them. To do this, we have divided the entry-level property price by 3.5 to get an annual income figure (to reflect the likely minimum income required to be granted a mortgage on the property) and multiplied the annual rent by 2.857 to produce a comparable figure. This latter step was carried out for both affordable and market rents. These approaches are in accordance with the affordability test for rented accommodation - no more than a 35% of gross household income on rent (see para 5.8).
- 3.19 The figure shows a comparison of the indicative income requirements per household for different types of housing. Measurement of the size of the gaps between these ‘rungs of the ladder’ helps assess the feasibility of households moving between the tenures - the smaller the gaps, the easier it is for a household to ascend the ladder.

Figure 3.8 Household income required to access housing in the regeneration sub-area, by number of bedrooms



Source: Online survey of property prices January 2016; HCA's Statistical Data Return 2015, Council LAHS 2015

Figure 3.9 Household income required to access housing in the suburban sub-area, by number of bedrooms



Source: Online survey of property prices January 2016; HCA's Statistical Data Return 2015, Council LAHS 2015

Figure 3.10 Household income required to access housing in the southern and rural fringe sub-area, by number of bedrooms



Source: Online survey of property prices January 2016; HCA's Statistical Data Return 2015, Council LAHS 2015

- 3.20 Figure 3.8 indicates that in the regeneration sub-area the gaps between affordable rent and market rent are small, other than for four bedroom homes. Figure 3.9 shows that in the suburban sub-area, the gap between entry-level market rent and entry-level home ownership increases by around three times the rate of the gap between affordable rent and market rent as the property sizes increase.
- 3.21 Figure 3.10 shows that in the southern and rural fringe sub-area the gap between affordable rent and market rent is notably smaller than the gap between market rent and entry-level home ownership for two, three and four bedroom homes. The gaps for four-bedroom accommodation are large; an additional £30,100 per year is required to access a four-bedroom private rented home over the cost of a four-bedroom affordable rented property, with a further £72,700 required to move to an owner-occupied home.
- 3.22 Table 3.4 shows the size of the gaps for each dwelling size in each sub-area of Solihull. The table indicates, for example, that three-bedroom market entry rents are 17.0% higher (in terms of income required) than the cost of affordable rented accommodation in the regeneration sub-area. The large gap recorded between affordable rents and market entry rents for all dwelling sizes indicates that intermediate housing could potentially be useful for a large number of households. The notable gap between market entry rents and market entry purchase indicates notable potential demand for part-ownership products for households in this gap.

Table 3.4 Scale of key housing market gaps

Regeneration sub-area		
<i>Property size</i>	<i>Affordable rent/entry-level rent</i>	<i>Entry-level rent/entry-level purchase</i>
One bedroom	5.2%	27.5%
Two bedrooms	13.6%	28.3%
Three bedrooms	17.0%	45.1%
Four bedrooms	58.4%	19.9%
Suburban sub-area		
<i>Property size</i>	<i>Affordable rent/entry-level rent</i>	<i>Entry-level rent/entry-level purchase</i>
One bedroom	30.0%	31.6%
Two bedrooms	46.0%	68.5%
Three bedrooms	56.0%	113.3%
Four bedrooms	130.4%	120.1%
Southern and rural fringe sub-area		
<i>Property size</i>	<i>Affordable rent/entry-level rent</i>	<i>Entry-level rent/entry-level purchase</i>
One bedroom	33.7%	42.7%
Two bedrooms	62.2%	83.8%
Three bedrooms	75.5%	164.7%
Four bedrooms	168.8%	151.5%

Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

Intermediate products

- 3.23 A range of intermediate options are available for households in Solihull, the costs of these are profiled below. Further new intermediate products (such as Rent to Buy) are starting to become available.

Shared ownership

- 3.24 Shared ownership is the most established intermediate product in Solihull. It has a number of advantages over a shared equity which include; it is available to households on a lower income, it is available to households with a smaller deposit, it offers the possibility to increase (or decrease) the level of equity held and finally, with a smaller equity stake the household is less exposed if mortgage interest rates start to increase (and the property is more likely to remain affordable to other households in the future).
- 3.25 Table 3.5 presents the estimated costs of shared ownership housing in Solihull as obtained from the online estate agent survey. The open market values are based on new-build prices at the time of the estate agent survey. The monthly costs of purchasing the property with a 25% and 40% equity share are presented as these are the most commonly available options. The monthly costs are based on a 25-year repayment mortgage with an interest rate of 4.49% paid on the

equity share owned and a rent payable at 2.75% on the remaining equity. It is assumed that a deposit of 10% is required to acquire the housing.

Table 3.5 Estimated cost of shared ownership housing (monthly cost)

Bedrooms	Regeneration sub-area			
	Open market value	Shared ownership cost with 40% equity share	Shared ownership cost with 25% equity share	Entry-level private rent
One bedroom	£117,500	£378	£328	£425
Two bedrooms	£145,000	£468	£405	£525
Three bedrooms	£195,000	£630	£545	£600
Four bedrooms	£250,000	£809	£699	£825
Bedrooms	Suburban sub-area			
	Open market value	Shared ownership cost with 40% equity share	Shared ownership cost with 25% equity share	Entry-level private rent
One bedroom	£155,000	£502	£433	£525
Two bedrooms	£195,000	£631	£545	£675
Three bedrooms	£235,000	£760	£657	£800
Four bedrooms	£325,000	£1,052	£909	£1,200
Bedrooms	Southern and rural fringe sub-area			
	Open market value	Shared ownership cost with 40% equity share	Shared ownership cost with 25% equity share	Entry-level private rent
One bedroom	£175,000	£566	£489	£540
Two bedrooms	£250,000	£809	£699	£750
Three bedrooms	£295,000	£954	£825	£900
Four bedrooms	£430,000	£1,391	£1,202	£1,400

Source: Online estate agents survey, January 2016

- 3.26 The table shows that 40% equity share shared ownership is more expensive than market entry rent for three bedroom homes in the regeneration sub-area and for one, two and three bedroom homes in the southern and rural fringe sub-area. In the other instances it is cheaper than market housing and can be considered an affordable product. In all cases shared ownership housing with a 25% equity share is cheaper than market housing and forms an affordable product. Only in those instances in which shared ownership is cheaper than market-entry will it be considered for its suitability for meeting those in housing need in Chapter 5.
- 3.27 Whilst shared ownership is only considered for its suitability to accommodate those in housing need where it is cheaper than market entry (private rent), it is overall a non-market product, unlike private rent. In addition, shared ownership provides the opportunity for occupants to become home-owners, which is in more in keeping with the government’s aspirations for increasing access to this tenure.

Furthermore it provides greater security of tenure and a more predictable housing cost than private rent.

Discounted home ownership

- 3.28 Discounted home ownership is based on selling a home for a proportion of the market value with no residual rent to pay. However, the equity level owned is capped and any future re-sale will be at the same proportion of the agreed price. In Solihull the typical proportion of market value sold is 80%. The Government announced its 'Starter Homes Initiative' within the Housing and Planning Bill whereby the Government is offering concessions for housebuilders who construct new homes specifically to be sold as discount market houses (with a discount of at least 20%) for first-time buyers under 40 years old. The discounted price of these homes should be no more than £250,000 outside the London area. Whilst the Housing and Planning Bill became an Act in May 2016, there still exists uncertainty as to how 'Starter Homes' will operate, which means that the evidence presented in this report may have to be revised once the relevant detail on 'Starter Homes' has been confirmed by Secretary of State regulations.
- 3.29 Table 3.6 presents the estimated costs of discounted home ownership in Solihull. These are based on the same open market values as were used for shared ownership. The monthly costs are based on a 25-year repayment mortgage with an interest rate of 4.49% paid on the equity share owned.

Table 3.6 Estimated cost of discounted home ownership

Bedrooms	Regeneration sub-area				
	Open market value	Discounted price	Discount home ownership monthly cost	Price of entry-level owner-occupation	Level of discount required to make the product affordable*
One bedroom	£117,500	£94,000	£522	£65,000	35.6%
Two bedrooms	£145,000	£116,000	£644	£80,800	35.4%
Three bedrooms	£195,000	£156,000	£866	£104,500	45.0%
Four bedrooms	£250,000	£200,000	£1,110	£118,700	40.9%
Bedrooms	Suburban sub-area				
	Open market value	Discounted price	Discount home ownership monthly cost	Price of entry-level owner-occupation	Level of discount required to make the product affordable*
One bedroom	£155,000	£124,000	£688	£82,900	39.6%
Two bedrooms	£195,000	£156,000	£866	£136,500	38.1%
Three bedrooms	£235,000	£188,000	£1,043	£204,800	39.0%
Four bedrooms	£325,000	£260,000	£1,443	£316,900	33.7%

Bedrooms	Southern and rural fringe sub-area				
	Open market value	Discounted price	Discount home ownership monthly cost	Price of entry-level owner-occupation	Level of discount required to make the product affordable*
One bedroom	£175,000	£140,000	£777	£92,500	44.9%
Two bedrooms	£250,000	£200,000	£1,110	£165,400	46.3%
Three bedrooms	£295,000	£236,000	£1,310	£285,900	45.3%
Four bedrooms	£430,000	£344,000	£1,909	£422,500	41.5%

*Lower than market-entry level costs (private rents) Source: Online estate agents survey, January 2016

- 3.30 Discounted home ownership with an 80% share is more expensive than entry-level home ownership other than for three and four bedroom homes in the suburban and southern and rural fringe sub-areas. It is also worth noting that the price at which four-bedroom discounted home ownership properties would be for sale (at 80% the value of newbuild home ownership) would exceed the cap of £250,000 in the suburban and southern and rural fringe sub-areas. As it costs more than entry-level market accommodation (private rent) it will not be considered for its suitability for meeting those in housing need in Chapter 5, however analysis of its potential demand from households currently in the private rented sector is considered at the end of this chapter. The last column in Table 3.6 indicates the level of discount required from the newbuild price for the monthly cost to be lower than entry-level market accommodation. The table indicates that a discount of between 35% and 45% is required to make newbuild homes an affordable product.

Local Housing Allowance

- 3.31 Local Housing Allowance (LHA) has been brought in to replace Housing Benefit outside of the Social Rented sector. It is designed to make up the shortfall in people's ability to pay for their housing. Households unable to afford all of their rent are entitled to LHA to make up the difference so long as the rent does not exceed the LHA cap for the Broad Rental Market Area (BRMA) in which the claim is made as determined by the Valuation Office Agency. Table 3.7 sets out the monthly LHA caps that apply in Solihull, which is covered by two different BRMAs.
- 3.32 A comparison with the Affordable Rent levels in Solihull (set out in Table 3.3) indicates that the local Affordable Rents are currently cheaper than the LHA caps across Solihull. A comparison with the cost of median private rent indicates that the LHA cap is around 85-95% of this cost in the regeneration area, and at around 80%-90% of the cost of median private rent levels in the suburban and southern and rural fringe sub-areas.

Table 3.7 Local housing allowance cap (per month)

Bedrooms	Birmingham BRMA	Solihull BRMA
Shared room	£248	£299
One bedroom	£428	£505
Two bedrooms	£521	£648
Three bedrooms	£572	£748
Four bedrooms	£751	£997

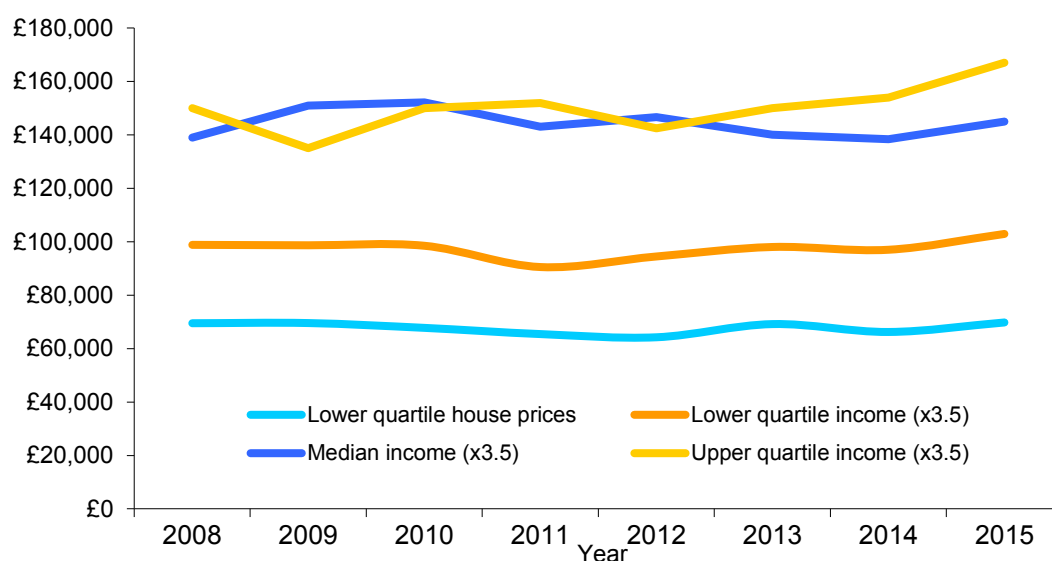
Source: Valuation Office Agency 2015

- 3.33 In the Spending Review on 25 November 2015, the Government announced that housing benefit within the social rented sector, including the Shared Accommodation Rate for single claimants aged under 35 without dependent children, is to be capped at the relevant LHA rates for new tenants.

Affordability of housing

- 3.34 Assessing the affordability of market housing in an area is crucial to understanding the sustainability of the housing market.
- 3.35 The affordability of housing in an area is measured by the ratio of market housing costs to income in that area. Initially the general authority-wide entry-level cost of market housing will be compared to different points on the earnings distribution of residents in the area to consider affordability in historical terms. This will be followed by an analysis that assesses the ability of households in Solihull to afford market accommodation of the size they require, using data on the household income distribution and the household composition in the Borough.
- 3.36 General affordability
- 3.37 Figure 3.11 shows the lower quartile, median and upper quartile income of full-time workers resident in Solihull (as set out in Chapter 2) multiplied by 3.5 (the income multiple typically used by mortgage lenders) compared to lower quartile prices in the Borough (set out in Figure 3.1). Although this analysis is based on individual incomes rather than household incomes, it is useful to consider as it is the affordability comparison that the CLG monitor.
- 3.38 The figure shows that full-time workers with earnings at the upper-quartile level in Solihull would almost be able to purchase an entry-level property in the authority. However full-time workers with earnings at the lower quartile or median level would require substantial additional income or a capital sum to deduct from the purchase price to be able to afford a lower quartile property in the Borough. The figure indicates that affordability did not notably improve after the economic downturn; whilst in 2008, lower quartile prices were 7.3 times higher than median full-time incomes in Solihull, in 2015 they were 7.8 times higher.

