

Affordable Housing Statement in Respect of

Development of 40 Apartments at Albany Road,
Chorlton

by

Bailey Venning Associates Limited on behalf of
Bowsall Ltd and MSV Housing

March 2023

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Report prepared by Bailey Venning Associates Limited

Tayfield House

38 Poole Road

Bournemouth

BH4 9DW

01202 639 444

www.bailey-venning.com

1.0 Introduction and Summary

- 1.1 Bailey Venning Associates has been instructed by Bowsall Ltd and MSV Housing to undertake a review of relevant housing need in Manchester in support of their application for the demolition of existing buildings and the erection of 40 no. 100% affordable apartments (shared ownership) along with car and cycle parking space, hard and soft landscaping and associated works.
- 1.2 The application is for 40 apartments, of which 21 will have one bedroom and the remaining 19 will have two bedrooms. All of the homes to be provided will meet the Nationally Described Space Standards.
- 1.3 It is proposed that all of the homes will be delivered on a Shared Ownership basis. As such, the scheme will comprise 100% affordable housing. Once complete, the scheme will be managed by MSV housing, who will also retain the unsold equity in the Shared Ownership leases.
- 1.4 The purpose of this report is to review the available data on the extent and nature of need for affordable housing locally, to provide an update on the extent of need since the SHMA was undertaken and to place those findings within the context of overall data on the housing market in Manchester and the wider metro area.

The Greater Manchester Strategic Housing Market Assessment

- 1.5 The starting point for any analysis of affordable housing need locally is the most recent Strategic Housing Market Assessment (SHMA). In this case, the most recent study was undertaken in 2019 and it covers the entire metro area, with specific findings for each of the ten constituent authorities.
- 1.6 The headline finding was that the affordable housing need for Manchester was that, if all of the need locally were to be addressed over the course of the next five years, it would be necessary to deliver 1,156 affordable homes in each of the next 5 years. This would represent around 45% of the total output suggested by the Government's standard methodology.
- 1.7 The implication (which the report does not explicitly state) is that, following this five-year period, the requirement would fall to 291/annum.
- 1.8 This is an odd way to express need since such high levels of delivery were unlikely and did not, in fact, occur in the three and a half years since the report was compiled.

- 1.9 For this reason, we have updated the findings by assuming that, instead of seeking to address backlog need over five years, it would be more realistic to plan to meet those needs over the 20 year life of the plan.
- 1.10 However, we also checked the SHMA's assessment of the backlog need. Whilst our research did confirm the authors' assessment at the time, more recent published data shows rapid growth in the backlog of unsuitably housed households requiring an affordable home, from 4,325 to 7,384. Such a larger increase is unlikely to have arisen solely from the under provision of affordable homes over a period of five years. Nonetheless, the growth hints at the acuity of need in this area.
- 1.11 Combining both of those adjustments suggests that the annualised requirement over 20 years from today is actually 660 affordable homes per annum. That is roughly twice the average output of affordable homes over the past decade. The need for affordable housing therefore remains as acute as it ever has been.

Housing Market Tenure

- 1.12 A brief review of the profile of the housing stock in Manchester over the past 20 years reveals a tenure split that is very different from that of the country as a whole or, indeed, the metro area as a whole.
- 1.13 Across Manchester, owner occupation is a minority tenure. Moreover, whilst there was some modest growth in the absolute number of owner occupiers since the turn of the century, the proportion of households who own their homes outright has dwindled from 41% in 2001 to just 37% of the total in 2021.
- 1.14 Over the same period, both the absolute number and proportion of Social Rented homes fell. This is despite the fact that there was significant new supply of affordable housing over that time.
- 1.15 The beneficiary of both of these long-term trends was the Private Rented Sector, which grew rapidly. Indeed, the growth in that sector almost exactly tracks the entire output of new homes over the past 20 years.
- 1.16 Not only has the Private Rented Sector grown very quickly indeed but the cost of renting privately has risen sharply – especially in recent years.
- 1.17 When the SHMA considered the cost of renting in 2019, it relied on what was then recently published data from the Valuation Office Agency, which suggested that the lower quartile rent in the area was £500/month. When we reviewed the most recent version of the same dataset, which runs only to October 2021, we found that this “access rent” had risen to £695/month – a huge increase.

- 1.18 Such rapid increases in rents are, in themselves, destabilising for the household finances of tenants who – typically – do not regard renting as a tenure of choice. The vast majority would prefer either a social tenancy or home ownership.
- 1.19 Nor are the rapidly increasing costs fully offset by the subsidies available to tenants. DWP data suggests that over 8,000 households in Manchester who have a valid claim for the Housing Component of Universal Credit, find that the allowance available is insufficient to cover their actual rent and still leave them with an income sufficient to maintain a decent standard of living.
- 1.20 Turning specifically to Shared Ownership, we note that, over the period between the last two censuses, almost 1,000 shared ownership homes were completed in Manchester but the stock was found to have risen only by around 200 homes.
- 1.21 The explanation would appear to be that a large number of those who had acquired the homes had “staircased”, buying out their landlord’s share and either occupying the homes themselves as full owners or using the equity increase to fund a deposit on another home.
- 1.22 In this way, the homes had enabled occupiers to stabilise their housing costs (protecting them from rapid rent increases) and fulfil their aspirations to home ownership.
- 1.23 Even among those households who continue in a Shared Ownership home over the longer term, the product provides access to stable housing at a price which remains affordable.

