

**Exeter & Torbay
Strategic Housing Market Assessment 2007:
Torbay Update 2011**

September 2011



Opinion Research Services The Strand, Swansea SA1 1AF

Nigel Moore

enquiries **01792 535300** · info@ors.org.uk · www.ors.org.uk

© Copyright **September 2011**



Torbay Council Roebuck House, Abbey Road, Torquay, Devon TQ2 5TF

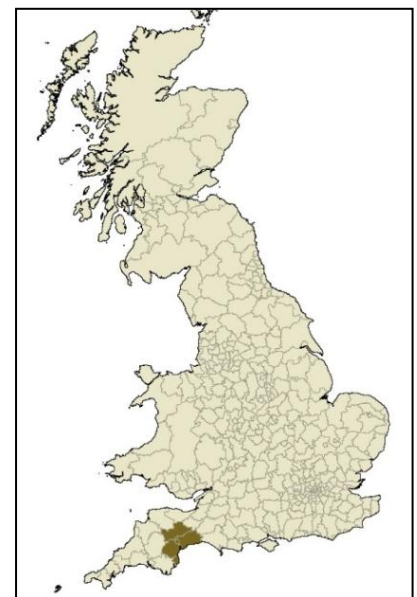
David Pickhaver (Senior Strategic Planner) david.pickhaver@torbay.gov.uk

enquiries **01803 201201**

Torbay Update 2011	5
Housing Sub-Markets in the Exeter and Torbay Housing Sub-Region	6
Reviewing the Modelling Analysis from 2007	8
Introducing Micro-Simulation Models	8
The ORS Housing Market Model	9
Understanding the Required Housing Tenure Mix	12
Housing Tenure Mix in 2007	15
Changes Since 2007	16
Updating Household Affordability: Housing Costs	16
Cost of Local Housing by Property Size	16
Cost of Social Rented Housing	17
Income, Savings and Debts	18
Migration	18
Modelling the Housing Market 2011	19
Understanding the Required Housing Mix	20
Sensitivity Testing	21
The Role of Housing Benefit	21
Changes to Local Housing Allowance in June 2010 Budget	22
Further Consideration of the Government's June 2010 Budget	23
Further Changes Announced in October 2010	25
Affordable Rent	26

- ¹ Opinion Research Services (ORS) was commissioned by Torbay Council in partnership with the other authorities of the Exeter and Torbay Housing sub-regions to undertake a comprehensive and integrated Strategic Housing Market Assessment for the Housing Market Areas of Exeter and Torbay.
- ² The study was undertaken to inform local policies, in particular relating to the housing strategy and investment programme and planning policies surrounding affordable housing provision. It is important to note that the study does not seek to determine rigid policy conclusions, but instead provides a key component of the evidence base required to develop and support a robust policy framework.
- ³ The research was based on the analysis of 3,470 interviews conducted with households (which primarily underwrote the housing needs and requirement modelling) of which 644 were completed within the Torbay area. The primary data was coupled with analysis of secondary data from the UK Census, Housing Corporation, HM Land Registry, Office for National Statistics and a range of other sources along with a qualitative consultation programme with a wide range of stakeholders.
- ⁴ The commissioning partners included:
 - Devon County Council;
 - East Devon District Council;
 - Exeter City Council;
 - Mid Devon District Council;
 - Teignbridge District Council;
 - Torbay Council; and
 - Dartmoor National Park Authority.

Figure 1
Identifying the Exeter and Torbay Housing Sub-Region



⁵ This document represents an update of the original study for Torbay which considers the impact of the credit crunch and slowdown in the housing market which has occurred since the original modelling was undertaken in 2007. The 5 year housing requirements modelling results in this report cover the period 2011-2016.

Housing Sub-Markets in the Exeter and Torbay Housing Sub-Region

⁶ The Exeter and Torbay Housing sub-region comprises two of the Housing Market Areas (HMAs) identified by the South West Regional Housing Board, namely:

- **Exeter HMA**, covering the local authority areas of East Devon, Exeter, Mid Devon and Teignbridge, including the area of the Dartmoor National Park Authority that falls within the Teignbridge boundary; and
- **Torbay HMA**, covering the same area as the Torbay unitary authority.

⁷ To understand the operation of the housing market across the sub-region, the study sought to identify the functional sub-markets operating within the Exeter and Torbay HMAs. Housing markets reflect where people both live and work, and typically represent the areas in which the majority of residents will look for housing when they move. At the time of the 2001 Census, 94% of those people working in the sub-region also lived in the area – but on the basis of migration and travel to work patterns it is possible to divide the sub-region into functional sub-markets, where the majority of the local population live, work and move within smaller geographic units.

⁸ To identify the functional sub-market areas, data about individual Census Output Areas (COAs) was analysed. COAs with strong links in terms of migration (where a significant proportion of residents from one COA moved to another COA) or strong links in terms of travel to work patterns (where a significant proportion of the working population resident in one COA were employed in another COA) were merged to form a single combined area. This process was then progressively repeated, with the COAs with the strongest links to the combined area being identified and merged in turn.

