

29 November 2021

Local Development Plan Task Force

Model of Housing

This report is Public

Executive Summary

This report provides members of the Local Development Plan Task Force with an overview of the changing mix of tenures in Thurrock over the past decade, highlighting an increase in the proportion of properties used in the private rental sector.

A range of housing options is presented within the report alongside the benefits and challenges that households in Thurrock may experience through these routes to accommodation. Particular attention is drawn to the ongoing difficulties facing residents in the borough relating to affordability.

Finally, the report presents an overview of the ongoing work to develop the Housing Strategy 2022-27 and how this is connected to and will inform the Local Plan, amongst other key strategic documents being developed by the council.

1. Introduction

1.1. At the meeting of the Local Development Plan Task Force on Monday 19 July 2021, members requested a report which presented the different models and types of new homes, the Housing Strategy and its relationship with the Local Plan, and clarification of affordable housing.

2. Housing Tenure Mix in Thurrock

2.1. This section of the report will provide information on the current housing landscape in Thurrock, setting out estimates of the tenure mix in the borough and outlining the shifting distribution of tenure types.

2.2. The table below provides estimates of the number of dwellings in Thurrock, broken down by ownership type.

Ownership	2010	2015	2020	Change
Local Authority	10,322 (16.2%)	10,104 (15.5%)	9,785 (14.3%)	-537 (-5.2%)
Housing Association	1,347 (2.1%)	1,637 (2.5%)	2,091 (3.1%)	+744 (+55.2%)

Private Sector	51,999 (81.6%)	53,414 (82%)	56,416 (82.6%)	+4,417 (+8.5%)
TOTAL	63,688	65,155	68,292	+4,604 (+7.2%)

Table 1 - Table 100: Number of dwellings by tenure and district, England, 2009-2020, DLUHC

This table illustrates a net reduction in the number of properties owned by the local authority; however, an increase can be observed in the number of properties owned by housing associations (also known as private registered providers of social housing or registered social landlords).

The table also indicates an increase in the number of privately owned dwellings in Thurrock. These figures, published by the Department for Levelling Up, Housing and Communities (DLUHC), do not provide any details to determine which privately owned dwellings are owner-occupied or used in the private rental sector.

- 2.3. Alternative estimates by the Office for National Statistics (ONS) indicate the split between privately rented properties and those occupied by the owner. It should be noted that these are not official statistics, but they do provide an illustrative figure for comparison. In this table, *socially rented* refers to the combined number of dwellings owned by the local authority and those owned by housing associations.

Tenure	2012	2015	2018	Change
Owner-Occupied	42,590 (66.3%)	42,310 (64.9%)	44,230 (65.7%)	+1,640 (+3.9%)
Privately Rented	9,780 (15.2%)	10,960 (16.8%)	11,160 (16.6%)	+1,380 (+14.1%)
Socially Rented	11,830 (18.4%)	11,890 (18.2%)	11,930 (17.7%)	+100 (+0.8%)
TOTAL	64,210	65,160	67,330	+3,120 (+4.9%)

Table 2 - Alternative dwelling stock by tenure estimates, ONS

It can be observed in these figures that all tenures saw net increases in the number of dwellings between 2012 and 2018; however, the proportion of owner-occupied and socially rented properties fell during this period. Conversely, the proportion of properties in Thurrock being used in the private rental sector increased significantly.

- 2.4.** Although both of the above tables are presented as estimates, they confirm that there has been an increase in the number of dwellings in Thurrock and appear to support the anecdotal evidence that recent years have seen an increase in the number of private rental sector properties in the borough.

During Census 2021, a range of tenure and housing-related data was collected. Once this has been published, it will be possible to reconcile these estimates against accurate figures provided through the Census activity. The ONS aim to confirm the final release schedule in February 2022.

- 2.5.** Local analysis of the private rental sector in Thurrock has been commissioned. It will provide a greater level of detail, allowing the local authority to understand better the scale of the private rental sector in the borough, as well as the different ways in which these properties are used, such as an estimate of the number of dwellings used as houses of multiple occupation (HMOs).

3. Models of Housing

This report section illustrates the range of housing tenures and products available to households in Thurrock, along with key information about the benefits and any limitations or challenges.

3.1. Renting

The sections below set out the most prevalent forms of property rental in Thurrock based on rent levels, namely social rent, affordable rent and market rents.

3.2. Social Rent

Local authorities and housing associations offer socially rented properties at rates far below the average market rents. For example, the current rental value (inclusive of any service charges) for dwellings owned by the council that are let at social rent levels are between 51.3% and 68.8% lower on average than the private rental sector levels.

