

## Appendix 2 – Data Analysis

### Affordable Housing Stock Profile

There are around 2400 affordable rented homes (11% of all homes in the district based on 21439 total households as of Hi4EM est 2010): There are 1891 Melton Borough Council rented homes and approximately 530 housing association rented homes in the Melton Borough. The 12 social landlords in the Melton Borough manage a total of 766 homes (rented and other tenure including shared ownership). The table below shows the breakdown of affordable housing by property type.

Type of Housing	Houses	Flats	Bungalows
Melton BC Housing	894	715	282
Registered Provider Rented	325	183	53
RP Shared Ownership/Equity	150	26	24

*Data Source: Internal MBC 2011 data*

There are 4 main housing associations operating in the Melton Borough, DeMontfort Housing Association, Nottingham Community Housing Association, East Midlands Housing Association and Leicester Housing Association.

Registered Provider	Number of units
Advanced Housing	4 (mental health supported units)
Bellway Housing Trust	6 (single Shared Ownership scheme)
DeMontfort Housing Association	213
East Midlands Housing Association	131
Friendship Charnwood Housing	8 (Single Rural Exception schemes)
Housing 21	47 (single sheltered housing scheme)
Jephson Housing Association	54
Leicester Housing Association	110
MUIR Housing Group	10 (single Shared Ownership scheme)
Nottingham Community Housing Association	151
Riverside Housing	18 (single Shared Ownership scheme)
Rural Housing Trust/ English Rural Housing Association	15 (two rural exception schemes)

# Affordable Rent Modelling

To understand the impact of affordable rent locally an analysis was undertaken in March 2012, this considered;

- Desktop analysis of market and social rents, to estimate the impact of affordable rent by property type
- Real life worked example, using financial modelling data provided by a housing association for a proposed housing scheme which includes affordable rent housing.

## Desktop Analysis

A Desktop analysis of market and social rents, to estimate the impact of affordable rent by property type.

- Market rents – data source: property websites (such as [www.findaproperly.com](http://www.findaproperly.com)), other local rental advertisements and knowledge of local housing market. To establish current typical market rents by property type and size and use this as basis for calculating affordable rent costs.
- Social rents – data source: Choice based lettings database (Abritas). Analysed lettings data over the 2011-12 financial year for housing association properties by property type and size. (Melton Borough Council lettings were discounted because they are typically lower).
- Local Housing Allowance rates as published on [www.melton.gov.uk](http://www.melton.gov.uk)

The findings of the analysis for the most common house types are summarised in the graph and table below

**Graph to show difference in rent between social rent, affordable rent and market rent by property type.**



<b>Monthly Rent</b>	1 Bedroom Flat/ House/Maisonette	2 Bedroom Flat/Maisonette	2 Bedroom House	3 Bedroom House	2 Bedroom Bungalow
Social Rent	£ 278.07	£ 320.75	£ 351.48	£ 410.15	£ 370.80
Market Rent	£ 395.00	£ 425.00	£ 475.00	£ 595.00	£ 525.00
80% Affordable Rent	£ 316.00	£ 340.00	£ 380.00	£ 476.00	£ 420.00

**80% Affordable Rent Increase when compared to social rent)**

Weekly Increase	£ 8.75	£ 4.44	£ 6.58	£ 15.20	£ 11.35
Monthly Increase	£ 37.93	£ 19.25	£ 28.52	£ 65.85	£ 49.20
Annual Increase	£ 455.16	£ 231.00	£ 342.24	£ 790.20	£ 590.40
% Increase	14%	6%	8%	16%	13%

There are limitations in terms of this desktop exercise because of the small spatial scale of the Melton Borough, this means there are limited comparables available for rent in the private sector and only a small number of social rent lettings by housing associations<sup>1</sup>.

There is more data for the town of Melton Mowbray, where approximately half of the housing stock is located; the figures used in the analysis reflect rental levels within Melton Mowbray. The private market rental data typically shows a premium for comparable accommodation in the rural areas of the Borough. The impacts of affordable rent will therefore be higher in the rural areas of the Borough.