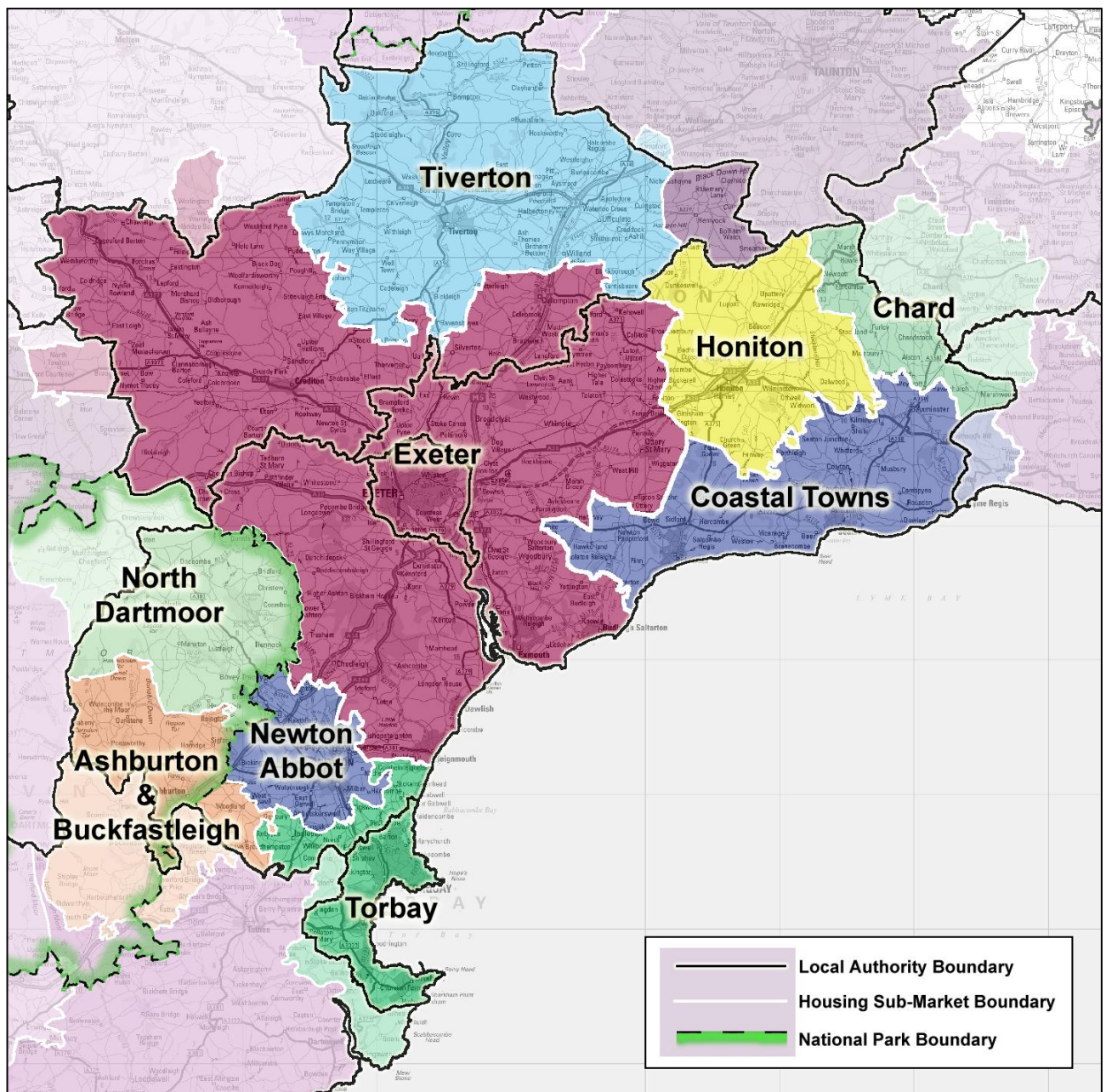
⁹ At each stage of the process, the proportion of the working population who both lived and worked in the combined area and the proportion of migrants that moved within the combined area were reviewed to determine whether or not the identified area had reached an appropriate level of self-containment. Once a reasonable level of self-containment had been achieved, the process was repeated starting with a different pair of COAs with strong links – leading to a number of combined geographies being identified across the sub-region.

¹⁰ Where the combined geographies overlapped (i.e. individual COAs had been merged into more than one combined area) the relative strengths of the COA to each area were considered to determine an appropriate boundary between the combined areas. Following on from this process, the strength of links (in terms of migration and travel to work patterns) between the combined areas were considered in order to identify any interdependencies, and where strong links clearly existed areas were merged together.

¹¹ Figure 2 overleaf illustrates the outcome of the analysis, showing the nine housing sub-markets identified. In addition to Exeter and Torbay, the towns of Tiverton, Honiton, Chard and Newton Abbot each had sufficient independence from the main urban areas to be considered independently. Similarly, when considered together, Ashburton & Buckfastleigh constituted an independent sub-

market as did the towns along the coast of East Devon in the Coastal Towns sub-market. The final sub-market identified was North Dartmoor.

Figure 2
 Identifying the Functional Housing Sub-Markets in the Sub-Region (Source: Exeter & Torbay Strategic Housing Market Assessment 2007)



¹² Torbay local authority is part of a single housing market area which extends marginally outside the boundaries of the authority into Teignbridge.

Reviewing the Modelling Analysis from 2007

Introducing Micro-Simulation Models

- ¹³ Models can be used to provide forecasts of the future, based on current and past sets of primary and secondary data. These forecasts may vary according to the assumptions that are made during the modelling process. In the case of SHMAs, the figures produced are best estimates of the different needs in the housing market and give a picture of the size of the 'problem' and support the understanding of how that picture might change if certain variables change.
- ¹⁴ ORS uses a micro-simulation model with simultaneous equations to interpret demand and supply. Such models are used by academic researchers and by government to understand and make predictions about a wide range of issues. Commonly recognised examples include;
- labour supply and wages;
 - unemployment;
 - household formation rates;
 - education and training choices; and
 - macro-economic forecasting.
- ¹⁵ Micro-simulation models are the best way of maximising the value of any dataset by considering the links between demand and supply simultaneously so that all possible information is used to make the best projections possible. The methodology used in the ORS model is consistent with micro-simulation models derived from other large datasets such as the General Household Survey, Labour Force Survey, National Child Development Survey and the British Household Panel Survey.
- ¹⁶ Micro-simulation models are sophisticated tools that produce central point estimates using all the information available. The central point estimate is the most probable result, but this falls at the centre of a range and it is this range (known as the mean forecast error) that determines the accuracy of micro-simulation models.
- ¹⁷ Calculating the mean forecast error depends on comparing modelling estimates with appropriate trend based data (data which shows what has actually happened) but it is clearly difficult to test any estimate of housing need and requirements through unambiguous comparison with 'reality', because there is no single objective, non-model-based account of 'reality' that can be used to measure housing market performance.
- ¹⁸ Although central point estimates produced by micro-simulation models are subject to a mean forecast error this does not disqualify their importance or usefulness when developing public policy and despite it not being possible to determine a mean forecast error for the ORS model (due to the nature of the simulation), the central point estimate still provides the most reliable estimate.

Core Modelling Assumptions

Housing Requirements

- Housing requirements are generated from three sources;
 - Existing households moving;
 - Newly forming households;
 - In-migrant households.
- Existing household moves are based upon the expectation of moving in the next 12 months.
- Newly forming household and in-migrant households are both based upon trends from the previous 12 months with in-migrant households controlled by secondary data sources.