Social rent levels can increase during a tenancy; however, any such changes must be in line with the Rent Standard as set by the regulator of social housing and adhere to any Government guidance in place at the time.

When let by Thurrock Council, tenancies at social rent levels are secure tenancies (after an initial one-year introductory tenancy period). These tenancies offer households significant security as they give the tenant the right to live in the property for as long as is required. The local authority can only evict secure tenants in specific situations, and in such cases, the council must obtain a court order to evict a tenant.

Housing associations will usually offer assured tenancies, which are similar in many ways to the secure tenancies provided by local authorities. Assured tenancies are also lifelong and would require a court order for eviction.

As with other rental products, much of the responsibility for undertaking repairs and improvements to social rent properties lies with the landlord. There may be ways for tenants to contact a repairs contractor directly to raise and progress maintenance concerns.

Although socially rented properties offer genuinely affordable accommodation, there are limitations and challenges with this particular type of housing. Firstly, there is a chronic shortage of the properties provided at social rent across the country, partly due to the Right to Buy, which allows secure tenants to purchase their socially rented property at a discount.

Secondly, to address levels of demand which outstrip supply, providers of social housing have eligibility and qualification criteria to prioritise those with the most significant identified housing needs. These criteria often relate to local connection to the area, financial circumstances, and vulnerabilities within the household.

The consequences of these measures mean that some households that approach their local authority to join the housing register in their area may find that they do not qualify. Due to the limited supply and prioritisation of applicants, eligible applicants may have to wait many years before being offered a property.

3.3. Affordable Rent

Affordable Rent in this context relates to a specific rent standard and is defined as being up to 80% of the median market rent level. For example, if the median weekly rental cost for a two-bedroom property is £200 per week in the private rental sector, under affordable rent, the social housing provider could charge up to £160 per week.

Affordable rent is generally a product used by registered providers of social housing (such as local authorities and housing associations) for new-build properties; however, the tenancies offered will be the same as set out in the social rent section above.

Consequently, the benefits and challenges of affordable rent properties are much the same as properties offered at social rent levels, which also means that the same rules govern increases in rent levels for affordable rent properties.

3.4. Private Rental Sector/Market Rent

The private rental sector can offer a great deal of flexibility for households compared to other tenure types. The process of securing accommodation and moving is far quicker than those associated with purchasing a property, and private rental sector properties can be more readily available than social or affordable rent properties.

Landlords in the private rental sector tend to offer assured shorthold tenancies with a fixed term. After this time, the tenancy would become a periodic tenancy that would continue weekly or monthly until ended by the landlord or tenant.

The initial fixed term of an assured shorthold tenancy is often 6 or 12 months. The landlord cannot increase the rent within this period unless the tenant agrees or the tenancy contract explicitly contains a rent review clause.

Costs in the private rental sector can vary and are far more likely to react to and reflect changes in the supply and demand of dwellings and are significantly higher than social and affordable rent levels. Security deposits and rent-in-advance can also be further barriers to accessing the private rental sector for lower-income households.

Like secure and assured tenancies, private rental sector landlords can seek to evict tenants if there has been a breach of contract and start the process using a section 8 notice. However, unlike secure and assured tenancies, the landlord can issue a section 21 notice without reason to terminate the tenancy at the end of the initial fixed term or any point once it becomes a periodic tenancy. The consequence of this is that renting in the private rental sector can offer far less security than other tenure types.

The responsibility for property maintenance and improvement again lies with the landlord in many cases; however, landlords may utilise letting agents for the day-to-day management of their properties.

3.5. Ownership

The sections below provide an indication of some of the products and support options that are available or are anticipated to become available to Thurrock households relating to property ownership.

3.6. Help to Buy: Equity Loan

The Help to Buy: Equity Loan is a specific product that the government relaunched in April 2021 to help first-time buyers to buy a new-build property. First-time buyers require a minimum deposit of 5% of the property purchase price and can receive a loan of up to 20% from the government towards the total purchase price, with the remaining balance being met through a mortgage.

The maximum permitted prices for the scheme are capped on a regional basis. Thurrock is located in the East of England region, and under the scheme, there is a total purchase price cap of £407,400.

For example, the average sale price of a new build house in Thurrock in 2019 was £371,000. The table below provides the scenario if that home were to be bought under the Help to Buy: Equity Loan scheme

Funding Source	Amount
Deposit from first-time buyer (5%)	£18,550

Help to Buy: Equity Loan from the government (20%)	£74,200
Mortgage from lender (75%)	£278,250
TOTAL	£371,000

According to DLUHC data, between 2013 Q2 and 2021 Q1, 1,893 equity loans were issued in Thurrock – 1,417 for houses and 476 for flats. The combined total value of these equity loans is £111,777,070, averaging approximately £59,000 per loan across the scheme's lifetime to date, although data suggest that current loan values are far higher than this; the average loan value in 2020 Q4 was £72,677.