Figure 3.11 Earnings of residents compared with lower quartile prices in Solihull

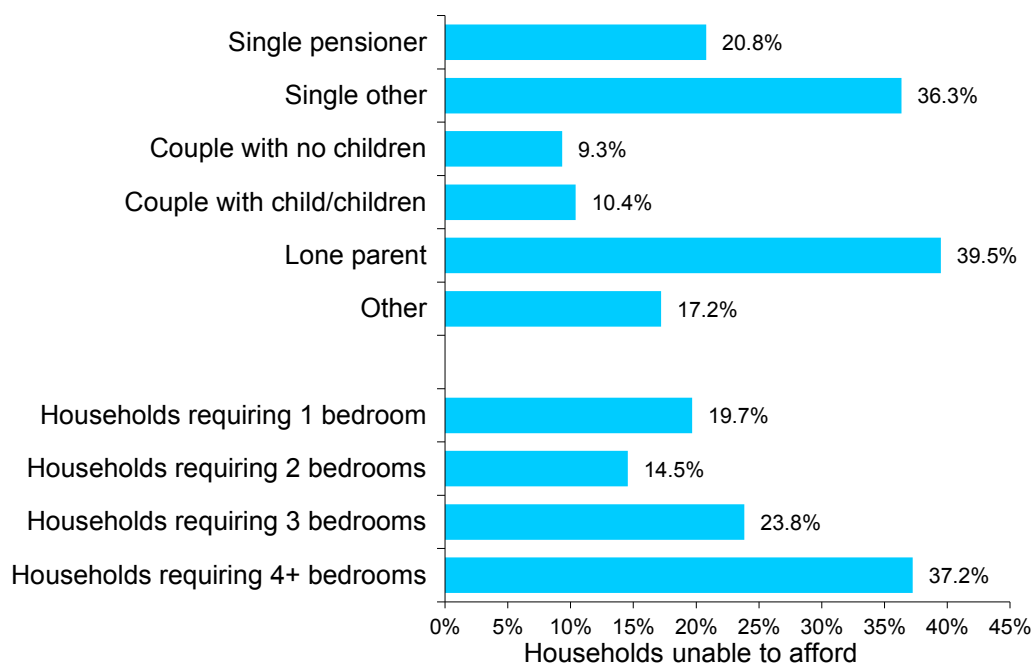


Source: Land Registry via CLG; Annual Survey of Hours and Earnings

Specific theoretical affordability

- 3.39 The household income distribution referred to in Figure 2.8 differentiated by household type can be used to assess the ability of households in Solihull to afford the size of home that they require (according to the bedroom standard). The entry-level cost of housing by bedroom size is presented in Figures 3.5 and 3.7 and the test is based on the affordability criteria discussed above.
- 3.40 Figure 3.12 shows the current affordability of households in Solihull by household type and number of bedrooms required. This is the theoretical affordability of households, as the analysis considers all households regardless of whether the household intends to move.
- 3.41 The data indicates that 39.5% of lone parent households in Solihull would be unable to afford market housing (if they were to move home now). Single non-pensioner households are also relatively unlikely to be able to afford, whilst couple households without children are most likely to be able to afford market housing in Solihull. Households requiring a four-bedroom home are least likely to be able to afford this size of market housing.

Figure 3.12 Theoretical affordability of market housing in Solihull



Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

Potential demand for discount market housing (including starter homes)

- 3.42 Paragraphs 3.26 to 3.28 of this report introduce the discount market housing product available locally. It is more expensive than entry-level owner-occupation in all cases. It is principally targeted at households in the private rented sector aspiring to purchase a home.
- 3.43 To try and establish the potential demand for these products from households in the private rented sector, the household income distribution differentiated by household type has been adjusted to reflect that nationally the income of private rented households is 98.9% of the figure for all households (according to the English Housing Survey). Applying this affordability profile to the number of households moving to a private rented home each year allows the number of these households that could afford discounted home ownership to be identified. This represents the potential annual demand for this product and is set out in Table 3.8, disaggregated by bedroom size requirements. These figures include households eligible for the 'starter home initiative' (first-time buyers under 40) but it is not possible to separate out this specific demand. It should be noted that this represents just the potential demand for these products, it is not possible to determine the tenure preferences of these households. In addition, almost all of these households would also be able to afford entry-level home ownership.

Table 3.8 Potential annual demand for discount home ownership

Bedrooms	Solihull
One bedroom	14
Two bedrooms	27
Three bedrooms	21
Four bedrooms	10
Total	72

Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

4 TYPE AND TENURE OF FUTURE HOUSING NEEDED

Introduction

- 4.1 Paragraph 021 of the PPG is clear (with our emphasis) that ‘once an overall housing figure has been identified, plan makers will need to break this down by tenure, household type (singles, couples and families) and household size’. This chapter describes the long-term balancing housing markets (LTBHM) model which uses secondary data to determine the future demand for housing by size and tenure based on the profile of household residents in Solihull in 2033. This will then be compared to the current housing stock and a profile of new accommodation required will be determined.
- 4.2 The model is set out in more detail subsequently, however this chapter initially presents the demographic changes that will occur in Solihull over the period of the Local Plan as set out in the projections used to calculate the Objectively Assessed Need in the OAN Part 1 Study. The change in the household composition in each sub-housing market area indicated within these projections drives the size and tenure demand profiles generated by the model.

Demographic projections

- 4.3 The household and population projections associated with the Objectively Assessed Need calculation presented in the OAN Part 1 Study have been further disaggregated into different household groups to facilitate this analysis. Table 4.1 sets out the number of households that will be resident in Solihull in 2033 disaggregated by broad household type. The 2014 household profile is also presented as a reference point, as 2014 is the base date for this model as this is when the plan-period began.

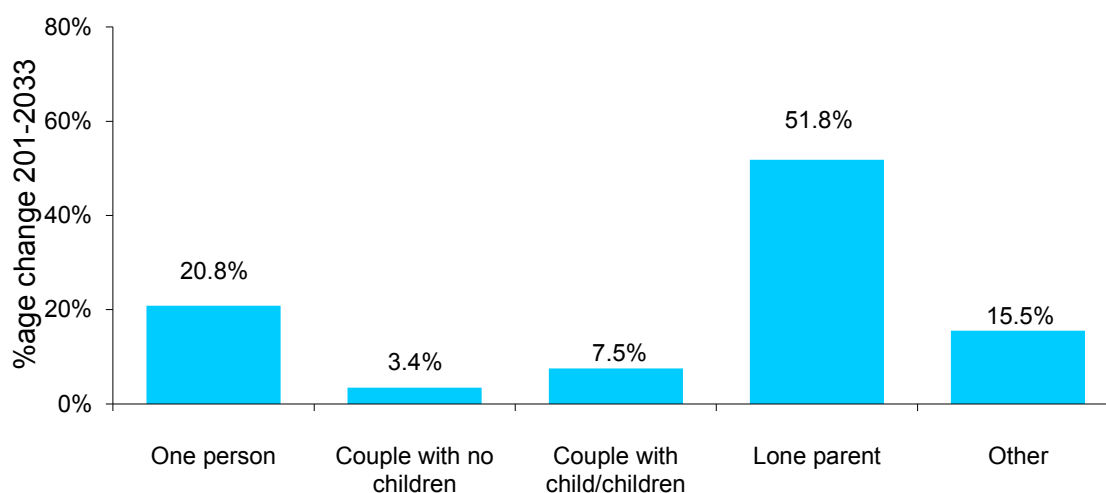
Table 4.1 Projected household population in Solihull in 2033 by household type

Household type	2014 Number	2033 Number	2033 Percentage
One person	26,014	31,437	31.0%
Couple with no children	22,288	23,054	22.7%
Couple with child/children	24,514	26,360	26.0%
Lone parent	9,862	14,972	14.8%
Other	4,913	5,676	5.6%
Total	87,590	101,500	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

4.4 Figure 4.1 indicates the change in these household types that will occur between 2014 and 2033. The figure indicates that the number of lone parent households is expected to increase the most in Solihull, followed by one person households. Couples with no children are projected to record the smallest increase.

Figure 4.1 Change in household structure, 2014 – 2033



Source: Solihull Metropolitan Borough Council 2016 SHMA

Methodology of the model

- 4.5 The Census provides information on the size (in terms of bedrooms) and tenure of accommodation in Solihull in 2011. This has been adjusted⁴ to reflect the changes since 2011 to provide an accommodation profile in 2014 as required by paragraph 021 of the PPG. 2014 is taken to be the base date so the modelling is over 19 years to 2033.
- 4.6 The 2011 Census also provides detail on the occupational patterns of different household groups in Solihull, which means that the profile of housing occupied by each household type can be determined. Rather than assuming the current usage patterns for each household type will apply to the future population of that household group, the model assesses the current trends in occupation patterns (recorded by the change in the tenure profile of each household type between the 2001 and 2011 Census alongside the changes in the size of accommodation occupied within each tenure) and models their continuation through to 2033. In addition, a further adjustment is made to counter the existence of overcrowding, which the PPG indicates should be addressed. Households currently overcrowded will therefore be housed in adequately sized accommodation within the model. This means that the future housing stock will better reflect the requirements of the future population in the area. The model however does

⁴ Using the latest data from the Homes & Communities Agency’s Statistical Data Return and the LAHS datasets and trends indicated within the English Housing Survey and by the Census.

acknowledge that certain market inefficiencies, such as the under-occupation of homes in the market sector will continue to reflect that households acquire larger homes than they technically require out of choice. The model accords to paragraph 021 of the PPG by analysing ‘household types, tenure and size in the current stock and in recent supply, and assess whether continuation of these trends would meet future needs.’

- 4.7 This profile of suitable accommodation for each household type is applied to the size of the household group in 19 years’ time. The accommodation profile required in 2033 is then compared to the current tenure profile and the nature of additional housing required is derived. It should be noted that the model works by matching dwellings to households so the figures are based on the change in number of households identified within the OAN calculations. However, the overall Objectively Assessed Need figure calculated in the OAN Part 1 Study presumes that the requirement for new dwellings is greater than the projected growth in households in accordance with the approach set out in the PPG. Chapter 7 below will therefore convert the household based results from this chapter into dwelling based equivalents. The following section presents the outputs of this model.

Tenure of housing required

- 4.8 Table 4.2 shows the projected tenure profile for Solihull in 19 years’ time. The data shows that in 2033 the housing stock across Solihull should comprise 68.2% owner-occupied dwellings, 15.1% private rented homes, 1.4% shared ownership properties and 15.3% social rented/Affordable Rented accommodation. It should be noted that this tenure profile is net of any affordable stock losses.

Table 4.2 Projected tenure profile in 2033

Tenure	Number	Percentage
Owner-occupied	69,179	68.2%
Private rented	15,356	15.1%
Shared Ownership	1,451	1.4%
Social rent/Affordable Rent	15,514	15.3%
Total	101,500	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

- 4.9 Table 4.3 shows the tenure profile required by households resident in Solihull in 19 years’ time in comparison to the tenure profile recorded currently. The difference between these two distributions is the change required to the housing stock over this period. The results show that 48.5% of new housing should be owner-occupied, 24.7% private rented, 6.9% should be shared ownership and 20.0% Social Rent/Affordable Rent. These changes are net of any loss of affordable stock, such as through Right-to-Buy or stair-casing of shared

ownership properties. Any stock losses that occur will have to be replaced in addition to the new stock that is required as identified in Table 4.3.

Table 4.3 Tenure of new accommodation required in Solihull over the next 19 years

Tenure	Current tenure profile	Tenure profile 2033	Change required	% of change required
Owner-occupied	62,439	69,179	6,740	48.5%
Private rent	11,921	15,356	3,435	24.7%
Shared ownership	492	1,451	959	6.9%
Social Rent/Affordable Rent	12,738	15,514	2,776	20.0%
Total	87,590	101,500	13,910	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

- 4.10 The model is also able to provide detail on the size of new dwellings required within each tenure, as is set out in the section below. The LTBHM size outputs are based on existing occupation patterns, as well as trends in how these are changing and the desire to remove overcrowding. The size requirements therefore presume that there will be a certain amount of under-occupation within the market sector to reflect the current and likely future situation.

Size of housing required within each market tenure

- 4.11 Table 4.4 presents the size of owner-occupied accommodation required in Solihull in 19 years' time in comparison to the size profile recorded in the sector currently. The implied change to the housing stock is also presented. The table shows that some 32.8% of new owner-occupied dwellings should be three bedroom houses, with 43.0% having four or more bedrooms, 19.1% should be two-bedroom accommodation, and 5.1% one bedroom homes.

Table 4.4 Size of new owner-occupied accommodation required in Solihull over the next 19 years

Dwelling size	Current size profile	Size profile 2033	Change required	% of change required
One bedroom flat	812	967	155	2.3%
One bedroom bungalow	588	777	188	2.8%
Two bedroom flat	3,869	4,481	611	9.1%
Two bedroom bungalow	1,115	1,391	276	4.1%
Two bedroom house	3,076	3,479	403	6.0%
Three bedroom house	30,914	33,124	2,210	32.8%
Four or more bedroom house	22,065	24,961	2,896	43.0%
Total	62,439	69,179	6,740	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

- 4.12 This analysis can be repeated for private rented housing and is presented in Table 4.5. The data indicates that of the 3,435 private rented dwellings required within Solihull, 36.7% should be two bedroom properties and a 34.2% should be three bedroom homes. Some 18.6% of dwellings should have four or more bedrooms and 10.5% should be single bedroom accommodation.