Housing Supply

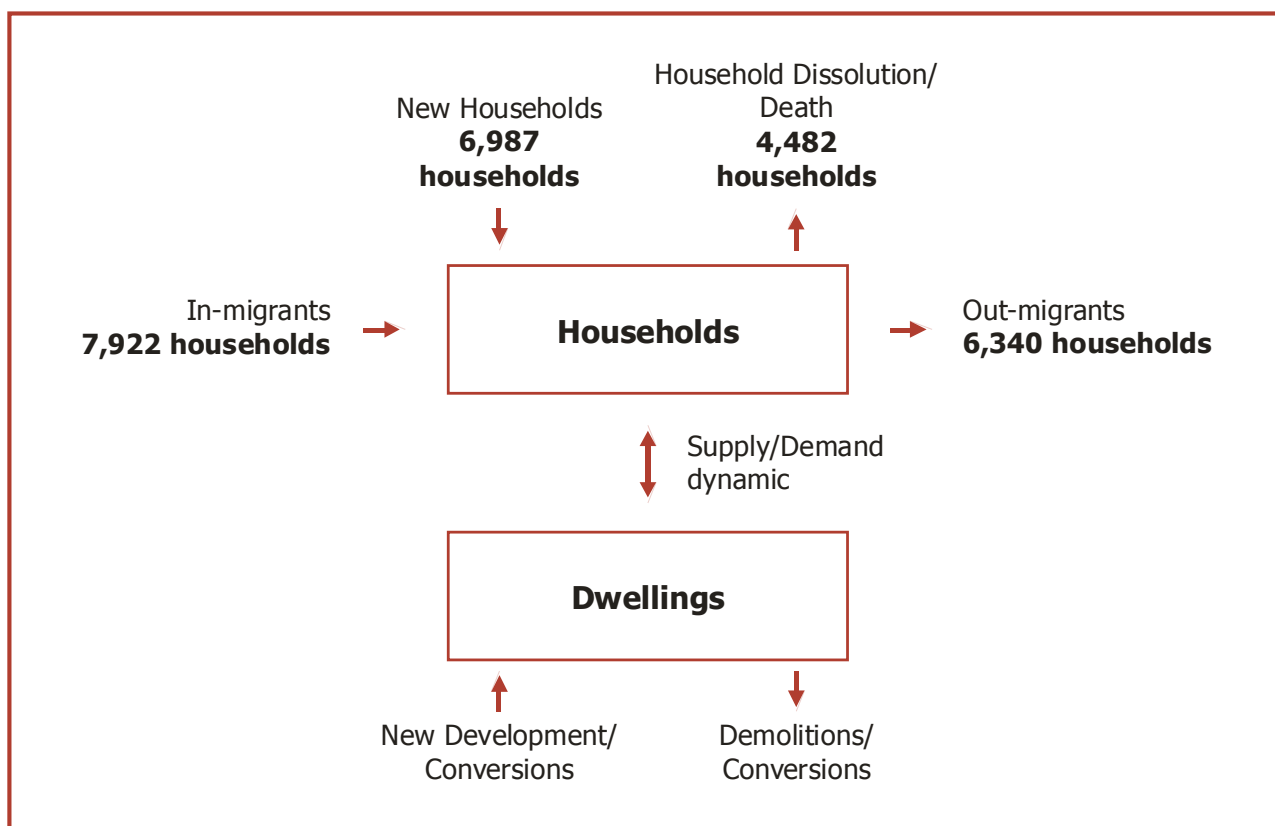
- Housing supply is generated from three sources ;
 - Existing households moving;
 - Death and dissolutions;
 - Out-migrant households.
- Existing household moves are based upon the expectation of moving in the next 12 months;
- Deaths and dissolutions are based upon ONS mortality rates for deaths and trends over the previous 12 months for households merging for dissolutions.
- Out-migrant households are based upon expectations of moving in the next 12 months controlled by secondary data sources.

Affordability

- Households are allocated to tenures based upon affordability and not preference.
- For owner occupation, lending for single incomes is assumed to be 3.5x the gross income and lending for joint incomes based on a 2.9x multiplier. The assessment of affordability for owner occupation also includes:
 - Savings;
 - Debts;
 - Equity (positive or negative) from current home (for current owners).
- Expected expenditure on rented accommodation is based on the CLG SHMA Practice Guidance that households spend 25% of their gross income on rent.
- Households who can afford private rent are assumed to access this, rather than specialised intermediate housing products.
- Households who can afford more than existing social rents, but cannot afford private rent are allocated to intermediate housing.
- Households allocated to affordable housing are modelled to receive the number of bedrooms they will get under the CLG SHMA Practice Guidance bedroom standard.
- The lowest quartile of private rents is considered to form part of the existing supply of intermediate housing because it fulfils the same role of meeting the needs of households in housing need.
- A household is in the backlog of need if they are unsuitably housed, require alternative housing provision in the borough and cannot afford market housing. The Model addresses the backlog of need over 10 years.

23 The projected flows of housing need, demand and supply for Torbay in 2007 are shown below.

Figure 3
5-Year Requirement/Supply Flow Analysis Torbay: 2007 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment 2006-07)



24 In considering this combination of inward and outward household flows, we can determine the likely pressure placed upon the dwelling stock – and the implicit requirement for additional housing provision.

25 The net gains and losses of each pair of flow streams are detailed below, where it is apparent that up to a net 4,087 additional dwellings would have needed to be provided over the 5-year period to sustain the existing supply/demand balance while addressing the backlog of need. If this number of homes is not provided, one or more flows will have to change. The change in flows could include new households failing to emerge, overcrowding issues failing to be resolved or households leaving the area due to a lack of suitable available housing.

Figure 4
Summary of 5-Year Housing Requirements in Torbay by Household Flows (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment 2006-07. Note: Figures may not sum due to rounding)

Housing Type	Inward Flow	Outward Flow	Net Requirement
5-Year Requirement			
Migration – households moving to and from the authority	7,922	6,340	1,582
Indigenous change – household formations and dissolutions	6,987	4,482	2,505
Established household moves	18,356	18,356	-
Total	33,266	29,179	4,087

Housing Supply

²⁶ Planning Policy Statement 3 (PPS3) Appendix B June 2011 contains the following statements on the supply of new dwellings across all tenures

- **Affordable housing should:**
Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision’.
- **Social rented housing is:** ‘Rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime.
- **Affordable rented housing is:** Rented housing provided by registered providers of social housing, that has the same characteristics as social rented housing except that it is outside the national rent regime, but is subject to other rent controls that require it to be offered to eligible households at a rent of up to 80 per cent of local market rents.
- **Intermediate affordable housing is:** ‘Housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria set out above. These can include shared equity products (eg HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing.’
- **Market housing is:** ‘Private housing for rent or for sale, where the price is set in the open market.’

²⁷ As will be discussed later in this report, Affordable Rent can be considered as an alternative form of social or intermediate housing, so is not treated separately here.

²⁸ The key issue these definitions raise is how to define market housing costs. In practice the very cheapest second hand open market dwellings can be cheaper than any intermediate (and on some occasions social rented) dwelling. Therefore, for the definitions in PPS3 to have practical relevance there is a need to identify a market housing threshold price which then sets the upper limit for the cost of intermediate affordable housing products.

²⁹ On this point, SHMA Practice Guidance (Chapter 3, page 27) states that for house prices, ‘Entry-level prices should be approximated by lower-quartile house prices’. The cheapest available property prices should not be used since these often reflect sub-standard quality or environmental factors,’ and for private rents, ‘As with house prices, lower-quartile rents should be used to estimate the entry level’. Therefore SHMA Practice Guidance identifies that the threshold point for market housing commences at the lowest quartile for owner occupation and private rents. In practice private rents are more affordable in Torbay than owner occupation, so it is these which define the point where market housing costs begin and act as the upper limit for intermediate affordable housing costs.

³⁰ This issue is very important because PPS3 is predominantly about the delivery of new dwellings. However, while the ORS Housing Market Model is also in part about the delivery of new dwellings, the majority of households requiring accommodation will be housed in the existing housing stock of Torbay. Therefore, while PPS3 sets out clear definitions for newbuild dwellings, the role of second hand housing makes the classification of dwellings by tenure much more complicated.