The Help to Buy: Equity Loan offers first-time buyers the opportunity to make their deposit stretch further. With a 90% mortgage instead of an equity loan, the £18,550 deposit would allow the purchase of a property costing approximately £186,000.

There are, however, some drawbacks. Firstly, only properties built by Help to Buy registered home builders are included in the scheme. Secondly, although the equity loan is interest-free for the first five years, from the start of year six, the first-time buyer will be required to pay interest, and this will increase each year in line with the Consumer Price Index (CPI) + 2%. This interest payment will be in addition to the ongoing mortgage costs for the property.

Finally, when repaying the equity loan (at the point of the property sale or earlier), the costs are calculated based on the property's market value at the point of repayment rather than when the homebuyer received the equity loan. This calculation may mean that the property owner will pay more than they had borrowed. For example, if the property purchase value was £371,000 with a 20% equity loan (£74,200), and at the point of repayment the value had increased to £400,000, the repayment to the government would be £80,000.

3.7. Shared Ownership

Shared ownership allows households to purchase an initial share of a property (between 10% and 75% of the home's value) whilst paying rent on the remaining share, usually owned by a housing association.

Shared ownership provides an opportunity for people to join the housing ladder who may otherwise not be able to, and the scheme is available on both new build and resale properties.

It is possible to increase the share owned in the property when the part-owner can afford to through a process known as staircasing, which allows them to increase their ownership by as little as 1% at a time; however, there are additional fees associated with this process. The value of each staircasing payment (excluding fees) is based on the property value at the point in time

where additional shares are purchased, meaning that if the property value increases after the initial purchase, the staircase payments will also increase in line.

There are eligibility criteria to access shared ownership schemes. Firstly, the total income of the household must be less than £80,000. Secondly, the purchaser either needs to be a first-time buyer, an existing shared owner looking to move or someone who used to own a home but cannot afford to buy one at the time of the shared ownership application.

Due to the nature of shared ownership, all properties through the scheme are sold on a leasehold basis. The shared owner would be required to make repayments on their mortgage to their lender (if applicable) whilst also making rent payments to the landlord/freeholder of the property based on the value of the share owned by the landlord/freeholder. In addition, shared owners are liable for the total cost of service charges, ground rent and maintenance. While shared ownership can represent an affordable way to join the housing ladder, the combined costs of part-ownership and part-renting can be high.

Shared owners can seek to sell their property at any time, but they will need the permission of the landlord/freeholder, who may have the right to find a new buyer within a set timeframe or repurchase the shares directly. There may be restrictions on whom the shared owner can sell the property to in line with the initial criteria for shared ownership, such as financial eligibility and local connection.

3.8. Mortgage Guarantee Scheme

The mortgage guarantee scheme announced at Budget 2021 is designed to increase the amount of 95% loan-to-value mortgages offered by lenders to buyers with 5% deposits. The number of 95% mortgages available to homebuyers steadily increased between 2014 and 2020 following a similar scheme launched in 2013; however, the impact of the COVID-19 pandemic saw mortgage lenders move away from these products, which represented higher levels of risk.

The mortgage guarantee scheme differs from the Help to Buy: Equity Loan as the government is not providing any funding at the point of purchase to either the homebuyers or the mortgage lender. Instead, the scheme works by the government providing compensation to the mortgage lender for a portion of losses if the property is repossessed in the first seven years of ownership.

The mortgage guarantee scheme is open to first-time buyers and existing homeowners looking to move that require 95% loan-to-value mortgages. The scheme is applicable for mortgages for new build properties and resales and can be used for mortgages on properties with a value up to £600,000.

3.9. First Homes

First Homes is a new scheme launched by the government in 2021 which aims to support first-time buyers and key workers to access the property ladder. The scheme works by offering a discount on new-build properties for sale. To be classed as a 'First Home', a property must:

- be discounted by a minimum of 30% below market value; however, local authorities have the discretion to increase this requirement to 40% or 50% if local affordability demonstrates a need
- be sold to a person or persons who meet the First Homes eligibility criteria
- have a registration made with HM Land Registry to ensure that the discount and other restrictions are passed on in any future sales
- be sold for a value of no more than £250,000 after discount – this cap applies only to the value of the first sale of a 'First Home.'

Although not currently available in Thurrock, the government has outlined in guidance that First Homes is its preferred discounted market tenure, followed by social rent properties.