### **Local Housing Allowance Limits**

Affordable rent inclusive of all service charges is limited to the maximum Local Housing allowance for that location. There are three local housing allowance rates which apply to different areas of the Borough (Leicester & Surrounds, Nottingham and Grantham). The 80% affordable rent levels calculated (excluding service charges) were below the local housing allowance for all property types considered in Leicester & Surrounds and Nottingham LHA areas, however 80% affordable rent excluding service charges is likely to be above the LHA cap for all one and three bedroom accommodation in the Grantham LHA area, which falls to the north of the borough. This issue is likely to be compounded by the typically higher private market rents in this rural area. This shows that the total affordable rent, particularly when all service charges are included is likely to be limited at the maximum LHA level in the Grantham area.

### **Impacts on Smaller Flats and Housing**

Interpretation of the data suggests that the typical increase in rent for a 1 or 2 bedroom property at 80% affordable rent is likely to be limited, somewhere between £4-9 per week more than the social rent, an approximate 10% increase in rent. Affordable rent at a level below 80% for this type of property is not likely to increase rental incomes significantly above the level of a social rent.

### **Impacts on Larger Family Housing**

The data suggests that the increase in rents for 3 bedroom housing at 80% affordable rent is likely to be proportionally more than that for 1 or 2 bedroom houses and flats,

<sup>1</sup> There were specific issues in terms of a lack of bungalows and larger family homes to compare for rent privately as well as to socially rent from housing associations. There was a large variation in the cost to socially rent a 1 bedroom property, a 26% difference in cost between the most expensive and cheapest which may have skewed the figures for this type of accommodation.

around £15 a week more than the social rent; this is approximately a 16% increase in rent. To have an impact equivocal to smaller properties the level of affordable rent would have to be set at 75%, this would equate to a 9% increase approximately a £8 per week increase compared to a social rent. Affordable rent at less than 70% open market value is not likely to be significantly higher than the level of a social rent.

Data for larger properties with 4 or more bedrooms is limited because of a lack of local social rent properties of this size, there are only 3 such social rented properties owned by housing association within the Borough. Further this type of accommodation is rarely sought where new affordable housing is provided as there is limited need for homes of this size (more than 5 persons), particularly in light of recent benefit rules regarding bedroom entitlement. Private market data suggests that the private market comparable rent of approximately £650 for a large 3 bedroom (6 person) or small 4 bedroom semi-detached house, this would be an equivalent 80% affordable rent at £520 a month or £120 a week, this would be within LHA levels in all areas for a 4 bedroom property.

### Impacts on Bungalows

Bungalows typically demand a higher private market rent than flats and houses of a similar size. As affordable rent is benchmarked to private rent level this results in bungalows having a proportionally higher affordable rent than other similar sized types of affordable rent housing. The modelling suggests that at 80% affordable rent a 2 bedroom bungalows rent would increase by 13%, whereas a similar sized 2 bedroom houses rent would increase by approximately 8%.

### 'Real Life' Worked Example

Affordable rent is currently being built as part of a small rural scheme within the Borough, as part of the development of this scheme financial modelling has been undertaken to calculate the predicted rent for both affordable and social rent. This analysis is based upon figures provided by a housing association and their valuer at March 2012.

**Table to show predicted weekly rent increase of 80% affordable rent in comparison to social rent (Mar 2012)**

Property Type	80% Affordable Rent	Social Rent	Increase in Rent			
			weekly	monthly	annually	% increase
2 Bed House	£95.92	£86.57	£9.35	£40.52	£486.20	10%
3 Bed House	£109.77	£99.92	£9.85	£42.68	£512.20	9%
2 Bed Bungalow	£93.15	£89.92	£3.23	£14.00	£167.96	3%