- ³¹ Such an example is for housing which is available to those who can afford no more than Social Target Rents. For this group, it is possible to consider the supply to comprise of dedicated supply such as Council and RSL lettings, but also housing benefit supported private rented dwellings. The rationale for this is to recall the PPS3 definition of households in housing need (as outlined in Chapter 5 of SHMA Practice Guidance) and the requirement for financial assistance within the definition:
- **Housing need is:** ‘Households who are lacking their own housing or who are living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their own housing needs in the market without some financial assistance.’
- ³² Whilst housing benefit supported private rent does not have the same tenancy rights as full social rent, it nevertheless contributes to the effective supply of affordable housing in that it is affordable to households who require social housing. In practical terms there is a shortage of social rented housing and households unable to access it will seek housing in the private rented sector with housing benefit support.
- ³³ Similarly further supply assumptions can be considered for intermediate affordable housing. The current supply of dedicated intermediate housing products in Torbay as defined by PPS3 is relatively small. However, Torbay has a large private rented sector. The lower quartile private rented sector falls below the entry threshold for ‘market’ housing as defined by PPS3 and the SHMA Practice guidance. While not enjoying the same tenancy or ownership rights as dedicated intermediate affordable housing products, cheaper (lower quartile) private rented properties are affordable to households within the intermediate affordable housing income band and are counted as part of the supply to this group of households in a number of the scenarios set out below.
- ³⁴ Support for these positions can be found in SHMA Practice Guidance where it is noted, (Chapter 5, Stage 4: The Housing Requirements of Households in Need Page 49) ‘Furthermore, some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing. One of the research questions outlined in this section is:
- how is the private rented sector used to accommodate housing need?
- ³⁵ Therefore, SHMA Practice Guidance acknowledges that housing need can be met in the private rented sector and a research question to be answered within an SHMA is what role the private rented sector plays in meeting housing needs.
- ³⁶ This leads to a conclusion there are a number of private sector dwellings which are not market housing under PPS3 and SHMA Practice Guidance definitions because they are below market rents thresholds. Similarly, they are not intermediate or social supply under PPS3 definition because they are not a dedicated supply of affordable housing.
- ³⁷ However, lower quartile private rented and housing benefit supported private rented sector dwellings will continue to be occupied by households despite not meeting the definition of market, intermediate or social housing in PPS3. When considering the appropriate housing supply, the following sources of supply are therefore considered within the model;
- **Social rented housing** – social housing provided to rent from local authorities and Registered Social Landlords **and** housing benefit supported private rented accommodation at 2007 levels;

- **Intermediate housing** – dedicated intermediate housing products (such as shared ownership, discount market sale, sub-market rent but not shared equity sales) **and** a proportion of the housing in the private rented sector with rents below the market rent threshold (i.e. within the lowest quartile); and
- **Market housing** – owner-occupied housing and housing in the private rented sector above market rent thresholds.

³⁸ We would emphasise that while an element of lower quartile private rent is considered within the model as helping to meet housing need, it is not recognised as a form of affordable housing in PSS3 or by Torbay Council. However, it does help to meet the needs of households who would otherwise require affordable housing, so is included as such in the ORS Housing Market Model.

Understanding the Required Housing Tenure Mix

³⁹ Affordability tests are used to apportion households to specific housing tenures;

- **Social rented housing** – for those households unable to afford any more than social rents;
- **Intermediate housing** – for those households able to afford more than social rents, but unable to afford to buy owner-occupied housing or to rent privately at the market rent threshold; and
- **Market housing** – for those households able to afford to buy owner-occupied housing or able to afford to rent privately at rents at or above the market rent threshold.

⁴⁰ The requirement for housing is therefore defined purely on affordability grounds with those who have incomes above market housing thresholds being identified as requiring market housing. It is also the case that those with incomes below market housing thresholds who report no difficulties with their housing costs are also identified as requiring market housing because using the PSS3 definition:

- **Housing need** is households who are lacking their own housing or who are living in housing which is judged to be inadequate or unsuitable, who are unlikely to be able to meet their own housing needs in the market without some financial assistance.

⁴¹ On this basis households meeting their own housing requirements in the market are deemed to be suitably housed, do not require financial assistance and are not in housing need.

Affordability Assumptions

- Households are allocated to tenures based upon affordability and not preference.
- A household is in the backlog of need if they are unsuitably housed, require alternative housing provision in the borough and cannot afford market housing. The Model addressed the backlog of need over 10 years.
- For owner occupation lending for single incomes assumed to be 3.5x the gross income and lending for joint incomes based on a 2.9x multiplier. The assessment of affordability for owner occupation also includes;
 - savings;
 - debts; and
 - equity (positive or negative) from current home (for current owners).
- Households are assumed to spend 25% of their gross income on rent.
- Following PPS3 definitions, households who can afford private rent are assumed to access this, rather than dedicated intermediate affordable housing .
- Following PPS3 definitions households who can afford more than a social rent, but cannot afford a market rent are regarded by the model as requiring intermediate affordable housing.
- Market rents are based on the lowest quartile price for private rent.
- Properties in the private rented sector with rents within the lowest quartile are considered as sub-market housing, as their rents are below market rent. Such housing is allocated by the model to households that can afford intermediate affordable housing as defined by PPS3.

⁴² Nevertheless, whilst PPS3 defines intermediate housing as being for those households able to afford more than social rents but less than market housing (rent or owner occupation), it should be recognised that it may not be possible to deliver intermediate affordable housing affordable to those households only able to afford fractionally more than a social rent.

Housing Tenure Mix in 2007

⁴³ The gross housing requirements and likely supply are matched by the ORS Housing Market Model as detailed below. It is apparent that the gross housing requirement is equivalent to the total inward flow (including internal moves by established households) with housing supply equalling the total outward flow. The balance of housing requirement between the different housing types is detailed below.

Figure 5

Summary of 5-Year Housing Requirements for Torbay by Housing Type: 2007 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment 2006-07. Note: Figures may not sum due to rounding)

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)	
			N	%
5-Year Requirement				
Market Housing	22,608	21,019	1,589	38.9%
Intermediate Housing	3,237	2,759	478	11.7%
Social Rented Housing	7,421	5,401	2,020	49.4%
Total	33,266	29,179	4,087	100.0%

⁴⁴ It is apparent that market housing requirements account for 1,589 units of the total 4,087 net housing requirement for Torbay (38.9% of the overall net total). Whilst the gross need for social housing is considerably lower than the need for market housing, given the more limited supply of social sector

housing likely to become available from within the existing stock, social rented housing accounts for a larger proportion of the net requirement.

45 In summary, the ORS Housing Market Model identifies an overall 5-year requirement for almost 4,087 additional dwellings, with the balance between market housing, intermediate housing and social housing being 39:12:49 respectively. Figure 6 below shows the mix of housing sizes required by tenure.