To be eligible to purchase a 'First Home', the purchaser or purchasers should be a first-time buyer. Purchasers of 'First Homes', whether individuals, couples or group purchasers, should have a combined income of no more than £80,000.

Local authorities can add their local eligibility criteria in addition to the national eligibility criteria set out above based on need. Local criteria could include local connection requirements, reduced income caps, or measures relating to employment status (for example, the prioritisation of key workers and Armed Forces veterans).

New-build homes tend to be more expensive than older but similar, resale properties. This difference is known as the 'new-build premium'; it is not unique to Thurrock, but when considering the new-build premium in the borough, the First Homes discount compared to market values for resales is between 19-21%, rather than 30%.

Property type	Resale purchase price (2019 average)	New build purchase price (2019 average)	New build premium (%)	Indicative 'First Homes' purchase price (30% discount)	Variation between 'First Homes' and resale purchase price
Flat	£179,888	£203,296	+13%	£142,307	-21%
House	£320,437	£370,414	+16%	£259,290	-19%

Table 3 - Hometrack Housing Intelligence System

The table below indicates the proportion of Thurrock households that could benefit from the First Homes scheme based on household income alone. This table does not take into consideration a household's first-time buyer status.

Property type	Indicative 'First Homes' purchase price (30% discount)	Household income required for mortgage (5% deposit)	% of Thurrock households with income between required amount and £80k	% of Thurrock households with income below required amount
Flat	£142,307	£35,577	41.3%	48.6%
House	£259,290	£64,823	7.8%	82.1%

Table 4 - Hometrack Housing Intelligence System

Although the First Homes scheme would assist some households in joining the property ladder, due to the purchase discount and eligibility criteria remaining in place for perpetuity, purchasers may experience difficulty selling their property and purchasing a different home in the future. Average property prices in Thurrock have increased by approximately 11.2% in Thurrock between April 2019 and April 2021. Using this percentage, the table below explores the scenario where a First Homes household is looking to move home.

Considering the First Homes discount, which must be applied to the market value of the First Home property and the relative market values of other properties, there would likely be a significant difference. If the intention were to move to a larger property due to family growth, the discrepancy between First Home sale price and resale purchase prices would be likely to be even greater.

Property type	Indicative 'First Homes' purchase price (30% discount)	Future sale price (with 30% discount in perpetuity)	Average purchase price of other resale property	Difference
Flat	£142,307	£158,245	£200,035	£41,790
House	£259,290	£288,330	£356,326	£67,996

Increasing the First Homes discount from 30% to 40% or 50% would increase the number of households that could benefit from First Homes initially; however, this action would widen the gap between the future sale price and other open market property purchase prices.

4. Affordable Housing

- 4.1. Although it is simple to put forward definitions for what affordable housing means, it is difficult to put in place a methodology or model for determining what constitutes 'affordable' housing.
- 4.2. The revised National Planning Policy Framework, published in July 2021, defines affordable housing as "housing for sale or rent, for those whose needs are not met by the market" and falls into one or more of the following:
- Affordable housing for rent
 - Starter homes
 - Discounted market sales housing
 - Other affordable routes to homeownership

The document goes into greater detail for each of the above four categories, referring to schemes and models such as shared ownership, equity loans, social rent and affordable rent. However, many of these 'affordable' housing products would not be affordable to lower-income households.

- 4.3. There are models for affordability, such as the Housing Costs to Income Ratio (HCIR), that suggests that if a household is spending more than a third of its net income on accommodation costs, that accommodation would not be deemed to be affordable. There is also the standard measure outlined in an earlier section of this report of 'Affordable Rent' being 80% of median market rents.

The greatest challenge in defining affordability is that it is subjective and heavily influenced by each household's circumstances and housing needs. Determining what 'affordable' means based solely on market rents does not consider the disparity between the incomes of households, nor does it consider the source of those incomes.

- 4.4. The table below provides a snapshot of average weekly rental values and measures in Thurrock based on tenure type. It indicates the challenges in affordability in the private rental sector.