Table 4.5 Size of new private rented accommodation required in Solihull over the next 19 years

Dwelling size	Current size profile	Size profile 2033	Change required	% of change required
One bedroom flat	1,124	1,392	268	7.8%
One bedroom bungalow	349	441	92	2.7%
Two bedroom flat	2,908	3,607	698	20.3%
Two bedroom bungalow	489	603	114	3.3%
Two bedroom house	1,348	1,795	448	13.0%
Three bedroom house	4,346	5,521	1,176	34.2%
Four or more bedroom house	1,357	1,997	640	18.6%
Total	11,921	15,356	3,435	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

- 4.13 Table 4.6 sets out the equivalent analysis for shared ownership housing. The data indicates that of the 959 shared ownership dwellings required within Solihull, 48.4% should be two bedroom properties with a further 19.9% three bedroom accommodation. Some 18.6% should have one bedroom and 13.1% should have four or more bedrooms.

Table 4.6 Size of new shared ownership accommodation required in Solihull over the next 19 years

Dwelling size	Current size profile	Size profile 2033	Change required	% of change required
One bedroom flat	98	229	131	13.7%
One bedroom bungalow	4	51	47	4.9%
Two bedroom flat	168	437	269	28.0%
Two bedroom bungalow	2	39	37	3.9%
Two bedroom house	57	215	158	16.5%
Three bedroom house	124	315	191	19.9%
Four or more bedroom house	39	165	126	13.1%
Total	492	1,451	959	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

- 4.14 Table 4.7 shows the size of accommodation required in the Affordable Rented/Social Rented sector. The table shows that of the 2,776 additional

Affordable Rented units required within Solihull over the next 19 years, 31.1% should have one bedroom, 19.7% two bedrooms, 29.2% three bedrooms and 20.0% four bedrooms.

Table 4.7 Size of new social rent/affordable rent required in Solihull over the next 19 years

Dwelling size	Current size profile	Size profile 2033	Change required	% of change required
One bedroom flat	4,420	5,082	662	23.8%
One bedroom bungalow	396	599	203	7.3%
Two bedroom flat	2,046	2,173	127	4.6%
Two bedroom bungalow	612	864	252	9.1%
Two bedroom house	1,300	1,464	164	5.9%
Three bedroom house	3,535	4,347	812	29.2%
Four or more bedroom house	429	985	556	20.0%
Total	12,738	15,514	2,776	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 It is necessary to undertake a separate calculation of affordable housing need. Paragraph 22 (Reference ID: 2a-022-20140306) to Paragraph 29 (Reference ID: 2a-029-20140306) of the *Housing and economic development needs assessments* section of the PPG details how affordable housing need should be calculated. It defines affordable housing need as *'number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.
- 5.2 The PPG goes on to set out the types of households to be considered in housing need:
- *'homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income);*
 - *households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households);*
 - *households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
 - *households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation;*
 - *households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move.'*
- 5.3 This chapter presents the results of the three broad stages of the model used to calculate affordable housing need. Within each of the three stages there are a number of detailed calculations many of which themselves have a number of components. This chapter presents details of how each of these stages is calculated using locally available data for each individual sub-area. An annual estimate of the affordable housing need in Solihull is calculated and the tenure and size of accommodation most appropriate to meet this need is discussed. These summary outputs of this model are replicated for the constituent sub-areas of Solihull in **Appendix B**.

Stage 1: Current unmet gross need for affordable housing

- 5.4 The first stage of the model assesses current need. This begins with an assessment of housing suitability, before the affordability test is applied to determine the number of these households that require affordable housing, and are therefore in current need.

- 5.5 The PPG sets out four particular categories of unsuitable housing that should be specifically identified. These are presented in Table 5.1 below, which also indicates the number of households in each category and the source of the data. The final column represents the revised total for each of these categories once any double-counting between them has been taken into account. Households can be unsuitably housed for more than one reason so it is important that they are only counted once.
- 5.6 The table shows that there are 5,385 households currently in unsuitable housing or lacking their own housing in Solihull and the most common reason for unsuitability is overcrowding. This figure of 5,385 represents 6.1% of all households in Solihull.

Table 5.1 Current households who lack their own housing or live in unsuitable housing in Solihull

Element	Source	Number of households	Revised number of households
Homeless households	Section E6 of the Council's P1(E) return for 3 rd quarter of 2015 showing the number of homeless households in temporary accommodation in Solihull at the end of the quarter.	303	0 ⁵
Households in temporary accommodation	Section E6 of the Council's P1(E) return for 3 rd quarter of 2015 showing the number of homeless households accommodated in temporary accommodation in Solihull at the end of the quarter.	6 ⁶	0 ⁷
Overcrowded households	2011 Census modelled to January 2016. This was done by calculating the annual change in the number of overcrowded households (in terms of rooms not bedrooms as bedrooms were not included in the 2001 Census) in Solihull recorded between the 2001 and 2011 Census. The four and three-quarter year change for each tenure recorded from this source was averaged against the latest four and three-quarter year change for each tenure recorded nationally by the English Housing Survey. This average four and three-quarter-year change was applied to the 2011 Census figures for overcrowding in each tenure to derive an estimate for 2015.	2,431	2,431

⁵ All homeless households are also on the Council's Housing Register, although the type temporary of accommodation they occupy is not separately distinguished so this is obtained from the P(1)E form.

⁶ This only includes households living in non-self-contained temporary accommodation i.e. B&B and hostels.

⁷ All households in temporary accommodation are also on the Council's Housing Register, although the type temporary of accommodation they occupy is not separately distinguished so this is obtained from the P(1)E form.

Element	Source	Number of households	Revised number of households
Concealed households*	2011 Census modelled to January 2016. This was done by calculating the annual change in the number of concealed households recorded between the 2001 and 2011 Census.	28	13 ⁸
Other groups	The Council's housing register as of June 2015. Only households that are on the register due to a category of unsuitable housing are included (excluding overcrowded, temporary, concealed and homeless households accounted for above).	2,941	2,941
Total		5,710	5,385

Source: Solihull Metropolitan Borough Council 2016 SHMA. *According to the Practice Guidance, concealed households include couples, people with young children and single adults over 25 sharing a kitchen, bathroom or WC with another household.

Affordability

- 5.7 Some of these households in unsuitable housing are likely to be able to afford alternative accommodation in the market sector without requiring subsidy. The ability of these households to afford the cost of entry-level market housing of the appropriate size (set out in Figures 3.5 and 3.7) is therefore tested. The waiting list details the size of accommodation required by homeless households and households unsuitably housed for other reasons. For overcrowded households and concealed households, the household composition recorded for these households in the Census is used to determine the size requirement profile⁹. To test overcrowded households, the income distribution for each dwelling size requirement, identified using the CACI income profile for each sub-area within Solihull, is adjusted to reflect that nationally the income of overcrowded households is 98.6% of the figure for all households (according to the English Housing Survey). Similarly, for homeless, concealed and 'other' unsuitably housed households, the income distribution is adjusted to reflect that nationally the income of social rented households is 52.0% of the figure for all households (according to the English Housing Survey).
- 5.8 These households in unsuitable housing or lacking their own housing are therefore tested for their ability to afford market housing in their sub-area using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable¹⁰. This was agreed as the most suitable

⁸ The 2001 Census indicated that 53.3% of concealed households were also overcrowded in Solihull.

⁹ The bedroom standard, set out in the Housing (Overcrowding) Bill of 2003, is used to determine the size of home required within this model. This allocates households to the smallest home that they require without being overcrowded.

¹⁰ This affordability test is used in preference to the affordability test of up to 25% of gross income on housing that was contained in the, now cancelled, 2007 Practice Guidance, as this is the most appropriate figure when the affordability of local housing is considered based on practice in the market (such as assumptions used by

affordability threshold for Solihull by the majority of participants in the stakeholder consultation. The impact of using other thresholds is however examined at the end of this chapter, in light of the concerns raised by some that the figure of 35% is too high. Table 5.2 shows the number of unsuitably housed households requiring different dwelling sizes and the proportion of these households able to afford the market-entry point. The number of households that are therefore in current need is shown in the final column. Further commentary is provided in **Appendix C**.

Table 5.2 Affordability of households in unsuitable housing

Number of bedrooms required	Unsuitable housed households	Percentage unable to afford entry-level market housing	Households in current need
One bedroom	1,872	72.7%	1,361
Two bedroom	2,049	49.5%	1,014
Three bedroom	1,047	39.9%	418
Four or more bedrooms	418	49.6%	207
Total	5,385	55.7%	3,000

Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

- 5.9 Overall 55.7% (3,000 households) of unsuitably housed households or households lacking their own housing in Solihull are unable to afford market housing and are in current need. For the purposes of the housing needs assessment, households considered to be in housing need have been split into two categories: current occupiers of affordable housing in need that would make the property available when they move (this includes occupiers of social rented and shared ownership accommodation that are not living with another household currently), and other households. It is estimated that some 806 households in need currently live in affordable housing that would become available for reuse.
- 5.10 Total current need
- 5.11 Table 5.3 summarises the first stage of the assessment of affordable housing need as set out by PPG. The data shows that there are an estimated 3,000 households in current need in Solihull.

letting agents and mortgage brokers). As this study is seeking to make a 'policy off' assessment of the housing market an assumption that reflects the workings of the market should be used.

Table 5.3 Stage 1: Current unmet gross need

Component	
Homeless households and those in temporary accommodation	285
Overcrowded and concealed households	888
Other groups	1,827
Total current housing need (gross)	3,000

Source: Solihull Metropolitan Borough Council 2016 SHMA

Stage 2: Newly arising affordable housing need

- 5.12 In addition to Current Need, there will also be Newly Arising (on-going) Need. This forms the second stage of the affordable housing need model. This is split, as per the PPG, into two categories:
- new household formation (× proportion unable to buy or rent in market).
 - existing households falling into need.

Need from newly forming households

- 5.13 The headship rate for each 5 year age cohort between the ages 15 and 49 was calculated using information in the Census on the number of people and number of household heads within each age cohort. This headship rate was then applied to the population projections associated with the calculation of the Objectively Assessed Need figure. This identified the projected number of households likely to form in each sub-area within Solihull. This figure is then averaged to provide an annual estimate for the number of newly forming households.
- 5.14 Using this methodology it is estimated that 1,550 new households will form per year in Solihull. This represents a household formation rate of 1.8%, the similar to the figure of 1.7% recorded nationally by the English Housing Survey. To assess the ability of these households to afford entry-level market housing of the appropriate size, it is presumed that these new households will have the same composition as the profile for new households recorded in the English Housing Survey, from which the appropriate size requirement profile can be determined. To test newly forming households ability to afford market housing, the income distribution for each dwelling size requirement (identified using the CACI income profile for the each sub-area) is adjusted to reflect that nationally the income of newly forming households is 72.9% of the figure for all households (according to the English Housing Survey).
- 5.15 Table 5.4 shows details of the derivation of newly arising need from newly forming households. The table shows that 35.1% of newly forming households will be unable to afford market housing in Solihull, which means that there will be an annual affordable housing requirement from 545 newly forming households.

Table 5.4 Newly arising need from new household formulation (per annum)

Component	
Number of newly forming households	1,550
Proportion unable to afford entry-level market housing	35.1%
Number of newly forming households requiring affordable accommodation	545

Source: Solihull Metropolitan Borough Council 2016 SHMA

Existing households falling into need

- 5.16 The PPG recommends that this figure is derived by looking at recent trends in households applying for affordable housing. Analysis of the approaches for affordable accommodation made to the Council re-lets over the last three years (April 2012 to April 2015) indicates that 2,336 of the 2,447 approaches in Solihull were from households in housing need. Annualised this is 779 (2,336/3) households per year in affordable housing need.
- 5.17 This figure will include newly forming households, which have featured in the previous step. The CORE LA Area Lettings Reports¹¹ provide an estimate of the proportion of social rented lets each year taken by newly forming households in Solihull. It shows that an average of 38.4% of lettings in Solihull were to newly forming households over the last three years. It is assumed therefore that 299 (38.4% of 779) of the households in need are newly forming households. The resultant number of existing households falling into need in Solihull is 480 (779-299) households per annum.

Total newly arising need

- 5.18 Table 5.5 summarises the second stage of the assessment of affordable housing need as set out by the PPG. It indicates that 1,025 (545+480) households will be in newly arising need per annum in Solihull.

Table 5.5 Stage 2 newly arising need (per annum)

Component	
New household formation (gross per year)	1,550
Proportion of new households unable to buy or rent in the market	35.1%
Existing households falling into need	480
Total newly arising housing need (gross per year)	1,025

Source: Solihull Metropolitan Borough Council 2016 SHMA

¹¹ CORE (COntinuous REcording) is a national information source funded by the Department for Communities and local Government that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent and buy.

Stage 3: Current affordable housing supply

- 5.19 The PPG indicates that the stock available to offset the current need includes stock from current occupiers of affordable housing in need, surplus stock from vacant properties and the committed supply of new affordable units. Units to be taken out of management are removed from the calculation.

Current occupiers of affordable housing in need

- 5.20 It is important when considering net need levels to discount households already living in affordable housing. This is because the movement of such households within affordable housing will have an overall nil effect in terms of housing need. As established when calculating current need (paragraph 5.9), there are 806 households currently in need already living in affordable housing in Solihull.

Surplus stock

- 5.21 A certain level of vacant dwellings is normal as this allows for transfers and for work on properties to be carried out. Established good practice suggests that if the vacancy rate in the affordable stock is in excess of 3%, some of the vacant units should be considered as surplus stock which can be included within the supply to offset housing need. Solihull records a vacancy rate in the affordable sector of 0.9%. As the vacancy rate is lower than the 3% benchmark, no vacant dwellings are considered available to be brought back into use to increase the supply of affordable housing.

Committed supply of new affordable units

- 5.22 The PPG indicates that '*the committed supply of new affordable units (social rented and intermediate housing) at the point of the assessment*' be taken into account within the model. The Councils have indicated that there are 252 new affordable homes currently committed across Solihull.

Planned units to be taken out of management

- 5.23 The PPG states that the '*net number of units to be taken out of management (demolition or replacement schemes that lead to net losses of stock)*' should be quantified. The Councils have indicated that there are no planned replacement schemes that will lead to a net loss in the affordable housing stock in the Borough. This excludes any high value council voids that will be sold under proposals in the Housing and Planning Act (although the number and location of these potential additional sales is still being discussed currently so there is no figure available).

Total current affordable housing supply

- 5.24 Having been through the four components in order to assess the current affordable housing supply, the stage of the model is summarised in Table 5.6.

The data shows that there are an estimated 1,058 affordable homes currently available in Solihull area.