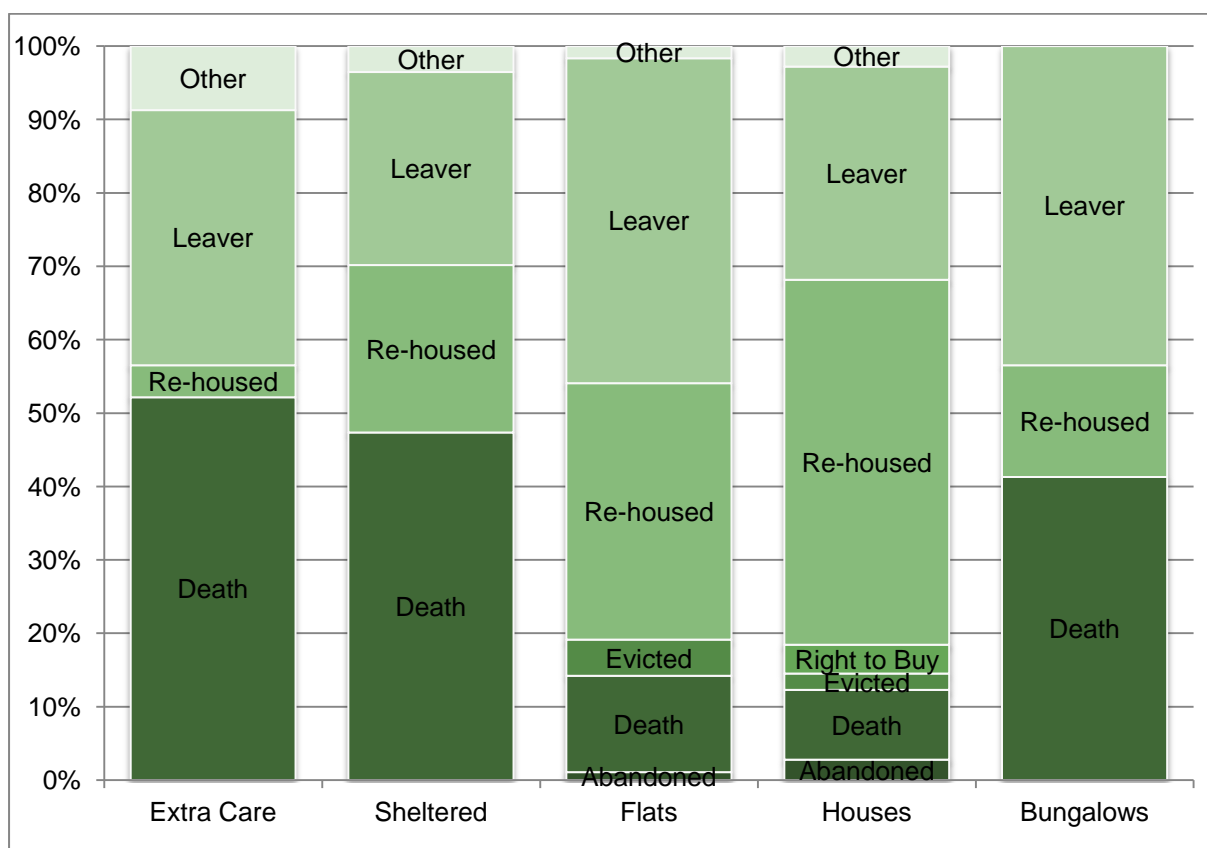
This analysis is specific to this individual development, particularly its location and the types of units being provided. The above figures exclude a £3 a week service charge. 80% affordable rent is predicted to be within the local housing allowance caps, including service charges, the 80% affordable rent proposed is 90-93% of the relevant local housing allowance.

# Tenancy Analysis

## Analysis of Melton Borough Council Tenancy Terminations: April 2009-Sept 2011

In order to understand local tenancy terms an analysis of the last 2 financial years and the financial year to date was undertaken in October 2011. The analysis looked at the reasons why 488 tenancies were terminated and how long they were by property type. This analysis only captured Melton Borough Council tenancy terminations, however Melton Borough Council stock accounts for approximately three quarters of all rented affordable housing within the Borough and it is assumed that these terminations are representative of social housing tenancy terminations as a whole.

### Reasons for Termination



**Table 2: Reason for Tenancy Termination by Property Type**

Property Type	Abandoned	Death	Evicted	Right to Buy	Re-housed	Leaver	Other
Extra Care	0.0%	52.2%	0.0%	0.0%	4.3%	34.8%	8.7%
Sheltered	0.0%	47.4%	0.0%	0.0%	22.8%	26.3%	3.5%
Flats	1.1%	13.1%	4.9%	0.0%	35.0%	44.3%	1.6%
Houses	2.8%	9.5%	2.2%	3.9%	49.7%	29.1%	2.8%
Bungalows	0.0%	41.3%	0.0%	0.0%	15.2%	43.5%	0.0%
TOTAL	1.4%	20.3%	2.7%	1.4%	35.7%	36.1%	2.5%

**Death:** Overall 1 in 5 tenancies end because of the death of a tenant. This was much higher in extra care (52%), sheltered (47%) and bungalow (41%) which is an expected finding given that these properties are designated for older people and others in need of this type of accommodation such as people with medical needs.