Figure 6
Net Housing Requirements for Torbay by Housing Type and Size: 2007 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment 2006-07. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing		
	Market Housing	Intermediate Housing	Social Rented Housing
Net Requirement			
1 bedroom	34.2%	67.4%	19.1%
2 bedrooms	29.8%	32.2%	69.3%
3 bedrooms	3.3%	0.3%	3.0%
4+ bedrooms	32.8%	-	8.5%
Total	100.0%	100.0%	100.0%

Changes Since 2007

46 Since the original study was undertaken, huge changes have occurred in the economy and housing market of the UK which have major implications for the housing market of Torbay. We have taken this opportunity to update a wide range of indicators to highlight how the housing market of Exeter and Torbay has changed since 2007. The two main areas we have updated are **Housing Affordability and Migration** and these are explored in more detail below.

47 It should also be noted that we have also updated the number of households in private sector leased housing or temporary accommodation who require to be re-housed. However, these changes had only very minor impacts on the model, so we will concentrate on more significant changes.

Updating Household Affordability: Housing Costs

48 In considering future housing need and demand, it is important to consider how housing affordability has changed since the time of the original study.

49 Assessing affordability is critical to determining whether or not households can afford local housing. Whilst affordability can be assessed in a number of different ways, each method depends on common factors that are crucial to the analysis – the affordability of any particular household will depend on the relationship between:

- The cost of appropriate local housing, and
- The amount that the household is able to afford.

Cost of Local Housing by Property Size

50 By using the information published by the Land Registry in combination with the information from the household survey the lowest quartile purchase prices for properties of different sizes were calculated in

2007. These represented the threshold prices which households were required to be able to afford before they could purchase a property.

- ⁵¹ A different set of house price thresholds were calculated for each of the functional housing sub-markets identified in Figure 2. The change in house prices which have occurred in the period from 2007 to 2011 are shown for each housing sub-market in Figure 7. The threshold house prices for each housing sub-market have been uplifted in line with their change in overall house prices. Therefore, the threshold prices for Torbay have been increased by 1.76% across all bedroom sizes.

Figure 7

Change in House Prices between 2007 and 2011 by Exeter & Torbay Housing Sub-markets (Source: Computed based on HM Land Registry Q1 2006-Q4 2006 and Q3 2010 – Q2 2011)

Area	Price Rise
Ashburton and Buckfastleigh	(1.90%)
Chard	7.01%
South Coast	13.68%
Exeter	8.30%
Honiton	7.01%
Newton Abbot	2.22%
North Dartmoor	8.43%
Tiverton	7.57%
Torbay	1.76%

Cost of Social Rented Housing

- ⁵² The following table details weekly rents in 2007, noting the current target rent for properties rented from Registered Social Landlords (RSLs). Also included is information about the lowest quartile prices charged in the private rented sector identified by the Survey of Letting Agents.

Figure 8

Exeter and Torbay HMAs Weekly Rent by Property Size and Tenure 2007 (Source 1: Housing Corporation Data March 2006. Source 2: ORS Survey of Letting Agents 2007)

Property Size	RSL Target Rents	Private Rent LQ
Bedsit/1 bedroom	£51.57	£92.31
2 bedrooms	£59.18	£126.92
3 bedrooms	£64.87	£155.77
4+ bedrooms	£72.69	£184.62

- ⁵³ For this study we have updated the target social rents which were charged in 2010/11. We have also update private rents in line with changes which have occurred since 2007 based upon evidence from local housing allowance records.

Figure 9

Exeter and Torbay HMAs Weekly Rent by Property Size and Tenure 2011 Source 1: Housing Corporation RSR Data March 2010. Source 2: ORS Survey of Letting Agents 2007 updated to 2011.

Property Size	RSL Target Rents	Private Rent LQ
Bedsit/1 bedroom	£60.58	£88.20
2 bedrooms	£69.00	£122.07
3 bedrooms	£76.57	£151.97
4+ bedrooms	£89.33	£188.29

Income, Savings and Debts

⁵⁴ While house prices have changed since 2007, it is also the case that the amount households can afford to spend on housing will have also changed in this time. For this update we have increased all incomes in Torbay by 1.0% in line with the average growth in earnings in the authority, while savings and debts have been increased by 15.1% in line with changes in the Retail Price Index since March 2007.

Migration

⁵⁵ Since 1996-97, the ONS has published relatively localised migration data using information from the NHS Central Register (NHSCR) which records the movement of individuals who change GP. The NHSCR data provides an effective way of monitoring changes in migration over time, but it is important to recognise the limitations of the data. Not everyone who moves will register with a doctor, so some migration will not be counted. Nevertheless, as the data provides the best available basis for analysis, the following information details migration patterns for the period 2004-2009.

⁵⁶ Exeter and Torbay HMAs have seen some dramatic changes in its migration patterns since 1999. Figure 10 and Figure 11 overleaf highlight that between 1999 and 2004 the area experienced a net in-migration of at least 6,000 people per annum. However, since 2004 the number of in-migrants to Exeter and Torbay has fallen and in the most recently available figures for the year to June 2009 only a net 3,000 people moved to the area.

Figure 10

Migration to and from Exeter and Torbay HMAs 1999-2009 (Source: ONS Migration Statistics Unit)