Table 5.6 Stage 3 Current affordable housing supply

Component	
Affordable dwellings occupied by households in need	806
Surplus stock	0
Committed supply of affordable housing	252
Units to be taken out of management	0
Total affordable housing stock available	1,058

Source: Solihull Metropolitan Borough Council 2016 SHMA

Stage 4: Future housing supply of social re-lets and intermediate affordable housing

- 5.25 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social re-lets and the annual supply of re-lets within the intermediate sector. It should be noted that we have followed the PPG approach for calculating affordable housing supply and this does not account for the ongoing loss of stock through Right-to-Buy (although the historic loss of stock through Right-to-Buy does affect the supply figures used). Data from the Department of Communities and Local Government indicates that over the last three years (2012/13 to 2014/15) an average of 45 affordable homes each year have been sold through Right-to-Buy.

The future supply of social/affordable rented housing

- 5.26 This is an estimate of likely future re-lets from the affordable stock. The PPG suggests that the estimate should be based on past trend data over the last three years. CORE data provides an indication of the number of lettings in the Social Rented / Affordable Rented sector and the results for the last three years are presented in Table 5.7. The average number of lettings across the social and affordable rented sector over the three-year period was 889 per annum in Solihull.

Table 5.7 Analysis of past housing supply (social rented/Affordable Rented sector)

Year	Solihull
2012/13	883
2013/14	898
2014/15	886
Average	889

Source: CORE LA Area Lettings Report 2012/2013, 2013/2014, 2014/2015

Supply of intermediate housing

- 5.27 In most local authorities the amount of intermediate housing (mostly shared ownership) available in the stock is fairly limited (as is the case across Solihull). However, it is still important to consider to what extent the supply may be able to help those in need of affordable housing. Therefore, we include an estimate of the number of intermediate units that become available each year, based on applying the estimated re-let rate for the social rented sector¹² (6.8% in Solihull) to the estimated stock for each form of intermediate housing in the Borough. This is set out in Table 5.8. It is estimated that around 33 units of intermediate housing will become available to meet housing needs from the existing stock each year in Solihull.

Table 5.8 Estimated intermediate supply

Intermediate tenure	Stock	Annual re-lets
Discount home ownership	14	1
Shared ownership	475	32
All intermediate lettings	-	33

Source: HCA's Statistical Data Return 2015

Annual future supply of affordable housing

- 5.28 The total future supply of affordable housing is the sum of the social rented supply and the intermediate supply as set out in Table 5.9.

Table 5.9 Stage 4 Future supply of all affordable housing (per annum)

Component	Stock
Annual supply of social/affordable rented re-lets	889
Annual supply of intermediate housing available for re-let or resale at sub-market levels	33
Annual supply of all affordable housing	922

Source: Solihull Metropolitan Borough Council 2016 SHMA

Estimate of net annual housing need

- 5.29 The PPG states that the figures in the model need to be converted to annual flows to establish the total need for affordable housing. The first step in this process is to calculate the total net current need. This is derived by subtracting the estimated current affordable housing supply (Stage 3) from the current unmet gross need for affordable housing (Stage 1).
- 5.30 The second step is to convert this total net current need figure into an annual flow. The PPG is not specific as to how this should be done. For the purposes of

¹² This is calculated by dividing the total number of relets as set out in Table 5.7 by the total stock of social and affordable housing as set out in the HCA's Statistical Data Return, 2015.

this study the period of 18 years will be used to fit in with the remaining timeframe of the Local Plan. The final step is to sum the annualised net current need with the total newly arising affordable housing need (Stage 2) and subtract the future annual supply of affordable housing (Stage 4).

- 5.31 Table 5.10 sets out this process. It leads to a total need for affordable housing of 210 per year in Solihull. Whilst the model set out in the PPG, and followed here, uses a similar approach to the model described within the previous SHMA Practice Guidance, there are some important distinctions and it is inevitable that the final number reached will be different.

Table 5.10 Results of the affordable housing needs model

Stage in calculation	
Stage 1: Current unmet gross need for affordable housing (Total) (Table 5.3)	3,000
Stage 2: Newly arising affordable housing need (Annual) (Table 5.5)	1,025
Stage 3: Current affordable housing supply (Total) (Table 5.6)	1,058
Stage 4: Future housing supply (Annual) (Table 5.9)	922
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	1,942
Stage 5.2 Annualise net current need (Stage 5.1/18) (Annual)	108
Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)	210
Total gross annual need (Stage 1/18 + Stage 2) (Annual)	1,191
Total gross annual supply (Stage 3/18 + Stage 4) (Annual)	981

Source: Solihull Metropolitan Borough Council 2016 SHMA

Overall households in affordable housing need by type (gross)

5.32 Table 5.11 gives a breakdown of the gross annual households in need, by household type in Solihull. The table shows that some 2.8% of 'other' households are in housing need compared to 0.7% couple households with children. Overall, one person households comprise 32.2% of all households in need.

Table 5.11 Annual need requirement by household type

Household type	Need requirement				
	No. of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
One person	384	26,091	26,475	1.5%	32.2%
Couple with no children	208	22,036	22,244	0.9%	17.5%
Couple with child/children	181	24,565	24,746	0.7%	15.2%
Lone parent	276	9,993	10,269	2.7%	23.1%
Other	143	4,883	5,026	2.8%	12.0%
Total	1,192	87,568	88,760	1.3%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Size of accommodation required

- 5.33 Table 5.12 shows the size of accommodation required by households in housing need in Solihull. The supply distribution for social rented and intermediate homes is derived from the average profile of re-lets of affordable accommodation over the last three years as documented by CORE data. The last column in the table presents the supply as a percentage of need. This is calculated by dividing the estimated supply of the property size by the derived need for that dwelling size. The lower the figure produced, the more acute the need for affordable accommodation in the area, as the current supply is unlikely to meet the identified need.
- 5.34 The table suggests that there is a net need for one, three and four-bedroom affordable housing and a surplus of two bedroom homes. The largest net need is for one-bedroom accommodation, followed by four bedroom homes. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by three-bedroom accommodation. Households in need requiring two-bedroom accommodation are most likely to have their need met from the current supply.

Table 5.12 Size of additional units required to meet housing need

Size of home	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	592	469	123	53.0%	79.2%
Two bedrooms	360	382	-23	0.0%	106.3%
Three bedrooms	152	111	41	17.6%	73.0%
Four or more bedrooms	88	19	68	29.4%	22.0%
Total	1,191	981	210	100.0%	82.4%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Type of affordable home required

- 5.35 As discussed in Chapter 3, a range of affordable products is available to meet affordable housing need in Solihull. This section will consider the suitability of these different products for meeting affordable housing need.

Gross requirement

- 5.36 Table 5.13 illustrates how many households in affordable housing need in Solihull are able to afford the different affordable products. The figures presented are exclusive, so for example the 35 households requiring a three bedroom home that are able to afford shared ownership home with a 25% equity share do not include the 5 households able to afford shared ownership with a 40% equity share (even though they would also be able to afford Affordable Rent). Households have therefore been assigned the most expensive product they are able to afford. The social rented group also includes those unable to afford any accommodation without support from HB/LHA, as this is the tenure in which these households are most likely to reside.
- 5.37 The table shows that of the 1,191 households in gross need each year in Solihull, 4.8% could afford shared ownership with a 40% share, 24.3% could afford shared ownership with a 25% share, 24.7% Affordable Rent and 46.2% can afford Social Rent or require support.

Table 5.13 Size and type of affordable home required by those in need (per annum)

Product	One bed	Two bed	Three bed	Four bed	Total (number)	Total (%)
Shared ownership 40% equity	31	17	5	4	57	4.8%
Shared ownership 25% equity	145	89	35	21	290	24.3%
Affordable rent	145	68	56	25	294	24.7%
Social rent/requires assistance	271	186	56	38	550	46.2%
All households	592	360	152	88	1,191	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Sensitivity analysis - affordability threshold

- 5.38 The results presented this chapter are based on using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. The impact of adjusting this affordability threshold is considered in Table 5.14, which details the results of the PPG affordable housing need model across Solihull where the cost of housing could constitute no more than 25% and 30% of gross household income, rather than 35% used in the standard model.

Table 5.14 Impact of different affordability assumptions on affordable housing requirement in Solihull

	Rent payable constitutes no more than:		
	35% of gross household income	25% of gross household income	30% of gross household income
Stage 1: Current gross need	3,000	3,314	3,188
Stage 2: Newly arising need	1,025	1,187	1,087
Stage 3: Current supply	1,058	1,132	1,104
Stage 4: Future supply	922	922	922
Stage 5.1 Net current need	1,942	2,182	2,084
Stage 5.2 Annual net current need	108	121	116
Stage 5.3 Total annual need	210	386	281

Source: Solihull Metropolitan Borough Council 2016 SHMA

6 REQUIREMENTS OF SPECIFIC GROUPS OF THE POPULATION

Introduction

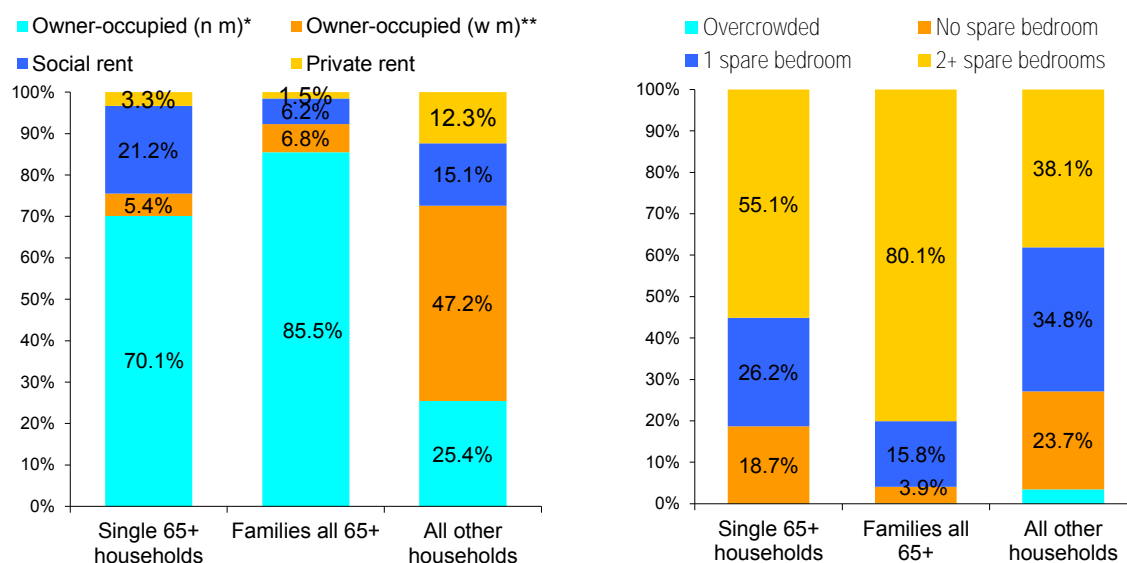
- 6.1 The NPPF indicates that a SHMA should ensure all subgroups of the population are addressed. Whilst the LTBHM considers all household groups within the model, the results can be broken down to show the accommodation requirements of certain household groups of interest. This chapter considers the specific profiles of the following groups of the population, which are suggested in the PPG and have an appreciable impact on the housing market within Solihull:
- Older persons
 - People with disabilities
 - Family households
- 6.2 Students and service personnel were considered, but there is no University or Ministry of Defence presence within Solihull, so these groups have not been profiled in detail. This chapter will also examine the private rented sector in more detail and comment on the level of demand from people wishing to build their own homes.

Housing needs of older people

Current situation

- 6.3 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. The Census indicates that 24.4% of households in Solihull were older person only households (households where all members are 65 or over), compared to 21.5% regionally and 20.5% nationally. Within Solihull, the suburban sub-area records the largest proportion of older persons only households (27.0%), followed by the southern and rural fringe sub-area (23.7%) and the regeneration sub-area (18.0%). Of these older person only households in Solihull in 2011, 56.9% contained only one person, a lower proportion than that recorded in the West Midlands (58.7%) and England (60.0%).
- 6.4 Figure 6.2 shows the tenure profile of older person only households in Solihull in 2011 compared to the remainder of the household population. The figure also sets out the occupancy level of these groups. The results show that both of the older person groups show a higher level of owner-occupation than other households. Older person households were also more likely than average to have multiple spare bedrooms in their home.

Figure 6.1 Profile of accommodation for older person households in Solihull



Source: 2011 Census *Owner-occupied no mortgage ** Owner-occupied with mortgage, includes shared ownership.

Future requirement

- 6.5 The Objectively Assessed Need projections indicate that the population aged 65 or over is going to increase dramatically over the plan period from 43,900 in 2014 to 58,000 in 2033, a rise of 34.0%.
- 6.6 The Projecting Older People Information System (POPPI) website uses information on recent trends in the health and occupation patterns of those aged 65, and applies them to the latest sub-national population projections to provide an indication of the potential future profile of older persons in each authority in the country. This source suggests that the proportion of older persons living alone in Solihull will increase from 36.8% in 2015 to 38.2% in 2030 (the furthest date that the POPPI website projects to).
- 6.7 The results of the LTBHM model can be disaggregated into different household groups within the whole population. Table 6.1 shows the projected accommodation profile for older person households in Solihull in 2033 arising from that model.

Table 6.1 Accommodation required for pensioner households 2033

Dwelling size	Owner-occupation	Private rented	Shared ownership	Social rent/ Affordable Rented	Total
One bedroom	9.1%	3.8%	1.8%	8.8%	23.5%
Two bedrooms	29.3%	1.5%	2.1%	4.3%	37.2%
Three bedrooms	33.2%	0.4%	0.2%	0.5%	34.3%
Four or more bedrooms	5.0%	0.0%	0.0%	0.0%	5.0%
Total	76.6%	5.7%	4.1%	13.6%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Specialist accommodation

6.8 Given the dramatic growth in the older population and the higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. It is therefore useful to consider the ability of specialist accommodation to meet the requirements of this group. To do this we use the Strategic Housing for Older People tool developed by the Housing Learning and Improvement Network¹³. It should be noted that this tool is only driven by demographic changes and does not take into account people's aspirations as to what form of accommodation they would prefer.