**Evictions:** All 13 evictions occurred in tenancies of less than 5 years in flats or houses (2.7%). There were no evictions from bungalows, sheltered accommodation or extra care.

**Abandoned:** 7 tenancies ended because of abandonment. These all occurred in tenancies of less than 10 years in flats or houses. There were no abandonments from bungalows, sheltered accommodation or extra care.

**Right to Buy:** 7 tenancies ended because they are bought under the right to buy. All seven of the Right to Buys were houses. Tenants had lived in their homes between 5.8 and 35.7 years when they exercised their right to buy (average 14.7 years).

**Re-Housed:** Overall just over a third of tenancies (35.7%) end because the tenant is re-housed within social housing; this includes internal transfers, transfers to other housing associations and local authorities and mutual exchanges (9.8%). The proportion of tenants that are re-housed is much higher for people who live in houses (50%) and lower in bungalows (15%), sheltered (22.8%) and extra care (4.3%) housing (Flats 35%).

**Leaver:** Just over a third of tenancies end because the tenant moves out of social housing (36.1%), this is relatively consistent across each type of housing, varying from 29% of house tenancies to a high of 44% in flat tenancies.

**Table 3: Length of Tenancy by Termination Reason**

General Needs Housing and Flat Tenancies	Re-housed	Leaver	Evicted	Death	Abandoned	Right to Buy	Other
less than 5 years	68	94	12	38	5	0	10
% less than 5 years	30.0%	41.4%	5.3%	16.7%	2.2%	0.0%	4.4%
more than 5 years	137	69	1	40	2	7	0
% more than 5 years	53.5%	27.0%	0.4%	15.6%	0.8%	2.7%	0.0%

## Length of Tenancy

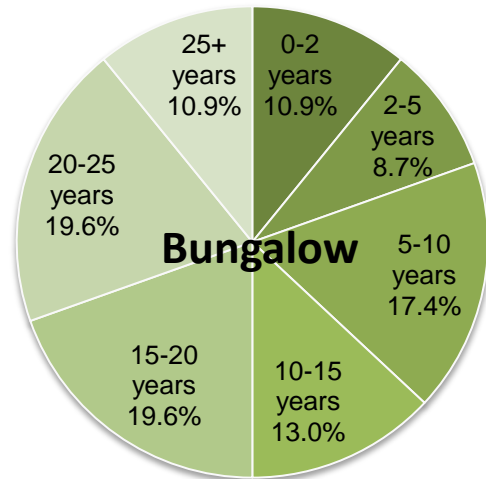
Almost half of tenancies were for 5 years or less (47.3%) and over a quarter were for less than 2 years. Almost 70% of tenancies (69.1%) were for less than 10 years and just over 80% of tenancies (81.1%) were for less than 15 years. The shortest tenancies were just a few weeks in length and the longest tenancy was for 45 years.

**Table 4: Cumulative Length of Tenancies by Property Type**

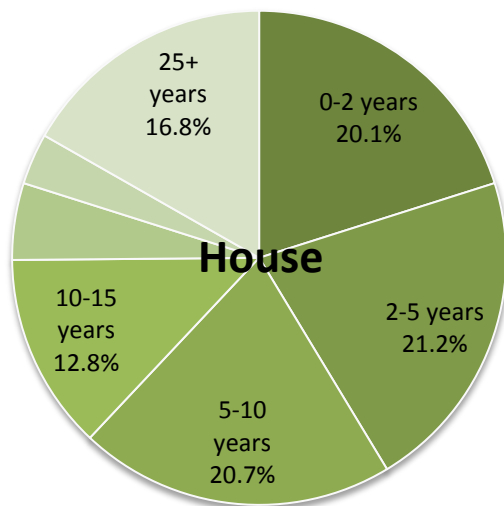
Cumulative %	0-2 years	0-5 years	0-10 years	0-15 years	0-20 years	0-25 years
Bungalow	11%	20%	37%	50%	70%	89%
Extra Care	39%	65%	96%	100%	100%	100%
Flat	33%	55%	79%	91%	95%	96%
House	20%	41%	62%	75%	80%	83%
Sheltered	28%	56%	74%	88%	95%	96%