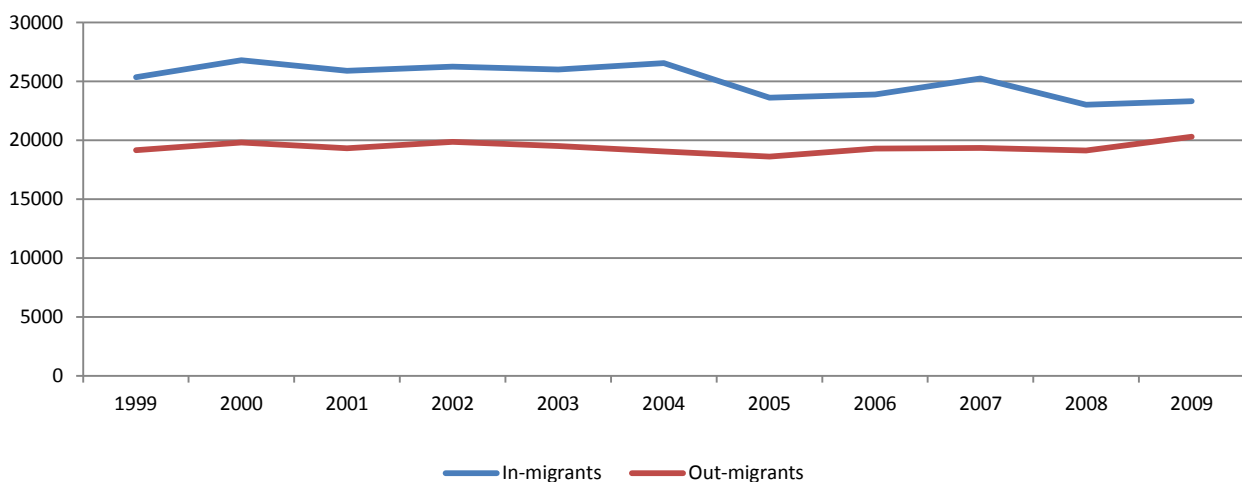
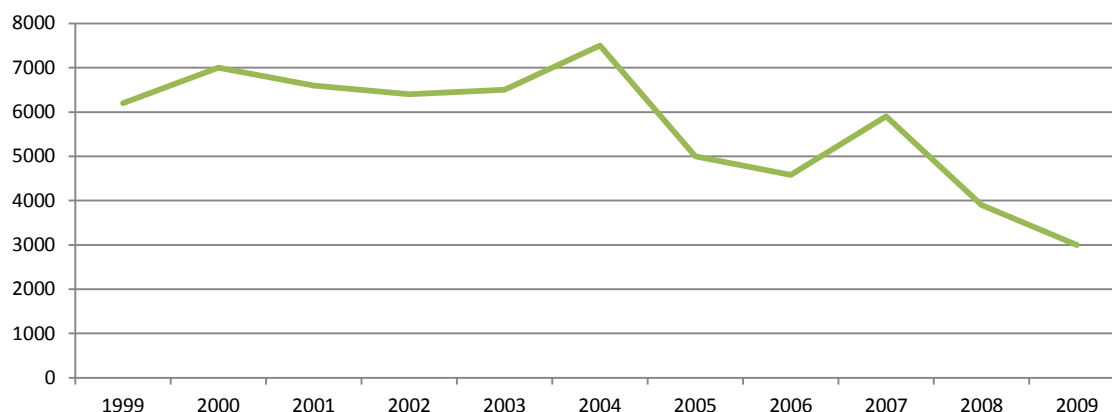


Figure 11

Net Migration to and from Exeter and Torbay HMAs 1999-2009 (Source: ONS Migration Statistics Unit)



⁵⁷ Figure 10 also highlights that in-migrants to Exeter and Torbay HMAs represent a much more volatile number than out-migrants. For the purposes of the modelling update we have updated the base migration assumptions to account for new data available since 2007. We have also sensitivity tested the results by considering different migration assumptions for the future.

Modelling the Housing Market 2011

⁵⁸ After applying the updates to affordability, migration and households in temporary accommodation the projected flows of housing need, demand and supply are summarised below. This includes all elements of housing need, demand and supply. It is also noteworthy that the Model projects 18,100 households will move within Torbay over the next 5-years. However, this will also create 18,100 vacancies, thus the impact upon total net housing requirements will be zero, but they will impact upon the tenure and bedroom mix of housing required.

⁵⁹ The projected flows of housing need, demand and supply for Torbay are shown below. It should be noted that 5 year results cover the period 2011-2016. If Torbay wish for the model to cover the period 2011-2021 then the 5 year housing requirements can be simply doubled. This is because the model addresses the existing backlog of need over a period of 10 years by addressing 10% of the need per annum. Therefore, the projected backlog of need to be addressed and flows of households moving are the same for each year up to 2021. This in turn means the annual housing requirements is the same for each year up to 2021.

⁶⁰ The net gains and losses of each pair of flow streams are detailed below, where it is apparent that up to a net 4,103 additional dwellings would need to be provided over the 5-year period to sustain the existing supply/demand balance and address the backlog of need.

Figure 12
Summary of 5-Year Housing Requirements in Torbay by Household Flows: 2011
(Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment Torbay Update 2011. Note: Figures may not sum due to rounding)

Housing Type	Households Seeking Dwellings	Households Vacating Dwellings	Net Requirement
5-Year Requirement			
Migration – households moving to and from the sub-region	7,437	5,827	1,610
Indigenous change – household formations and dissolutions	6,975	4,482	2,493
Established household moves	18,119	18,119	-
Total	32,532	28,429	4,103

Understanding the Required Housing Mix

- ⁶¹ As previously noted, the ORS Housing Market Model identified an overall requirement for 4,103 additional dwellings over a 5-year period. By matching the above column totals for total housing requirement (including both housing need and demand) against the corresponding row totals for housing supply, it is possible to consider the overall net housing requirement for Torbay.
- ⁶² In summary, the ORS Housing Market Model identifies an overall five-year requirement for 5,294 additional dwellings, with the balance between market housing, intermediate housing and social housing being 39:9:53 respectively. This implies that the model identifies a total requirement for affordable housing of 2,520 units over the next 5 years.
- ⁶³ When compared with the modelling results from 2007, the requirement for social housing has risen by 150 units, while the requirement for intermediate housing has fallen by 130 units. Therefore, the changes which have occurred to affordability and migration since 2007 have had only a very minor impact on the housing requirements of Torbay.

Figure 13

Summary of 5-Year Housing Requirements for Torbay by Housing Type: 2011 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment Torbay Update 2011. Note: Figures may not sum due to rounding)

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)	
			N	%
5-Year Requirement				
Market Housing	22,021	20,438	1,583	38.6%
Intermediate Housing	2,985	2,637	349	8.5%
Social Housing	7,526	5,355	2,171	52.9%
Total	32,532	28,429	4,103	100%

- ⁶⁴ In summary, the ORS Housing Market Model identifies an overall 5-year requirement for 4,103 additional dwellings, with the balance between market housing, intermediate housing and social housing being 39:8:53 respectively. Figure 14 below shows the mix of housing sizes required by tenure. The model identifies a clear need for smaller affordable units with some need for larger social rented dwellings. The market housing requirement shows that over 35% of the demand is for dwellings with 3 or more bedrooms.

Figure 14

Net Housing Requirements for Torbay by Housing Type and Size: 2011 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment Torbay Update 2011. Note: Figures may not sum due to rounding)

Housing Requirement	Type of Housing		
	Market Housing	Intermediate Housing	Social Rented Housing
Net Requirement			
1 bedroom	34.3%	73.7%	18.9%
2 bedrooms	29.4%	26.2%	68.6%
3 bedrooms	3.3%	-	4.2%
4+ bedrooms	33%	-	8.3%
Total	100.0%	100.0%	100.0%

⁶⁵ If the required affordable housing is not delivered, there are likely to be a number of implications. Dependence on housing benefit within the private rented sector is likely to increase, with more households committing to housing costs that would be deemed unaffordable under the terms of the CLG guidance on Strategic Housing Market Assessments – yet they would not qualify for housing benefit support given their relative income and circumstances. Furthermore, households currently in unsuitable housing are less likely to have their needs resolved, and other households assessed as being unable to afford market housing of the size and type to meet their needs may have to opt for housing that would not be considered suitable. Some households may also consider leaving the area completely, seeking housing that they can afford elsewhere in the country or even overseas.