Specialist accommodation – individual homes (C3B)

6.9 Table 6.3 shows the current provision of specialist dwellings for older people. At present it is estimated that there are 1,674 units in Solihull; this is equivalent to 82 units per 1,000 people aged 75 and over. The Strategic Housing for Older People tool uses this ratio (the number of units per 1,000 people 75 and over) as the key variant when modelling future demand so it is important to establish the current level. It is also worth noting that some 39.2% of this accommodation is in the affordable sector, despite the overwhelming propensity of older persons only households to be owner-occupiers.

6.10 Table 6.2 shows the amount of specialist dwellings for older people that will be required by the population in 2033 if the current rate of occupation is maintained (82 units per 1,000 people aged 75 and over). The total additional units required to increase the current provision to this level is also presented. As the current rate of provision is notably lower than the base recommended within the Strategic Housing for Older People tool (170 units per 1,000 people) it is useful to also to consider a scenario where the rate of use of this form of housing increases to this level. The fifth and sixth column of the table therefore show the total and net requirement for specialist dwellings for older people if the usage rate increases to 170 per 1,000 people.

Table 6.2 Specialist dwellings for older people required in the Solihull over the next 19 years

Type and tenure of specialist accommodation		Current profile (2014)	Future requirement based on current usage ratio of 82 per 1,000 people aged 75+		Future requirement based on increasing usage ratio to 170 per 1,000 people aged 75+	
			Profile 2033	Additional units required	Profile 2033	Additional units required
Sheltered housing	Market	1,018	1,758	740	2,995	1,977
	Affordable	591	1,044	453	1,674	1,083

¹³ <http://www.housinglin.org.uk/>

Type and tenure of specialist accommodation		Current profile (2014)	Future requirement based on current usage ratio of 82 per 1,000 people aged 75+		Future requirement based on increasing usage ratio to 170 per 1,000 people aged 75+	
			Profile 2033	Additional units required	Profile 2033	Additional units required
Extra care housing	Market	0	0	0	0	0
	Affordable	65	97	32	805	740
Total		1,674	2,899	1,225	5,474	3,800

Source: The Housing Learning and Improvement Network' Strategic Housing for Older People tool, 2015

- 6.11 If it is presumed that occupation patterns remain at current levels then there is a requirement for 1,225 additional specialist dwellings for older people of which 1,193 should be sheltered housing and 32 extra care housing. The requirement for 1,225 additional specialist units for older people represents 8.8% of the total household growth for the period 2014 to 2033. If it is assumed that occupation rates increase to a rate of 170 per 1,000 people 75 or over then 3,800 additional specialist dwellings for older people are required which constitutes 27.3% of the total household growth. As varying the occupation rate has such a dramatic effect on the overall requirement, it may be appropriate for the Council to pursue the lower of these two figures, which is closer to the current expectations of older households and monitor how usage patterns develop over time.
- 6.12 The model identifies that some 39.6% of these additional specialist dwellings for older people should be affordable with the remainder market housing. However, the Census indicates that over three-quarters of all older person households in Solihull in 2011 were owner-occupiers with no-mortgage and it would be expected that the majority of these households would be able to afford specialist dwellings for older people in the market sector if it was required. In addition, the LTBHM model indicates that over four-fifths of older person households in 2033 would be most suitably housed in market accommodation.
- 6.13 It is therefore suggested that the market/affordable ratio for total specialist dwellings for older people in 2033 derived from the Strategic Housing for Older People tool (based on the current Solihull ratio) be averaged with the overall market/affordable ratio for all housing for older persons in 2033 derived from the LTBHM model. This leads to a recommended split of 29% of new specialist accommodation as affordable and 71% within the market sector. It should be noted that this requirement for 355 affordable and 870 market specialist dwellings for older people form part of the overall Objectively Assessed Need required over the Local Plan period in Solihull.

Specialist accommodation – residential accommodation (C2)

- 6.14 As well as the need for specialist housing for older people there will also be an additional requirement for residential accommodation. According to the Strategic

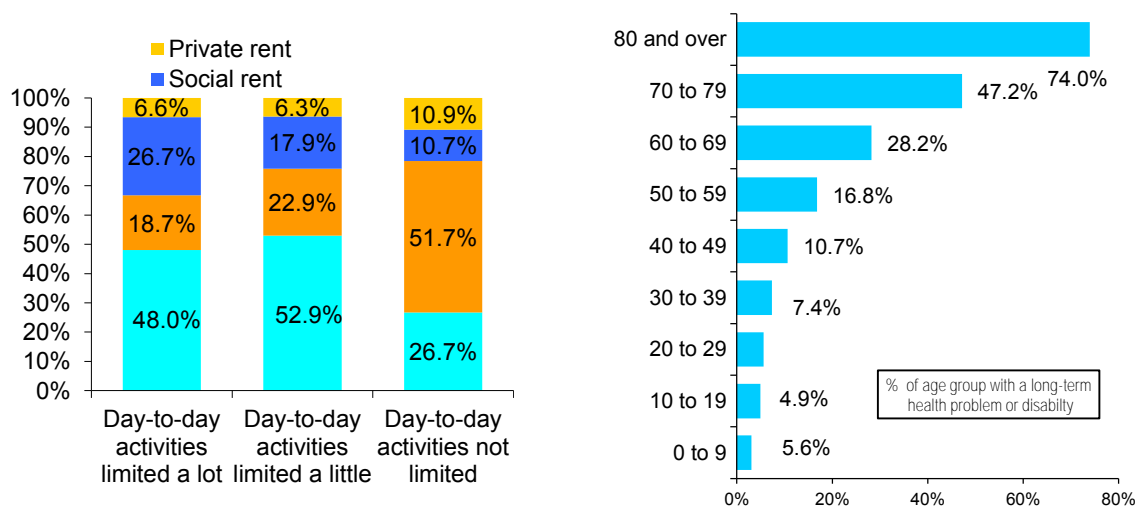
Housing for Older People tool there are around 1,292 spaces in nursing and residential care homes in Solihull currently. Presuming the current occupation rate by age in Solihull is continued forward, the Strategic Housing for Older People tool indicates there will be a requirement for 2,029 spaces in Solihull in 2033, suggesting an additional 737 spaces will be required over the next 19 years. This additional accommodation is required to meet the future institutional population and therefore does not form part of the new housing to meet the Objectively Assessed Need (which is the amount of housing required for the household population in the area). It is however suitable for the Council to plan separately for housing for the institutional population and set out a separate target for new bedspaces within this accommodation.

Households with specific needs

Current situation

- 6.15 Paragraph 2.5 indicates that, in 2011, some 17.9% of the resident population in Solihull had a long-term health problem or disability. Some 45.6% of all residents with a long-term health problem or disability in Solihull had a condition that limited day-to-day activities a lot, with 54.4% having a condition that limited activities a little.
- 6.16 Figure 6.2 below shows the tenure profile of people with a long-term health problem or disability in Solihull in 2011 compared to the remainder of the population. The figure also sets out the prevalence of a long-term health problem or disability in the different age groups of the population. The results show that whilst people with a long-term health problem or disability are more likely than average to be owner-occupiers with no mortgage, they are also more likely than average to reside in the social rented sector. The analysis also reveals a strong correlation between age and long-term health problem or disability.

Figure 6.2 Tenure and age profile of people with a long-term problem or disability in Solihull



Source: 2011 Census *Owner-occupied no mortgage ** Owner-occupied with mortgage, includes shared ownership.

Projected health of the future population

- 6.17 The Projecting Older People Information System (POPPI) website and the parallel Projecting Adult Needs and Service Information (PANSI) model the likely future incidence of a range of health issues for each authority in England. Table 6.3 sets out the number of people projected to have one of four health issues over the next fifteen years Solihull. The four issues chosen are broad health categories presented to provide the most useful general information for this report. The data from PANSI and POPPI is based on current and recent prevalence rates and whilst these may vary in the future, the figures provide a useful baseline estimate.
- 6.18 Table 6.3 shows that the number of those aged 65 or over with a limiting long-term illness that limits them a lot is expected to increase by 38.7% between 2015 and 2030 across Solihull. This compares to an increase of 2.8% in the number of people aged 18-64 with a serious physical disability, an increase of 0.1% in the number of people aged 18-64 with a common mental health disorder and an increase of 7.6% in the number of people with a moderate or severe learning.

Table 6.3 Number of people with particular health issues projected in Solihull in the next 15 years

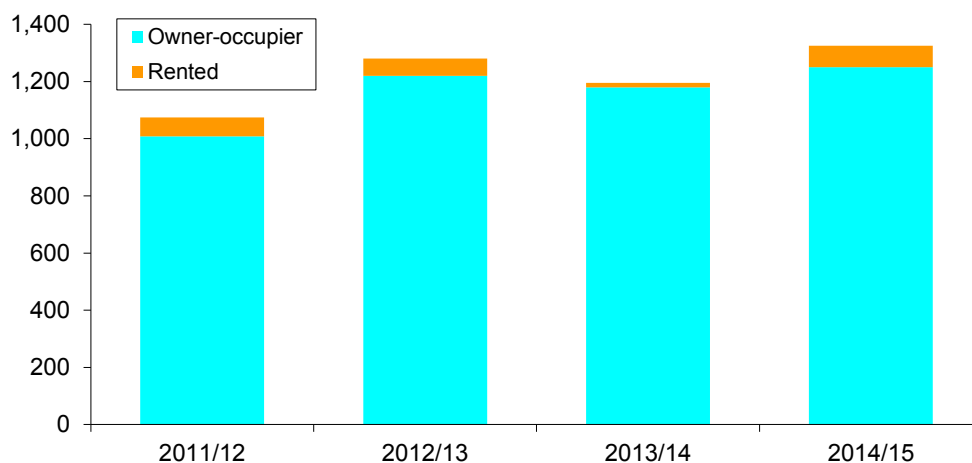
	2015	2020	2025	2030
People aged 65 and over with a limiting long-term illness that limits them a lot	10,159	11,277	12,612	14,089
People aged 18-64 with a serious physical disability	2,962	3,075	3,128	3,046
People aged 18-64 with a common mental health disorder	19,530	19,644	19,659	19,541
People with a moderate or severe learning disability (all ages)	3,835	3,926	4,011	4,126

Source: The Projecting Older People Information System and Projecting Adult Needs and Service Information, 2015

Adaptations and support

- 6.19 In addition to specialist accommodation, the Council helps people to remain in their current home by providing support and assistance. Figure 6.3 shows the number of Disabled Facilities Grants that have been completed between 2011/12 and 2014/15 in Solihull. The figure shows that the requirement for these services has increased over this period, with the majority of the modifications taking place within the owner-occupied sector.

Figure 6.3 Disabled Facilities Grant completions in Solihull



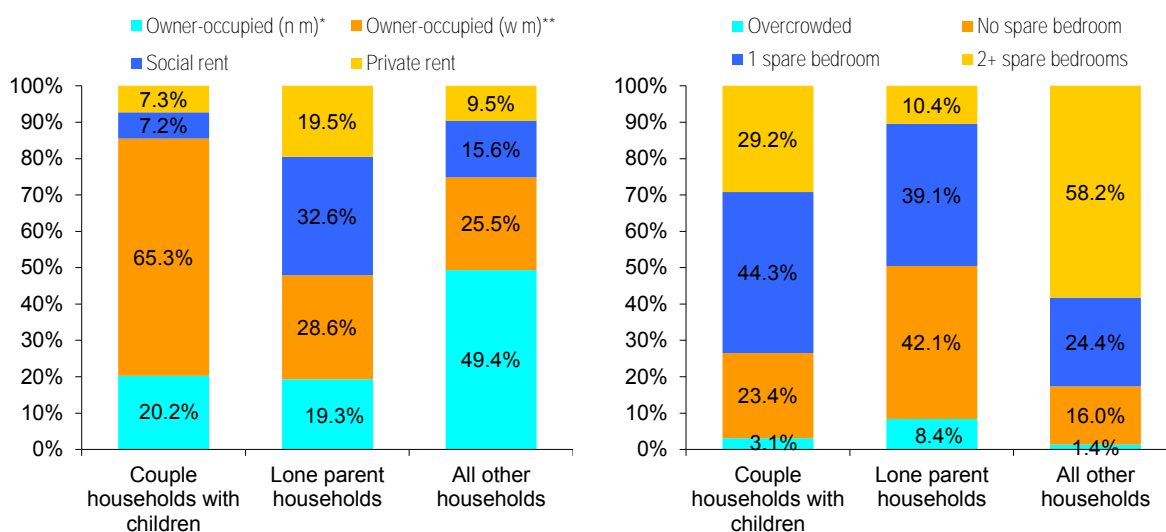
Source: Solihull Metropolitan Borough Council (2015)

Families with children

Current situation

- 6.20 Figure 2.3 shows the household composition recorded at the time of the Census. This indicated that 39.5% of the household population were families with children, a figure higher than the regional figure (37.7%) and the national average (36.0%). Within Solihull, the regeneration sub-area records a larger proportion of family households (43.4%) than the suburban and southern and rural fringe sub-area.
- 6.21 Figure 6.4 below shows the tenure profile of the two main types of 'family with children' households in Solihull in 2011 compared to the remainder of the household population. The figure also sets out the occupancy level of these groups. The data shows that whilst there are notably fewer owner-occupiers with no-mortgage amongst couple households with children than amongst other households in Solihull, the proportion of this group in the social and private rented sector is lower than recorded for other households. Lone parents however are notably more likely than other households to be in both social rented and private rented accommodation. Family households with children are also more likely to be overcrowded and less likely to be under-occupied than other households in Solihull.

Figure 6.4 Profile of accommodation for family households in Solihull



*Owner-occupied no mortgage ** Owner-occupied with mortgage, includes shared ownership. Source: 2011 Census

Future requirement

- 6.22 The Objectively Assessed Need projections indicate that the total population of families with children in Solihull is going to rise from 34,375 in 2014 to 41,332 by 2033 and the proportion of lone parent families within this group will grow from 28.7% in 2014 to 36.2% in 2033. Table 6.4 shows the projected accommodation profile for family households in Solihull in 2033 derived from the LTBHM model, presuming that households do not have to reside in overcrowded accommodation.