**Bungalow tenancies** ranged from a couple of months to over 27 years. The average tenancy length was 14.2 years;

- 11% less than 2 years
- 20% less than 5 years
- 37% less than 10 years
- 50% less than 15 years
- 89% less than 25 years



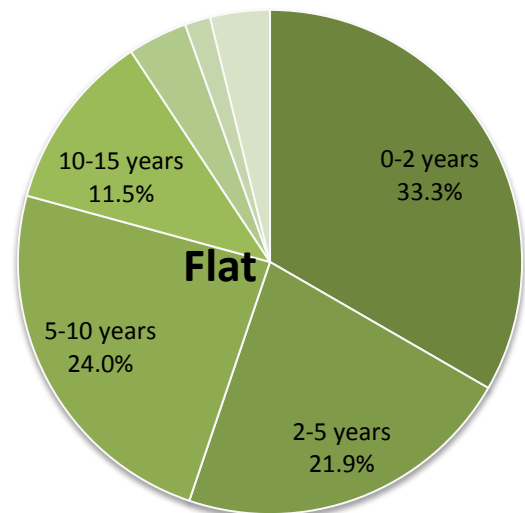
**House Tenancies** ranged from less than a month to 45 years. The average tenancy length was 11.4 years;



- 20% less than 2 years
- 41% less than 5 years
- 62% less than 10 years
- 75% less than 15 years
- 80% less than 20 years
- 90% less than 35 years

**Flat Tenancies** ranged from less than a month to 34 years. The average tenancy length was 6.4 years;

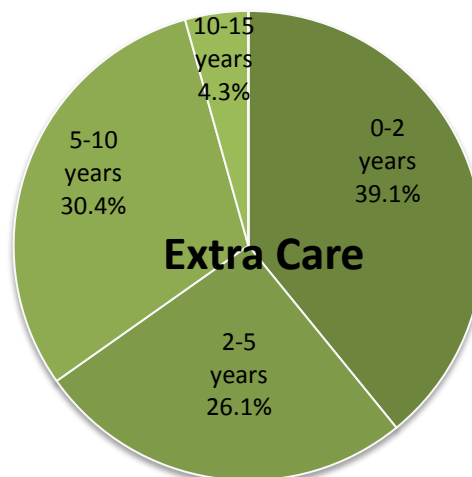
- 33% are for less than 2 years
- 55% are for less than 5 years
- 79% are for less than 10 years
- 91% are for less than 15 years



■ 0-2 years ■ 2-5 years ■ 5-10 years ■ 10-15 years ■ 15-20 years ■ 20-25 years ■ 25+ years

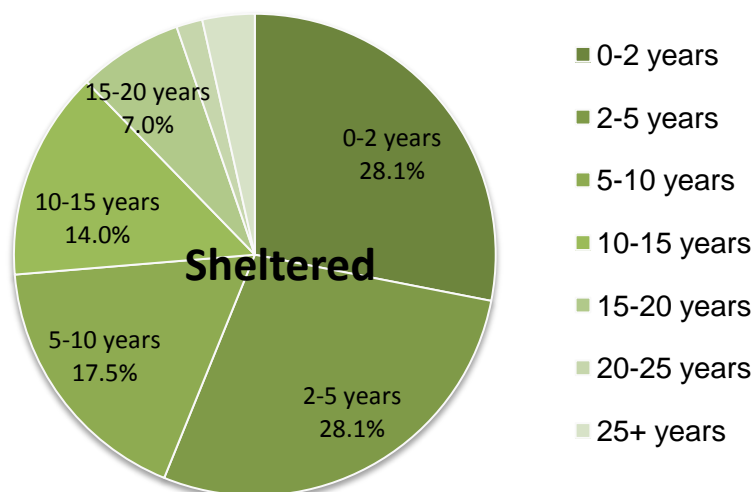
**Extra Care** tenancies varied from a couple of months to over 11 years. The average length of tenancy was 3.6 years;

- 39% less than 2 years
- 65% less than 5 years
- 96% less than 10 years



**Sheltered Housing** tenancies varied from less than a month to over 27 years. The average length of tenancy was 6.7 years;

- 28% less than 2 years
- 56% less than 5 years
- 73% less than 10 years
- 88% less than 15 years



## Supply Lettings and Completions

In 2010/11 183 affordable, general let homes became available to rent over double the supply compared to 2009/10 (82 affordable homes). In the same period 116 supported homes were let, compared to 54 in 2009/10 (CORE). The Melton borough is a small spatial area and as such letting and the supply of affordable housing can vary dramatically from year to year as the data above shows, a single years lettings therefore has limited use for data analysis. Averages can be used however these also fail to truly reflect variations in supply.