Sensitivity Testing

⁶⁶ In the period 2001-2006, an average of 25,300 people moved to Exeter and Torbay HMAs from other parts of the UK. However, this period coincided with very high activity in the housing market. Since this time the number of in-migrants moving to the area has fallen with the figure for the most recent year being 23,300. If this level of in-migration was to continue into the future it would have a significant impact on the housing requirements of Torbay.

⁶⁷ To illustrate the potential impact of changing migration patterns, a drop in the number of in-migrant households of 10% is modelled below. This shows that the total housing requirement falls by 750 units, with 600 of these being in the market sector. Therefore, much of the demand for market housing in Torbay is being generated by in-migrant households and if their numbers fall then the total housing requirements of the area also fall.

Figure 15

Summary of 5-Year Housing Requirements for Torbay by Housing Type as In-migration Declines: 2011 (Source: ORS Housing Market Model, Exeter & Torbay Sub-regional Housing Requirement Assessment Torbay Update 2011. Note: Figures may not sum due to rounding)

Housing Type	Gross Housing Requirement	Housing Supply	Net Housing Requirement (Surplus)	
			N	%
5-Year Requirement				
Market Housing	22,021	20,438	1,583	38.6%
Intermediate Housing	2,985	2,637	349	8.5%
Social Housing	7,526	5,355	2,171	52.9%
Total	32,532	28,429	4,103	100%
5-year Net Requirement (10% lower in-migration)				
Market Housing	21,427	20,438	989	29.4%
Intermediate Housing	2,896	2,637	260	7.7%
Social Housing	7,465	5,355	2,111	62.8%
Total	31,789	28,429	3,359	100%

The Role of Housing Benefit

⁶⁸ Many households in both the social and private rented sectors are able to claim support with rent costs in the form of housing benefit. In recent years housing benefit support in the private rented sector has increased as a tool used by councils to help meet housing need. In February 2011, over 9,500 households in Torbay received housing benefit support to live in the private rented sector (Figure 16).

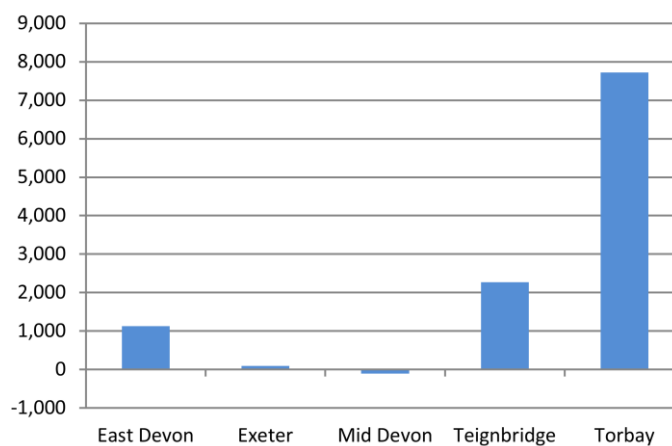
⁶⁹ While many households choose to live in private rented accommodation with housing benefit support, other households would prefer a social tenancy, but are unable to obtain one due to shortages in social rented stock. To reduce the number of households claiming housing benefit in the private rented sector, more affordable housing would need to be provided. This in turn would reduce demand for private rented housing – so either more housing would be available for households able to afford market rent (without benefit support) or more housing would be available to purchase (if landlords chose to sell their properties).

Figure 16
Housing Benefit Claimants in the Private Rented Sector February 2011 (Source: DWP)

Local Authority	Housing Benefit Claimants in the Private Rented Sector
East Devon	3,250
Exeter	3,080
Mid Devon	1,760
Teignbridge	3,940
Torbay	9,550
Exeter and Torbay Sub-regions total	21,580

⁷⁰ Figure 17 illustrates an alternative way of looking at this issue. It shows the difference which exists between the number of social rented dwellings in the local authority, and the number of households claiming housing benefit. This shows that even if only households claiming housing benefit were to be housed in social rented dwelling then there would still be over 7,700 too few social rented dwellings in Torbay. Therefore, it is inevitable that the private rented sector will be required to provide a continuing function to help meet housing need.

Figure 17
Gap between Number of Social Rented Dwellings and Number of Local Housing Allowance/Housing Benefit Recipients by Local Authority (Source: HSSA 2010; DWP October 2010)



Changes to Local Housing Allowance in June 2010 Budget

⁷¹ The Coalition Government’s first budget in June 2010 contained a number of proposed reforms to the local housing allowance which provides housing benefit. These included:

- From April 2011, local housing allowance rates will be capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
- From April 2011, local housing allowance rates will be set at the 30th percentile of local rents (previously the 50th percentile)
- From 2013-14, local housing allowance rates will be uprated in line with CPI

- Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02
- From April 2013, housing entitlements for working age people in the social sector will reflect family size.
- From April 2011, housing benefit claimants with a disability and a non-resident carer will be entitled to funding for an extra bedroom.

⁷² The change from using the 50th percentile to the 30th percentile for calculating local housing allowance rates could have a significant impact on Torbay. Figure 18 shows the local housing allowance rates for March 2011 (based on the 50th percentile) alongside the 30th percentile rents which currently set the LHA limit for the South Devon Broad Rental Market Area, which covers the whole of Torbay .

Figure 18:
March 2011 and July 2011 Local Housing Allowance Thresholds for Broad Rental Market Areas in Torbay.(Source: LHA Direct)

Broad Market Rental Area	March 2011 LHA (50 th percentile)				August 2011 LHA (30 th percentile)			
	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	4 bed
South Devon	£100.00	£131.54	£155.77	£196.15	£93.46	£122.31	£150.00	£183.46

Further Consideration of the Government's June 2010 Budget

⁷³ The key issue to consider is how the changes to the local housing allowance will affect the market for affordable housing, particularly in terms of demand and supply. Some considerations are set out below.

In April 2013, housing entitlements for working age people in the social sector will reflect family size

⁷⁴ Example: a working age couple with two adult children occupy a 3 bed social rented property and receive housing benefit. If the adult children move out of the house, the couple will technically only require a 1 bed dwelling. The policy impact is that they will no longer receive housing benefit for a 3 bedroom property but a 1 bed – they will either;

- be required to pay the balance of rent from their own funds, or,
- move to a small dwelling and continue to receive housing benefit.

⁷⁵ There are a range of possible implications arising from such a change (and we have not considered the ethical implications of the change):

- More households may downsize from family sized social rented dwellings into smaller units
- Some larger properties may become available for overcrowded households with children
- there may be or may not be a corresponding 'balancing effect', as larger homes and smaller homes are vacated
- Adult children may subsidise their parents to allow them to remain in the larger family home

Deductions for non-dependents will be uprated in April 2011 on the basis of prices. This will reverse the freeze in these rates since 2001-02

⁷⁶ Example: a pensioner couple with two adult children occupy a 3 bed social rented property and receive housing benefit. Current deductions for non-dependents will rise in April 2011, hence reducing the amount of housing benefit received by this household. If the adult children move out of the house, the couple will be allowed to remain in their dwelling because they are not working age and will receive more housing benefit.