Table 6.4 Type of accommodation required for households with dependent children in 2033

Dwelling size	Owner-occupation	Private rented	Shared ownership	Social rent/ Affordable Rented	Total
One bedroom	0.0%	0.0%	0.0%	0.0%	0.0%
Two bedrooms	6.8%	0.7%	0.4%	7.5%	15.4%
Three bedrooms	34.9%	1.7%	0.5%	9.5%	46.7%
Four or more bedrooms	34.7%	1.0%	0.5%	1.6%	37.9%
Total	76.5%	3.5%	1.5%	18.6%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

The private rented sector

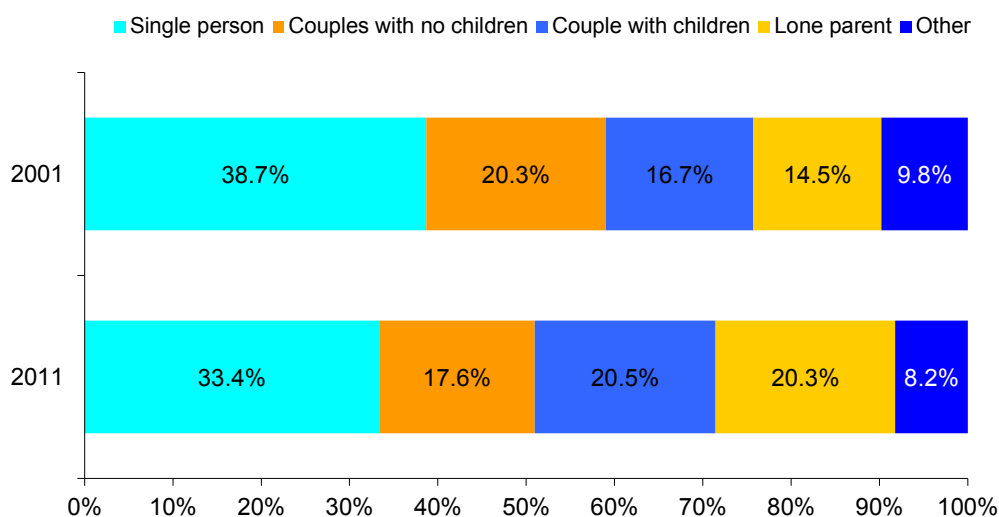
Growth

- 6.23 The current tenure profile in Solihull was modelled as part of the LTBHM model. This estimated that there are 11,921 private rented households in Solihull in 2014, with

1,168 in the regeneration sub-area, 6,507 in the suburban sub-area and 3,746 in the southern and rural fringe sub-area. Across Solihull 19.5% of households reside in private rented accommodation. Figure 2.10 sets out the tenure profile in the sub-areas across Solihull at the time of the 2011 Census. It shows that the southern and rural fringe sub-area has the largest proportional private rented sector and regeneration sub-area the smallest.

6.24 The private rented sector is becoming increasingly important in Solihull; as shown in Figure 2.11, the Census indicates that it increased by 150.1% in Solihull between 2001 and 2011. Figure 6.5 compares the household composition of the private rented sector in Solihull in 2001 to the profile of households resident in this tenure in Solihull in 2011. The data shows that not only has the private rented sector expanded, but the households in it have diversified.

Figure 6.5 Change in the household composition of the private rented sector in Solihull



Source: 2001 and 2011 Census

Current trends

6.25 To assess the stability of the sector currently it is useful to consider how the private rent levels charged vary over time. Table 6.5 shows the change in private rents over the last two years at both the median and lower quartile level. This data is disaggregated by accommodation size. The table shows for example that between 2011/12 and 2013/14 one-bedroom lower quartile rents increased by 4.2% in Solihull. Overall the data suggests that the private rented sector is fairly stable in Solihull, with prices increasing at a moderate rate over the two-year period.

Table 6.5 Change in private rents charged in Solihull between 2011/12 and 2013/14

Price level	One bedroom	Two bedrooms	Three bedrooms	Four+ bedroom
Lower quartile prices	4.2%	0.8%	0.0%	0.0%
Median prices	5.2%	3.8%	6.0%	0.0%

Source: Valuation Office Agency, 2012-14

The benefit-supported private rented sector

- 6.26 A discussion took place at the stakeholder event on the role of the benefit-supported private rented accommodation in the housing market and the growing similarities between this tenure and affordable rented accommodation. However, it was felt that there is still a notable distinction, with the private rented sector not offering the same security of tenure as affordable rented accommodation despite the greater use of flexible tenancies by RSLs. In addition the cost of private rents in Solihull are usually above the LHA caps in place and therefore are unlikely to be able to be met entirely with subsidy (see para 3.14). The Council has also indicated that the ending of assured shorthold tenancies in the private rented sector is one of the main reasons for homelessness presentations in Solihull. It was also agreed that the benefit-supported private rented sector cannot be considered a form of affordable accommodation and should therefore not be considered as part of the supply within the affordable housing needs model. Similarly, it was agreed that not all households living in the benefit-supported private rented sector are automatically in housing need, they can however be in housing need for one of the other PPG defined reasons. The model that we set out in this report conforms to these two assumptions (which also comply with the NPPF).
- 6.27 The report *'Who Lives in the Private Rented Sector'* published in January 2013 by the British and Social Housing Foundation estimates that nationally around a quarter of private tenants are in receipt of Local Housing Allowance. In Solihull the figure is 22.1%. Further analysis shows that the number of private rented tenants in receipt of Local Housing Allowance across Solihull has increased by 2.6% between April 2014 and April 2015.

People wishing to build their own homes

- 6.28 It should be noted that the NPPF specifically refers *to people wishing to build their own homes* within the examples cited in paragraph 159. The Council launched a list for people interested in undertaking a self-build development to register themselves on in October 2015. This was advertised through a press release and social media and has so far attracted entries from 18 different people. Each individual registering was asked to provide detail about their current situation, accommodation preferences and their financial profile. Only 11 of the 18 responses have provided additional detail for the majority of fields for which information was requested, however it is useful to summarise the data obtained.

- 6.29 The information collected indicates that of these 11 respondents, six would like to start the self-build project in the next two years, three in between two and five years' time and three after five years. The greatest preference is for a development in the southern and rural fringe sub-housing market area, however there is also potential demand arising in the other sub-areas of Solihull. Three respondents indicated that they intend to undertake a self-build project as they are otherwise unable to afford to buy a home, with the remaining respondents motivated by their ability to set their own design features.
- 6.30 Another source for attempting to establish the potential level of demand for self-build units in an area is to consider the number of planning applications that were made for just one dwelling. Analysis of the planning applications received by Solihull Council reveals that there were exactly 50 applications for one dwelling that were approved between April 2014 and April 2015.
- 6.31 The Self and Custom Housebuilding Register was established in Solihull in March 2016. As at the 30 September 2016 there were 91 people Registered.
- 6.32 The Housing and Planning Bill became an Act in May 2016 but at the time of this report important matters of Detail for 'Right to Build' were still to be confirmed by Secretary of State regulations.

7 CONCLUSION

- 7.1 On completion of the calculation of the need for affordable housing, the PPG says, at Reference ID: 2a-029-20140306:

The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.

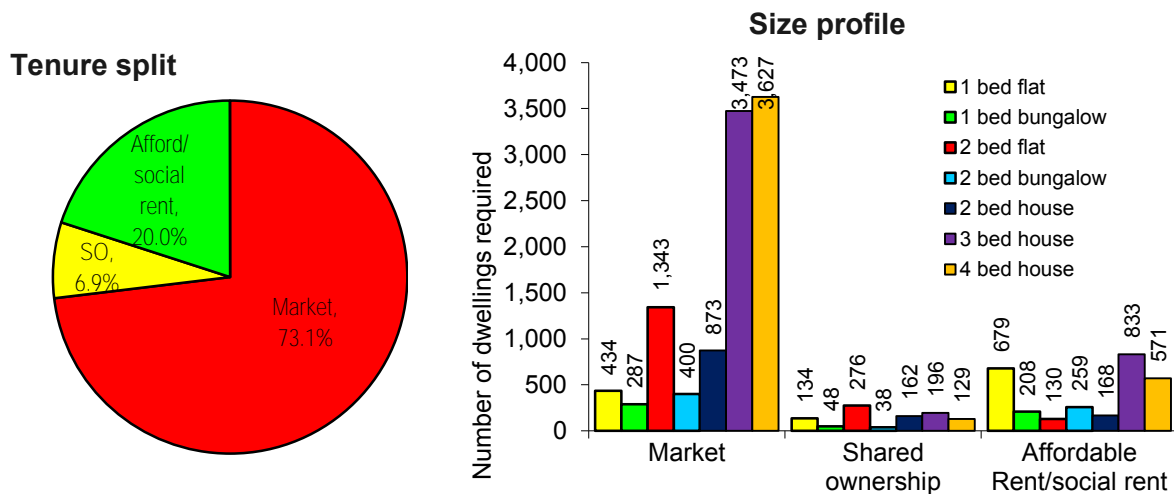
- 7.2 It is clear that a Planning Authority should consider whether or not the housing target in the Local Plan should be increased to assist with meeting the need for affordable housing.
- 7.3 The total annual affordable housing need in Solihull of 210 households per year (as calculated in Chapter 5, Table 5.10) represents 28.7% of the annual projected household growth in the Borough between 2014 and 2033 (732 households per year as identified within the full OAN calculations¹⁴). This proportion of new housing as affordable appears achievable to deliver in Solihull. It is clear that the Council can be confident that the affordable housing requirement can be met by the OAN identified and no adjustment is required to this figure. The figure of 28.7% is similar to the proportion of new affordable housing required within the LTBHM model, 26.9% as indicated in Table 4.3, providing further evidence that the assumptions reflect the realities of the current housing market locally.
- 7.4 Chapter 6 considered the impact of subgroups of the population on the housing target. There are no significant Ministry of Defence sites or universities in the Borough that have an impact on the housing market. In terms of specialist dwellings for older persons (Class C3b), as set out in Chapter 6, it is evidenced that in Solihull an additional 355 affordable and 870 market sheltered and extracare housing units should be provided over the plan period within the identified OAN.
- 7.5 To determine the size and tenure of the new housing required within the OAN to accord with paragraph 21 of the PPG, the LTBHM model outputs are used. This model provides the profile of housing appropriate to meet the population over the plan period and is directly derived from the calculations used to determine the OAN. In comparison, it is not appropriate to base the recommended housing mix on the results of the affordable housing need model as this is an unconstrained figure with the sole purpose of determining whether an uplift to the OAN is required.
- 7.6 Before the suggested housing mix is presented, it is necessary to convert the household totals presented in this report to dwelling figures by applying the vacancy rate of 2.5% (the difference between the household growth total of 732 per year

¹⁴ 751 is the actual annual OAN in Solihull, the figure of 732 is the household growth within this dwelling figure (i.e. excluding the vacancies part of the OAN calculation). 732 is the relevant figure to compare against household-level findings such as the affordable housing needs figure.

between 2014 and 2033 and the total OAN for Solihull over the plan period of 751 per year).

7.7 Figure 7.1 sets out the size and tenure requirement for the 14,278 dwellings (751 per annum) required over the plan period (between 2014 and 2033). The profile set out is a guide to the overall mix of accommodation required in the borough and it is acknowledged that the Council may wish to divert away from this profile in individual locations depending on the characteristics of the particular sites and market conditions for particular products at different points in time.

Figure 7.1 Requirement for all new housing between 2014 and 2033



Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

APPENDIX A SUMMARY OF STAKEHOLDER CONSULTATION

A.1 Introduction

This appendix describes the process of consulting with stakeholders – who was contacted and the nature of the consultation. It also describes the consultation event that took place, including what was discussed. Finally, the appendix sets out the comments that were received and the response to them.

A.2 Stakeholder workshop

A consultation event on the draft HMA-wide findings of this study, took place on 4th February 2016. A wide range and number of organisations were invited to attend to observe the preliminary outputs of the study and to discuss the methodological assumptions used to derive the estimates. The event was well attended, with a diversity of stakeholders represented.

The event was a presentation of the relevant national guidance which provides the framework for the study, an overview of the purpose of the report and the two main models used to obtain the outputs, the assumptions used within the models (principally focusing on the affordable housing need model), and the initial outputs of the study that had been derived. Questions were encouraged throughout and a few topics identified for more in depth discussion – the cost of housing, the role of the private rented sector, the appropriate affordability threshold to use and how to deal with single people under 35 potentially in housing need.

A.3 Summary of discussion

A summary of the discussion that took place at the event is presented below:

Slide 5 – “Why and so what?”

Planning Consultant: Is this a new SHMA or revised/updated SHMA?

HDH: Updated SHMA.

Planning Consultant - In what context is ‘affordable’ considered given the introduction of Starter Homes/Help to Buy?

HDH: The study follows guidance, but considers changes in proposed legislation such as the Housing and Planning Act.

Planning Consultant: All secondary data or has a Housing Needs Survey been commissioned?

HDH: Secondary data only, however the use of secondary data is directed by Planning Practice Guidance. The SHMA has been completed using the Census 2011 and the most up to date data available.

Slide 6 – “How should the needs for all types of housing be addressed?”

Planning Consultant: Will the study take into account the sale of council homes and RSL stock through the new RTB and the additional provision of Starter Homes?

HDH: We will follow the PPG and the PPG does not really account for the ongoing loss of stock through RTB. Further commentary on RTB will be added to the report.

Slide 9 – The sub-areas

Planning Consultant: The geography for the three sub areas hides very significant price differences that occurs between villages in the rural area.

HDH: This is the best fit geography for which data is available and can be analysed robustly. The three sub areas are very different with distinct characteristics – but they are not formal housing market areas. The guidance only looks at the district level – but because of the differences we are intending to look at the three sub-areas individually.

It was agreed that it was appropriate to look at the three sub-area areas and combine the results for the borough.

Slide 10 – “Cost of housing 1”

Planning Consultant: How has the geography been built up, using wards?

HDH: Yes, due to household income data only being available at this level.

Housing Association: Does the study assume that the properties are in decent condition/reasonable supply?

HDH: Yes.

Unknown: The property prices in the Southern and Rural Fringe sub-area are in fact somewhat higher than those quoted.

HDH: The data used is that which is most up to date, so for house prices this is up to January 2016. The prices in the southern and rural fringe area will be reviewed.

Slide 12 – “Cost of housing 3”

Planning Consultant: The study needs to look at the fact that for existing tenants their rents will go down by 1% from April with no certainty over the longer term and potential further changes. This is significantly affecting RSLs and the offers they make for affordable housing.