On average 28 new affordable homes have been built per year over the last 10 year period (April 2001 – March 2011). This has ranged from 114 to 0 PA. We predict 19 completions for 2011-12.



## Housing Register Profile

There are 773 households on the council's waiting list for affordable homes, of which 582 (75.3%) are not currently living in affordable housing (as of 09 April 2012). This includes 332 families (45.5%), 96 couples (12.4%) and 298 single people (42.0%) as detailed in chart below. 14.4% of households have a high or priority need for housing (49 households are in priority housing need, a further 62 have a high priority for housing). 27.4% have a low priority for housing.

	Low Housing Need	Medium Housing Need	High Housing Need	Priority Housing Need	Total
Couple	10	26	7	0	43
Couple marked Sheltered	13	25	7	3	48
Couple/lone parent + 1 other	41	109	14	12	176
Couple/lone parent + 2 others	42	55	4	5	106
Couple/lone parent + 3 others	19	37	2	3	61
Couple/lone parent + 4+ others	7	7	4	3	21
Single	31	100	13	11	155
Single Person marked Sheltered	0	2	0	0	2
Single Person marked Supported	47	68	8	9	132
Single person with access	2	21	3	3	29
<b>Total</b>	<b>212</b>	<b>450</b>	<b>62</b>	<b>49</b>	<b>773</b>

	New Applicant	Transfer Applicant	All Applicants
Low Housing Need	101	111	212
Medium Housing Need	409	41	450
High Housing Need	31	31	62
Priority Housing Need	41	8	49
<b>Total of Band</b>	<b>582</b>	<b>191</b>	<b>773</b>

The housing register consists of 294 applicants aged 16-34 (38.0%), 202 applicants aged 35 to 49 (26.1%), 146 applicants aged 50 to 64 (18.9%) and 131 applicants aged over 65 (16.9%) as detailed in chart below

Age of Applicant	Low Housing Need	Medium Housing Need	High Housing Need	Priority Housing Need	Total of Band
16-34	62	187	17	28	294
35-49	57	117	19	9	202
50-64	53	73	15	5	146
65+	40	73	11	7	131
<b>Total of Age of household member</b>	<b>212</b>	<b>450</b>	<b>62</b>	<b>49</b>	<b>773</b>

## Affordability

The average income of all households in the Melton Borough is £30-35,000 per annum, however many households have an income significantly below this level;

- 47.5% had an income below £30,000
- 25.2% had an income below £20,000
- 14.5% had an income below £15,000

*Data Source: CACI Paycheck 2009*

The incomes of households on the housing register is broadly recorded it shows that;

- 100% had an income below £30,000
- 73% had an income below £20,000
- 25% had an income below £10,000
- Only approximately 1 in 3 were in either full or part time work

	High Housing Need	Low Housing Need	Medium Housing Need	Priority Housing Need	%
Education or training	2	3	10	0	<b>2%</b>
Unemployed	20	39	84	13	22%
Retired	17	46	67	8	20%
Unable to work due to sickness/disability	7	22	30	4	9%
Working full or part time	21	62	150	6	34%
Other	5	27	52	5	13%

A household income of £31,500 is required to purchase an average priced lower quartile home. Almost 50% (49%) of all households are estimated to have an income below this level. A household income of £28,212 is required to purchase an average priced 15 percentile home (£109,713). Over 40% (43%) of all households are estimated to have an income below this level. Assuming that a rent is affordable to a household if total rental costs do not exceed 30% gross income, a household would require an income of £18,000 to afford to rent an entry level 2 bedroom property (at £450 pcm).

The income profile for the Melton borough suggests that;

- 50% of all households can afford market housing (50.55%)
- 50% of all households cannot afford market housing (49.45%) of which 40% could potentially afford intermediate affordable housing, including shared ownership housing or intermediate rented products including affordable rent.

There is an annual need for 283 affordable homes per annum; taking into account the supply of existing affordable housing there is a need for an additional 130 affordable homes per annum. This would equate to 77% of planned housing supply over the next ten year period as is above practical delivery levels.