⁷⁷ The policy impact is that the financial incentive is for the adult children to leave home and seeking their own independent accommodation, hence the rate of household formation will rise.

⁷⁸ Other changes to the policy could also have an impact: Changes to the local housing allowance may have considerable changes to the supply of dwelling available for households who require financial support in the private rented sector. These changes will not reduce the number of households seeking affordable or subsidised housing – however, it may increase the demand on local authorities to meet these households housing need.

⁷⁹ The ability of districts to meet housing need is dependent upon many issues. For example, how willing will private landlords be to accept households in receipt of housing benefit at the reduced levels from April 2011? Potential scenarios include:

- Market rent levels fall as landlords accept lower yields on their investments. This in turn could be achieved by landlords reducing the amount they spend on maintaining their properties, so the standard of accommodation could fall.
- If the new rent thresholds are too low then landlords may simply not be willing to accept housing benefit dependent households and instead return their stock to the market sector.
- This in turn may see house prices and rents fall as more housing becomes available to buy or rent - more households may be able to meet their housing requirements in the open market.

⁸⁰ However, if landlords are not prepared to accept households in receipt of housing benefit, where will these households have their housing needs addressed? Social housing has limited supply. Homelessness presentations may increase and overcrowding might rise. The percentage of disposable income paid to rent may rise in households seeking housing in the private sector.

⁸¹ In summary:

- Changes to the local housing allowance outlined in the June 2010 budget may have considerable impact on the social and private rented sectors.
- Potentially, there could be reduced household formation rates which may reduce the number of households seeking affordable housing. However, some changes in the LHA may also see formation rates rise.
- The supply of private rented dwellings may change significantly, especially for households on lower incomes.
- Where landlords accept lower rents then many households may move from more expensive areas.

- The total number of housing benefit claimants in the private rented sector is unlikely to fall, but their locations will change to lower priced areas.
- Alternatively, where landlords do not accept the lower rents more properties may return to 'pure' market housing.
- Local authorities may be pressed to find housing solutions for increasing demand from households who cannot resolve their own needs - homelessness presentations and overcrowding may also rise further.

Further Changes Announced in October 2010

Capping of Total Benefit Payments per Household

⁸² Additional changes to the benefit system which will impact upon the receipt of housing benefit were announced in October 2010. These will see the total level of benefit received by any household capped at £500 per week. The amount of housing benefit any household can receive will be assessed after any Jobseekers Allowance, Income Support, Council Tax Benefit, Child Tax Credit and Child Benefit have been deducted. The worked example below shows this calculation for an unemployed couple with 5 children:

- £102.75 couple rate for Jobseekers Allowance
- £25.00 Council Tax Benefit
- £231.63 Child Tax Credit for five children
- £73.90 Child Benefit for five children
- £66.72 amount left for Housing Benefit

⁸³ Therefore, in the example above, the housing benefit received will not cover the typical rent on a larger social rented unit and will fall a long way short of the rent required for a larger private rented dwelling.

Extending the Limit for a Single Person Receiving a Bedsit Allowance to 35 Years of Age

⁸⁴ Currently, any single person aged 24 years or younger is entitled to only the bedsit LHA, rather than allowance for a self-contained dwelling. In October 2010 it was announced that this would be extended to any single person aged 34 years or younger.

⁸⁵ The bedsit allowance will enable the single person only to receive a share of a dwelling. Therefore, a major impact of this change is likely to be a rise in the demand for shared accommodation within HMOs. More single persons will be forced to share accommodation for longer and this is likely to see more of the existing housing stock turned over to HMOs.

Priority Need Homeless No Longer Able to Refuse Private Sector Housing

⁸⁶ Whilst local authorities can currently offer homeless people (who they have a duty to house under Part 7 of the Housing Act 1996) private sector accommodation, the applicant can refuse this offer. Under new proposals, priority need households will no longer be able to refuse the offer of a private sector dwelling.

⁸⁷ The main aim of this proposal is to reduce the pressures on the social housing stock as most priority need is currently met in social rent. However, the indirect result of the change is that there will be further demands placed upon the private rented sector as Councils increasingly seek to house their priority need households outside the social rented sector.

Affordable Rent

⁸⁸ In October 2010 the Government announced its new Affordable Rent model which will allow housing associations to charge rents which are up to 80% of market rents for the area on new build developments and re-lets. The Affordable Rent model is designed to bring greater flexibility for housing associations and to provide financial support to allow new affordable housing to be delivered. Affordable Rents will potentially assist those households who;

- do not have the income or financial standing to become home-owners even through shared ownership
- require housing but have low priority for social housing.

Affordable Rent and the Allocation of Social Housing

⁸⁹ Current tenancies will not be affected by Affordable Rent, but the allocation of new households to social housing may be affected. If households are means tested at the point of allocation, then households who previously would have been allocated to social rent could be allocated to Affordable Rent with the ability to meet their own housing costs.

⁹⁰ The impact of the allocation policy for Affordable Rent on the requirement for social housing will depend upon exactly how households are allocated. If the allocation policy to social housing remains the same and households are allocated to Affordable Rent if they can afford to meet its costs then this will reduce the requirement for social housing. However, if Affordable Rent is used to accommodate households who would otherwise not necessarily receive social housing (such as those who would be identified as requiring other forms of intermediate housing) then there will not be an equivalent reduction in the needs for social rent.

Affordable Rent and the Supply of Social Rent

⁹¹ At this point it is also necessary to consider the impact that converting re-lets to Affordable Rent will have on the social rented stock available.

⁹² The impact of converting social rented re-lets to Affordable Rents will ultimately depend upon who is housed in these properties. If the properties are let to households who can afford to pay the Affordable Rents then these dwellings will form part of the effective intermediate housing stock. However, if they are let to households who meet the cost of the properties through housing benefit receipt they form part of the effective social housing stock and therefore there will be no change in this stock.

Key Findings on Affordable Rent

⁹³ Under the following combined circumstances the introduction of Affordable Rent will have **no impact** on the requirement for affordable housing:

- The allocation policies currently in place continue and households are required to pay Affordable Rent if they are able to afford to do so; **and**
- Households who cannot afford to meet the costs of Affordable Rent receive housing benefit to cover the cost of the Affordable Rent.

⁹⁴ If the circumstances outlined above apply, it would allow all new build lets and re-lets to be converted to Affordable Rent without any consequence for affordable housing requirements. The only impact would be on the rents paid by those who do not receive housing benefit. Currently they only pay Target Social Rents, but would now be required to pay Affordable Rents.

⁹⁵ The area where Affordable Rents may impact upon housing requirements is if they are only let to households who can afford to pay the cost of the property and are not let to households in receipt of housing benefit. Under these circumstances Affordable Rent becomes interchangeable with Intermediate Rent. This could see existing social rented dwelling converted to become part of the effective intermediate stock and then let to households who would not normally be considered for social rent.