HDH: This is a valid point. However, the study can only address what we know now and is a snap shot in time.

Housing association: Does the study assume that a single person is allocated a one-bedroom property as those under 35 now only get shared room LHA rate?

HDH: The study is a policy off assessment, so single person households under 35 are tested for their ability to afford a shared room in the private rented sector, to reflect the expectations for how they will reside as set out in the protocols surrounding LHA.

It was agreed that single person under 35 households should be tested against the costs of shared housing rather than a self-contained one-bedroom home.

Slide 13 – Shared ownership costs

Housing association: For the rural area there are some properties where the open market values are in excess of £260-270k for a two-bedroom property.

HDH: The prices will be reviewed.

Housing association and Planning consultant: The rent on the shared equity looks low at 2.5%, actual rents on the unsold equity are 2.75 to 2.99%

HDH: This can be looked into and changed if agreed an alternative is appropriate.

It was agreed to use 2.75%.

Slide 14 – “Cost of Housing 4”

Planning consultant: This option also needs to assume that Starter Homes are only available to those up to the age of 40, as per the Housing and Planning Act.

Slide 15 (discussion of starter homes)

HDH: The values used mean there is a policy dilemma, should the discount used be greater than 20%.

Planning Consultant: Traditional values are around 70-80%. The Housing and Planning Act has still to be finalised, there are concerns as to how the Starter Homes discount will work in that should the discount be repayable (in perpetuity). Also mortgage lenders are not keen.

HDH: Starter Homes is here to stay and will have a role to play. There will be a policy dilemma in that the homes are not reserved for local people, therefore it could have a greater role in the HMA.

Housing Association: Should values be new build values?

Mention was made of a large newbuild scheme (Bellway) in the north of the borough. It was stated that many (even most) of the houses had been sold under help to buy or similar assistance.

In this context there was a consensus that traditional shared ownership was not attractive compared to help to buy (or starter homes)

Slide 17 – “Affordability test”

HDH: The income is gross and excludes housing benefit etc.

Planning Consultant: Letting agents are using 35% to 40% but this is based on a detailed credit check and that people do not have significant other debts.

Slide 21 – “The PRS and meeting affordable need”

HDH: The percentages for households needing assistance with rents needs to be checked for both PRS and social rent.

Housing association: Would argue affordable housing has more security of tenure. Rents cannot go up dramatically as they are regulated and housing associations cannot just demand a property back.

Slide 22 – “Treatment of the PRS”

Housing Association: Although affordable housing does have time limited tenancies, these are for at least 12 months for the first year and then 5 year terms, therefore they are more secure.

Housing Association: The role the PRS makes in meeting ‘affordable housing need’ is overstated.

Slide 24 – “% of income spent on housing”

Housing Association: On slide 21 it was stated that 34% of households in the PRS receive assistance with rent. What % of their income is spent on housing costs?

HDH: This can be looked into.

Slide 29 – “How should the current total affordable housing supply available be calculated?”

HDH: Affordable dwellings occupied by households in need - This will be effected by ‘pay to stay.

HDH: Committed supply of affordable housing – This is the Council’s pipeline figure.

Unknown: Units to be taken out of management – Should this exclude high value council voids that will be sold under proposals in the Housing and Planning Act?

Slide 34 – “By size”

Developer: The Council needs to be flexible in how section 106 agreements are negotiated given changes that are likely to happen.

Housing association: For shared ownership it also needs to reflect the market and this is for 2 and 3 bedroom houses.

Planning Consultant: Equity shares do have a role to play and this can be better than shared ownership. The government are consulting to include Starter Homes as part of the affordable housing definition.

HDH: A range of intermediate options are being looked at including starter homes.

North Solihull Partnership: It depends on the area, in North Solihull the gap is less and Help to Buy has been used in over 30% of market sales.

A.4 Written consultation

A copy of the presentation slides were sent to all of the attendees, as well as those originally invited that were unable to attend. All recipients were encouraged to feedback their views. The deadline for the consultation responses was 19th February (just over a two-week period).

A.5 Consultation responses

In total two organisations submitted a formal response to the consultation documents. A summary of the points raised and how they have been addressed is set out in Table A1.1.

Table A.1 Comments received through formal consultation and a how they have been addressed

Respondent	Summary of comment	Response to comment
Stonewater RSL	Open market values in rural areas need to be re-considered as is too low.	These prices have been reviewed and adjusted where appropriate.
Stonewater RSL	Equity share assumptions for SO are not entirely accurate, rental yield likely to be 2.75% or higher.	This has been changed to 2.75%.
Stonewater RSL	Comparison between private rental market and affordable rental market discussion seemed slightly skewed. Market Rent is not as secure a tenancy despite flexible tenancies used by HA’s.	Noted, have strengthened this point in the discussion in the report.
Stonewater RSL	Is there any requirement for larger homes than 4 bed in Solihull? Not clear from figures for projection as just 4 bed or higher.	Due to the data on which the LTBHM model is based, it is not possible to separate out the requirement for homes with more than four bedrooms.
Cerdo Planning	Whilst the SHMA forms an important part of the evidence base in producing the local plan, the housing mix indicated should not be seen as definitive, but indicative. This will ensure developers retain the flexibility to produce	Noted, have emphasised that the suggested size profile is a guide rather than absolute in chapter 7.

Respondent	Summary of comment	Response to comment
	housing that whilst meets local demand also suits the nature of the particular site characteristics.	
Cerdo Planning	Housebuilders endorse the view that it is over-simplistic to assume that the size of a household necessarily equates to the size of the dwelling it occupies; and that purchasing decisions can and often are based on other factors rather than simply size. Indeed, many people may aspire to live in the largest home that they can afford.	The LTBHM model is based on the existing occupation patterns of households, which include a notable amount of under-occupation in the market sector. This model and the housing mix profile that is ultimately derived from it reflects that households often acquire larger homes than they technically require out of choice. This has been further clarified in the report.
Cerdo Planning	The provision of smaller properties does not necessarily cater for the growth in the 65+ age group either – as the elderly tend to be less mobile and may wish to stay in the family home which offers space, bedrooms for visitors and have considerably lower migration rates.	The LTBHM model is based on the existing occupation patterns of households, which include a notable amount of under-occupation by pensioner households (see table 6.1).
Cerdo Planning	The affordability test is considered to skew the need for affordable housing and consequently this will have implications for the market housing mix. If people are, in practice, not in need of affordable housing and seek to remain in market housing, then the supply and mix of market housing would need to be adjusted accordingly.	The effect of changing the affordability test on the overall level of housing need is set out in table 5.14. The suggested mix of housing required over the plan period set out in chapter 7 is based on the LTBHM model. This model follows the approach recommended in the PPG whereby the OAN projections are disaggregated by household type to determine the tenure and size of home required by the future household population. This is based on existing occupation patterns, as well as trends in how these are changing and the desire to remove overcrowding.
Cerdo Planning	The mix of market housing is also determined by the Housing Associations waiting list at any one time, rather than housing needs based approach. This will also have an impact on the market housing mix, which further reinforces that a flexible approach on a case by case basis is required.	The mix of market housing required is derived from the LTBHM model, which follows the approach recommended in the PPG and is based on the OAN projections. It is not influenced by the waiting list of Housing Associations. The overall requirement within the market sector is for 34.6% of new homes to have three bedrooms and 28.2% to have four or more bedrooms.
Cerdo Planning	<p>It is considered that the following questions are key to determining the housing mix, as these reflect current supply and demand.</p> <p>3.1 Has the demand of larger family dwellings (4+ bedrooms) decreased over last 3 years? How has the price of these dwellings altered over this period?</p> <p>3.2 Has the demand for smaller houses increased (1 to 2 bed; and 3 bed) over the last 3 years? How has the price of these dwellings altered over this period?</p> <p>3.3 What size of house is in greatest demand within Solihull and the Midlands generally?</p> <p>3.4 Is there evidence that potential occupiers are looking to enlarge the property in the short term i.e. create additional bedroom(s).</p> <p>3.5 Is it more important to focus on adaptable/lifetime homes and how are these accounted for in the housing mix?</p>	<p>The housing mix suggested is derived from the LTBHM model. This model follows the approach recommended in the PPG whereby the OAN projections are disaggregated by household type to determine the tenure and size of home required by the future household population. This is based on existing occupation patterns, as well as trends in how these are changing and the desire to remove overcrowding.</p> <p>Some of these suggested questions relate to market signals information, which have been accounted for within the part 1 report and form part of the overall OAN calculations.</p> <p>For other of these questions, there is no suggestion within the PPG that these should be taken account of when determining the future housing mix</p>

Respondent	Summary of comment	Response to comment
	<p>3.6 Is an appropriate housing mix on a new site solely based on housing need?</p> <p>3.7 Is there any record of reason to purchase? Such as for investment or downsizing etc?</p> <p>3.8 Who purchases 1 and 2 bed properties? (We believe some of the need calculated in the SHMA is from elderly downsizing, which is in practice unlikely to happen and results exaggerated demand for 1 and 2 beds and a greater need for larger dwellings which are not being freed up).</p> <p>3.9 What drives the demand for larger properties (family size or income)?</p> <p>3.10 Is there (sales) evidence that smaller homes are not in demand within the Solihull and the Midlands area?</p> <p>3.11 Is there evidence that demonstrates how all bedrooms are occupied in larger units? i.e. study/games room/guest room etc?</p>	<p>required or that it is necessary to collect this information (or how it should be done).</p> <p>Para 021 (Reference ID: 2a-021-20160401) of the PPG indicates that: Plan makers should look at the household types, tenure and size in the current stock and in recent supply, and assess whether continuation of these trends would meet future needs. This is the approach that we have taken in the LTBHM model.</p>

APPENDIX B SUB-HOUSING MARKET AREA RESULTS FOR AFFORDABLE HOUSING NEED MODEL

B.1 Regeneration sub-area

Estimate of net annual housing need

Table B.1 sets out the total need for affordable housing of 41 per year across the regeneration sub-area.

Table B.1 Results of the affordable housing needs model in the regeneration sub-area

Stage in calculation	
Stage 1: Current unmet gross need for affordable housing (Total)	1,626
Stage 2: Newly arising affordable housing need (Annual)	494
Stage 3: Current affordable housing supply (Total)	668
Stage 4: Future housing supply (Annual)	506
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	959
Stage 5.2 Annualise net current need (Stage 5.1/18) (Annual)	53
Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)	41
Total gross annual need (Stage 1/18 + Stage 2) (Annual)	585
Total gross annual supply (Stage 3/18 + Stage 4) (Annual)	543

Source: Solihull Metropolitan Borough Council 2016 SHMA

Overall households in affordable housing need by type (gross)

Table B.2 gives a breakdown of the gross annual households in need, by household type in the regeneration sub-area. The table shows that some 5.5% of 'other' households are in housing need compared to 2.7% of couple households with children. Overall, single person households comprise 30.5% of all households in need.

Table B.2 Annual need requirement by household type in the regeneration sub-area

Household type	Need requirement				
	No. of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
One person	179	5,645	5,823	3.1%	30.5%
Couple with no children	77	2,683	2,760	2.8%	13.1%
Couple with child/children	100	3,598	3,698	2.7%	17.1%
Lone parent	175	3,527	3,702	4.7%	29.9%
Other	55	939	994	5.5%	9.4%
Total	585	16,392	16,977	3.4%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Size of accommodation required

Table B.3 shows the size of accommodation required by households in housing need in the regeneration sub-area. The table suggests that there is a net need for all sizes of affordable housing except one bedroom dwellings. The largest net need is for three-bedroom accommodation, followed by four bedroom homes. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by three-bedroom accommodation. Households in need requiring one-bedroom accommodation are most likely to have their need met from the current supply.

Table B.3 Size of additional units required to meet housing need in the regeneration sub-area

Size of home	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	255	260	-5	0.0%	101.7%
Two bedrooms	216	212	5	10.5%	97.8%
Three bedrooms	85	61	24	51.8%	72.3%
Four or more bedrooms	28	11	17	37.7%	38.4%
Total	585	543	41	100.0%	93.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Type of affordable home required

As discussed in Chapter 3, a range of affordable products are available to meet affordable housing need in the regeneration sub-area. Table B.4 will consider the suitability of these different products for meeting affordable housing need in the regeneration sub-area. The table shows that of the 585 households in gross need each year in the regeneration sub-area, 4.3% could afford shared ownership with a 40% share, 23.3% could afford shared ownership with a 25% share, 7.7% Affordable Rent and 64.8% can afford Social Rent or require support.

Table B.4 Size and type of affordable home required by those in need in the regeneration sub-area (per annum)

Product	One bed	Two bed	Three bed	Four bed	Total (number)	Total (%)
Shared ownership 40% equity	14	10	0	1	25	4.3%
Shared ownership 25% equity	68	51	12	5	136	23.3%
Affordable rent	0	0	37	8	45	7.7%
Social rent/requires assistance	173	155	36	14	379	64.8%
All households	255	216	85	28	585	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Sensitivity analysis - affordability threshold

The results presented this chapter are based on using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. The impact of adjusting this affordability threshold is considered in Table B.5, which details the results of the PPG affordable housing need model across the regeneration sub-area where the cost of housing could constitute no more than 25% and 30% of gross household income, rather than 35% used in the standard model.

Table B.5 Impact of different affordability assumptions on affordable housing requirement in the regeneration sub-area

Stage in calculation	Rent payable constitutes no more than:		
	35% of gross household income	25% of gross household income	30% of gross household income
Stage 1: Current gross need	1,626	1,700	1,671
Stage 2: Newly arising need	494	506	501
Stage 3: Current supply	668	692	688
Stage 4: Future supply	506	506	506
Stage 5.1 Net current need	959	1,008	983
Stage 5.2 Annual net current need	53	56	55
Stage 5.3 Total annual need	41	55	49

Source: Solihull Metropolitan Borough Council 2016 SHMA

B.2 Suburban sub-area

Estimate of net annual housing need

Table B.6 sets out the total need for affordable housing of 115 per year across the suburban sub-area.