Number of Bedrooms	LHA Rate	Social Rent (Council)	Affordable Rent (Council)	30th Percentile Market Rent	80% Median Market Rent	Median Market Rent
1	£161	£77	£130	£172	£142	£178
2	£201	£85	£153	£219	£184	£230
3	£247	£105	£199	£288	£240	£300
4	£307	£118	-	£347	£304	£380

Table 5 - Hometrack Housing Intelligence System and Thurrock Council Data, November 2021

- LHA Rate – Local Housing Allowance, the maximum amount of Housing Benefit or the housing costs element of Universal Credit that eligible residents can claim. This has been frozen since April 2020.
- Social Rent – the average social rent charged (excluding service charges) for properties owned by the council
- Affordable Rent – the average affordable rent charged (excluding service charges) for properties owned by the council.
- 30th Percentile – 30% of private market rents fall below this value, and this measure was used as the benchmark to set the LHA rate in April 2020. Whilst LHA rates have been frozen since this time, market rents have continued to increase
- 80% Median – 80% of the value of the average market rent, used for calculating 'affordable rent' in line with the Government definition
- Market Rent – indicates the value which is in the middle of the range of private market rents.

The table above shows the growing shortfall between rising market rents and maximum LHA rates. In a little over 18 months, the annual discrepancy between LHA rates and the cheapest third of private rental sector properties has grown to between £570 and £2,100, and between £880 and £3,800 when LHA rates are compared to median market rents.

- 4.5.** For households reliant on the housing element of Universal Credit or Housing Benefit for their housing costs, if these are insufficient to meet the defined 'affordable' rate for housing, they have little option but to use benefits provided for non-housing expenditure to meet the shortfall.

There is then the challenge of households living in properties that may be deemed affordable, but that comes at the cost of quality and decency of accommodation.

- 4.6.** Affordability concerns are also prevalent for those wanting to buy in Thurrock. The table below indicates the percentage of first-time buyer and existing owner-occupier households in the borough that would be priced out of the market, based on 4x household incomes, local property prices and national loan-to-value statistics.

Property Type	FTB Households priced out of market	Owner-occupier Households priced out of market
Flat/Maisonette	48.6%	40.9%
Terraced House	73.9%	69.1%
Semi-detached House	82.0%	73.9%
Detached House	92.3%	85%

Table 6 - Hometrack Housing Intelligence System

It can be seen that significant challenges are likely to be facing many households seeking to move onto or up the property ownership ladder.

- 4.7.** Further work regarding affordability in Thurrock – and what affordable means in Thurrock to those who live in the borough – will be picked up as part of the Housing Strategy 2022-27.

5. Housing Strategy

- 5.1.** Work is currently underway to develop a new Housing Strategy for the borough that will set out the council's plans and approach towards housing for the five years from 2022 to 2027. Key themes and high-level strategic actions will feature within the final Housing Strategy, supported by an action plan aligned with the priorities and themes of the document.

- 5.2.** In development alongside the Housing Strategy are two other critical documents for the Housing service, supporting and providing supplementary information. These are:

- the Housing Asset Management Strategy, which will outline the council's approach to managing, maintaining and investing in Housing assets to ensure that properties provide attractive, good quality council-owned homes for current and future residents
- the Housing Resident Engagement Strategy, which will set the aims and ambitions of the Housing service in improving its interaction and communication with those who live in and around Thurrock Council's homes and neighbourhoods

- 5.3.** Many national factors have been considered to develop and direct the engagement for the new strategy to date. These include:

- 'The Charter for Social Housing Residents' – social housing white paper
- Grenfell Tower Fire and Building Safety
- Community Resilience and Engagement following COVID-19
- COVID-19 Impact on Housing and Homelessness

Local factors have also been identified, including affordability challenges in Thurrock and the borough's social and affordable housing provision. Further to this, the development of the Housing Strategy at this time provides a key opportunity to ensure synergy between other strategic documents being produced, such as the Health and Wellbeing Strategy and the Local Plan.

- 5.4.** The engagement for the development of the council's new Housing Strategy is ongoing, using conversation and direct feedback to lead and define the direction of the document. This approach allows key stakeholders to proactively shape the themes, priorities, and actions included within the strategy, rather than using consultation responses to revise or amend the content in a pre-prepared draft document.

A significant number of virtual and in-person engagement sessions have already been held or are booked for the weeks ahead, including with internal stakeholders, Thurrock residents, community groups, and elected members. In the coming months, further engagement with the community, faith and voluntary sector, council tenants, private sector landlords, and social housing providers will also be held.

An online portal will soon be launched to take forward the themes and high-level actions identified through the outlined active engagement. This intends to reach residents across the borough more widely in an appropriate format. A paper feedback document will also be made available in locations accessible within communities.

5.5. Engagement activity undertaken to date has also linked with public-facing events relating to the Local Plan, such as the 'Evening in Aveley' event in November 2021. An officer-led Housing Strategy Development Oversight Group has been established with representation from colleagues leading the Local Plan development to ensure strong links between the two pieces of work.

6. **Background papers used in preparing the report** (including their location on the council's website or identification, whether any are exempt or protected by copyright):

- None

7. Appendices to the report

- None

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