Table B.6 Results of the affordable housing needs model in the suburban sub-area

Stage in calculation	
Stage 1: Current unmet gross need for affordable housing (Total)	1,052
Stage 2: Newly arising affordable housing need (Annual)	354
Stage 3: Current affordable housing supply (Total)	197
Stage 4: Future housing supply (Annual)	287
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	855
Stage 5.2 Annualise net current need (Stage 5.1/18) (Annual)	48
Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)	115
Total gross annual need (Stage 1/18 + Stage 2) (Annual)	413
Total gross annual supply (Stage 3/18 + Stage 4) (Annual)	297

Source: Solihull Metropolitan Borough Council 2016 SHMA

Overall households in affordable housing need by type (gross)

Table B.7 gives a breakdown of the gross annual households in need, by household type in the suburban sub-area. The table shows that some 2.2% of 'other' households

are in housing need compared to 0.4% of couple households with children. Overall, single person households comprise 34.6% of all households in need.

Table B.7 Annual need requirement by household type in the Suburban sub-area

Household type	Need requirement				
	No. of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
One person	143	13,909	14,052	1.0%	34.6%
Couple with no children	89	12,098	12,188	0.7%	21.7%
Couple with child/children	54	13,512	13,566	0.4%	13.1%
Lone parent	67	4,439	4,506	1.5%	16.3%
Other	60	2,664	2,723	2.2%	14.4%
Total	413	46,621	47,034	0.9%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Size of accommodation required

Table B.8 shows the size of accommodation required by households in housing need in the suburban sub-area. The table suggests that there is a net need for all sizes of affordable housing except two bedroom homes. The largest net need is for one-bedroom accommodation, followed by four bedroom dwellings. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed by one-bedroom accommodation. Households in need requiring two-bedroom accommodation are most likely to have their need met from the current supply.

Table B.8 Size of additional units required to meet housing need in the suburban sub-area

Size of home	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	232	142	90	67.1%	61.2%
Two bedrooms	97	116	-19	0.0%	119.2%
Three bedrooms	43	34	9	6.9%	78.4%
Four or more bedrooms	41	6	35	26.0%	14.4%
Total	413	297	115	100.0%	72.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Type of affordable home required

As discussed in Chapter 3, a range of affordable products are available to meet affordable housing need in the suburban sub-area. Table B.9 will consider the suitability of these different products for meeting affordable housing need in the suburban sub-

area. The table shows that of the 413 households in gross need each year in the suburban sub-area, 7.5% could afford shared ownership with a 40% share, 23.5% could afford shared ownership with a 25% share, 41.2% Affordable Rent and 27.8% can afford Social Rent or require support.

Table B.9 Size and type of affordable home required by those in need in the suburban sub-area (per annum)

Product	One bed	Two bed	Three bed	Four bed	Total (number)	Total (%)
Shared ownership 40% equity	17	7	5	2	31	7.5%
Shared ownership 25% equity	48	25	14	10	97	23.5%
Affordable rent	101	49	8	12	170	41.2%
Social rent/requires assistance	66	16	16	17	115	27.8%
All households	232	97	43	41	413	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Sensitivity analysis - affordability threshold

The results presented this chapter are based on using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. The impact of adjusting this affordability threshold is considered in Table B.10, which details the results of the PPG affordable housing need model across the suburban sub-area where the cost of housing could constitute no more than 25% and 30% of gross household income, rather than 35% used in the standard model.

Table B.10 Impact of different affordability assumptions on affordable housing requirement in the suburban sub-area

Stage in calculation	Rent payable constitutes no more than:		
	35% of gross household income	25% of gross household income	30% of gross household income
Stage 1: Current gross need	1,052	1,199	1,121
Stage 2: Newly arising need	354	472	385
Stage 3: Current supply	197	223	212
Stage 4: Future supply	287	287	287
Stage 5.1 Net current need	855	976	909
Stage 5.2 Annual net current need	48	54	50
Stage 5.3 Total annual need	115	240	149

Source: Solihull Metropolitan Borough Council 2016 SHMA

B.3 Southern and rural fringe sub-area

Estimate of net annual housing need

Table B.11 sets out the total need for affordable housing of 53 per year across the southern and rural fringe sub-area.

Table B.11 Results of the affordable housing needs model in the southern and rural fringe sub-area

Stage in calculation	
Stage 1: Current unmet gross need for affordable housing (Total)	322
Stage 2: Newly arising affordable housing need (Annual)	176
Stage 3: Current affordable housing supply (Total)	194
Stage 4: Future housing supply (Annual)	130
Stage 5.1 Net current need (Stage 1- Stage 3) (Total)	128
Stage 5.2 Annualise net current need (Stage 5.1/18) (Annual)	7
Stage 5.3 Total need for affordable housing (Stage 2+ Stage 5.2 – Stage 4) (Annual)	53
Total gross annual need (Stage 1/18 + Stage 2) (Annual)	194
Total gross annual supply (Stage 3/18 + Stage 4) (Annual)	140

Source: Solihull Metropolitan Borough Council 2016 SHMA

Overall households in affordable housing need by type (gross)

Table B.12 gives a breakdown of the gross annual households in need, by household type in the southern and rural fringe sub-area. The table shows that some 2.2% of 'other' households are in housing need compared to 0.4% of couple households with children. Overall, single person households comprise 32.4% of all households in need.

Table B.12 Annual need requirement by household type in the southern and rural fringe sub-area

Household type	Need requirement				
	No. of h'holds in need (gross)	Not in need	Total Number of h'holds	% of h'hold type in need	As a % of those in need
One person	63	6,538	6,600	1.0%	32.4%
Couple with no children	42	7,254	7,296	0.6%	21.6%
Couple with child/children	27	7,455	7,482	0.4%	13.9%
Lone parent	33	2,027	2,061	1.6%	17.2%
Other	29	1,281	1,309	2.2%	14.8%
Total	194	24,555	24,749	0.8%	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Size of accommodation required

Table B.13 shows the size of accommodation required by households in housing need in the southern and rural fringe sub-area. The table suggests that there is a net need for all sizes of affordable housing except two bedroom dwellings. The largest net need is for one-bedroom accommodation, followed by four bedroom homes. The final column shows that the need relative to supply is the greatest for four bedroom homes, followed

by one-bedroom accommodation. Households in need requiring two-bedroom accommodation are most likely to have their need met from the current supply.

Table B.13 Size of additional units required to meet housing need in the southern and rural fringe sub-area

Size of home	Need requirement				
	Gross annual need	Gross annual supply	Net annual need	As a % of total net annual need	Supply as a % of gross need
One bedroom	105	67	38	60.7%	64.0%
Two bedrooms	46	55	-9	0.0%	118.8%
Three bedrooms	24	16	8	13.0%	66.3%
Four or more bedrooms	19	3	16	26.4%	14.4%
Total	194	140	53	100.0%	72.4%

Source: Solihull Metropolitan Borough Council 2016 Strategic Housing Market Assessment

Type of affordable home required

As discussed in Chapter 3, a range of affordable products are available to meet affordable housing need in the southern and rural fringe sub-area. Table B.14 will consider the suitability of these different products for meeting affordable housing need in the southern and rural fringe sub-area. The table shows that of the 184 households in gross need each year in the southern and rural fringe sub-area, 0.5% could afford shared ownership with a 40% share, 29.4% could afford shared ownership with a 25% share, 40.8% Affordable Rent and 29.3% can afford Social Rent or require support.

Table B.14 Size and type of affordable home required by those in need in the southern and rural fringe sub-area (per annum)

Product	One bed	Two bed	Three bed	Four bed	Total (number)	Total (%)
Shared ownership 40% equity	0	0	0	1	1	0.5%
Shared ownership 25% equity	29	13	9	6	57	29.4%
Affordable rent	44	19	11	5	79	40.8%
Social rent/requires assistance	32	14	4	7	57	29.3%
All households	105	46	24	19	194	100.0%

Source: Solihull Metropolitan Borough Council 2016 SHMA

Sensitivity analysis - affordability threshold

The results presented this chapter are based on using an affordability test where the cost of housing can constitute up to 35% of gross income and still be affordable. The impact of adjusting this affordability threshold is considered in Table B.15, which details the results of the PPG affordable housing need model across the southern and rural fringe sub-area where the cost of housing could constitute no more than 25% and 30% of gross household income, rather than 35% used in the standard model.

Table B.15 Impact of different affordability assumptions on affordable housing requirement in the southern and rural fringe sub-area

Stage in calculation	Rent payable constitutes no more than:		
	<i>35% of gross household income</i>	<i>25% of gross household income</i>	<i>30% of gross household income</i>
Stage 1: Current gross need	322	416	397
Stage 2: Newly arising need	176	209	201
Stage 3: Current supply	194	218	204
Stage 4: Future supply	130	130	130
Stage 5.1 Net current need	128	198	193
Stage 5.2 Annual net current need	7	11	11
Stage 5.3 Total annual need	53	91	83

Source: Solihull Metropolitan Borough Council 2016 SHMA

APPENDIX C FURTHER COMMENTARY ON ASSUMPTIONS USED

Under 35s

Paragraph 3.11 of the report indicates that shared accommodation is considered as appropriate accommodation for single person household 35 or under. This reflects the market reality in Solihull currently. The Census (Table LC1109EW - Household composition by age by sex) indicates that 7.0% of adults aged 34 or under in Solihull in 2011 lived as a single person household – 93.0% form part of a larger household with other people. Therefore, the assumption that it is reasonable to expect those under 35 that can afford to share a home to actually do this corresponds with the current behaviour of this group and that the appropriate market boundary for under 35s is shared accommodation rather than a one-bedroom home.

In the SHMA we have in effect presumed that 32.6% of single people under 35 can form part of a shared household. The overwhelming majority of these people are newly forming households. The English Housing Survey (EHS) (table FA211) indicates that of all single person newly forming households (including those aged over 35) 34.0% form part of a shared household. Were it possible to interrogate those just under 35 it is very likely that this proportion would be even higher as older single person households are more likely to live alone. The data from the EHS indicates that the assumptions are in line with national occupational behaviours.

Lastly, the vast majority of single persons under 35 in the model are newly forming households. CORE data indicates that over the last two years an average of 295 newly forming households have been housed within affordable accommodation. Our model indicates that there are 545 newly forming households that will need affordable housing each year (once those suitable for shared accommodation have been deducted). It is clear therefore that the need arising from this group has not been artificially reduced.

The affordability threshold

Paragraph 5.8 of the report indicates that the affordability test in the affordable housing need model is based on the cost of housing constituting no more than 35% of gross household income. The figure of 35% was based on discussions with letting agents and mortgage brokers about the workings of the LOCAL market. Landlords want to let property at a rent that the tenant can afford so to avoid the expense of recovering rent arrears, evictions and re-letting and lenders want to avoid the expensive repossession process. Both go to some length to ensure properties are affordable to the tenants or occupiers. Letting agents use credit reference agencies (such as Experian) and lenders require potential borrowers to fill out very detailed forms on all aspects of a household's expenditure.

The comments from letting agents were varied (some did not wish to engage). It was clear that multi person households (either living as couples or just together) spend a relatively greater proportion of their income on housing and that for larger properties this may be over 50%. The letting agents considered that this to be affordable – because the household afforded it (as evidenced by the fact that they do not fall into arrears). Lower down the

market, at the level we are considering (i.e. the lower quartile point) the general feedback was in the range of 30% to 40% of gross household income - although it was stressed that references are also important.

In order to check this, housing associations were also consulted and their feedback was that, in relation to new tenants of affordable housing (social rent or affordable rent), that they would be concerned if a tenant, not in receipt of Housing Benefit, was spending more than 40% of their gross income on housing and 33% to 35% was the norm.

Although less important for the assessment of Affordable Need (as rental housing is less expensive than buying) we also enquired of estate agents and brokers (particularly in-house financial advisors based in estate agents). Generally, the feedback was that a single person with a good credit record could borrow about 4.5 times their gross income, but somebody with a less good record could borrow up to about 4 times. For couples, as a multiple of joint incomes, the ability to borrow is a little less (but as joint incomes are considered they can borrow more overall). Couples can generally borrow 3.5 times their joint income.

Our findings were (as they have been where we have carried out similar studies) that higher income households tend to spend a greater proportion of their income on housing.

There are a range of secondary sources that support the approach taken. There are two main approaches to measuring housing affordability: a proportional measure and a residual measure. The focus of the proportional measure is on the rent of the dwelling and the income of the household. Residual income is sometimes used by policy makers to quantify government income assistance and is influential in determining the eligibility and levels of housing subsidies. Residual income is the income a household has left over after they have paid housing costs.

At a national level, the most common way of measuring affordability is through the use of housing cost to income ratios and it is widely accepted that the traditional (gross) housing cost to income ratio is the most useful single objective measure.

In the England, there is no official definition of housing affordability. In 1999 the National Housing Federation (NHF) (the representative of over 900 Housing Associations in England) defined affordable rents as those below 25% of household income for new tenant households in work (NHF, 1999). The Department of Communities and Local Government in 2007 adopted the same definition as set out at paragraph 69 above – but accepting that ‘Local circumstances could justify using different proportional figures’.

Despite its use as a ‘rule of thumb’ measure for some years the 25% gross income housing affordability ratio is unrealistic. According to Social Housing (How to assess the affordability of rents, 26 August 2015), 30%-35% of gross income, or 40%-45% of net income, is common.

We have reviewed the Retail Price Index (RPI) Basket – this is the basket of goods that the ONS base the RPI on. The weighting for rent has increased from 47 in 2001 to 83 in 2016. This is a 57% increase, meaning (in broad terms) that people are generally spending more of their income on rent than they used to. Over the same period the cost of nearly everything else has fallen. The rental weight includes all rents – including social, affordable and market rents. The RPI includes all households in all tenures so is averaged across all – so each basket not only contains rent, but also mortgages and recognises some households own their houses outright.

The Government's Money Advice Service suggests that on average families require a minimum income of £18,180 including a housing cost component of £8,028 or 44% of total costs.

According to the English Housing Survey (EHS) 2014/15, on average, those buying their home with a mortgage spend 19% of their income on mortgage payments, whereas rent payments were (on average) 31% of income for social renters, and 43% of income for private renters. Excluding housing benefit, the average proportion of income spent on rent was 42% for social renters and 52% for private renters. Alternatively, comparing gross income with housing costs, the EHS 2014/15 found the proportion of income spent on rent was 43% when considering income from the main householder and partner, or 34% when considering income from all household members. All of these data sources indicate that taking 35% as the threshold for our work is robust.

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