Delivery

- 1.24 We note that almost all of the affordable housing delivery in Manchester over the past decade appears to have arisen from RP’s developing out their own schemes. Provision through planning agreements, which form the backbone of provision nationally, was a comparative rarity.
- 1.25 If the Council wishes to secure new affordable provision remotely commensurate with the level of needs it has itself identified, it will need to remain supportive of 100% affordable housing developments proposed by RPs.

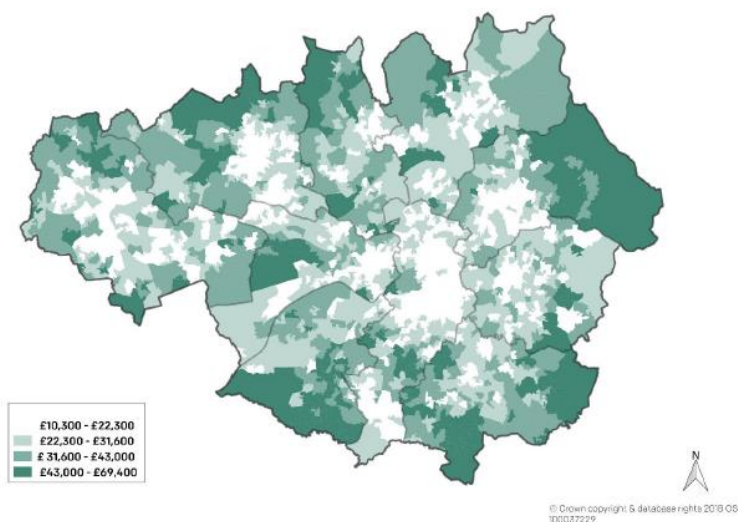
Conclusion

- 1.26 There is an acute need for additional affordable housing in Manchester. Whilst we accept that rented provision is, and should remain, the Council’s primary focus and should make up the bulk of new affordable housing provision, it is clear that there is also a role for intermediate accommodation – consisting primarily of Shared Ownership provision.

- 1.27 Manchester's minority stock of owner occupation is still in on-going decline as house prices continue to rise steeply, pricing an ever-growing share of younger households out. Since 1996 the value of the average home has risen almost seven-fold whilst the Private Rented Sector has burgeoned, not only in terms of its overall size but also in the rents charged by landlords.
- 1.28 Shared Ownership offers the main route out of this dynamic and a stepping stone to owner occupation. It's inclusion as part of a diverse housing offer should be supported by the Council.
- 1.29 The lack of any rented provision within this scheme is somewhat inconsistent with adopted policy, H8 of the 2012 Core Strategy. However, the wording of that policy suggests that that although 20% of any new scheme should consist of affordable housing, only 5% should be for rent.
- 1.30 The "loss" of 2 rented homes from a scheme of this nature should be set against the "gain" of 32 Shared Ownership properties.
- 1.31 We therefore invite the Council to give considerable weight to the affordable housing benefits of the application proposals.

2.0 The SHMA

- 2.1 The baseline study for the assessment of affordable housing need in Manchester is the Greater Manchester Strategic Housing Market Assessment (2019). The main purpose of that document is to assess the overall housing requirement for each of the authorities in the Metro Area and the baseline for that assessment is the Government's Standard methodology, summarised in Chapter 3 of that document.
- 2.2 The overall finding here is that, in each of the 10 years 2018-2028, Greater Manchester should be seeking to deliver 10,583 additional homes, of which 2,584 (24%) should be in Manchester itself.
- 2.3 The study also contains a welter of useful demographic and economic information for understanding the context of Manchester, housing requirements. One crucial element of this context is the finding that, although housing costs are lower than elsewhere in the country (and indeed, the Metro Area), incomes are also relatively low. "Manchester residents have the lowest mean and median incomes [in the Metro Area], at £29,800 and £23,300 respectively. These are significantly below the Greater Manchester mean of £39,900 and median of £26,600."¹
- 2.4 That said, their finer grained data, suggests that the specific location of the subject site is in a pocket of higher earnings within the Local Authority.



Source: CACI PAYCHECK via GM SHMA Map 4.1

¹ GM SHMA para 4.69

- 2.5 The SHMA also reports that Manchester is ranked the most deprived local authority in England, according to the Indices of Multiple Deprivation 2015.
- 2.6 The SHMA provides a great deal of detailed information about the nature of the housing market, which we will look at in the next section but, one of the most significant sections is its formal assessment of the number of affordable homes required in order to accommodate local needs.
- 2.7 That assessment is also the product of a standard methodology, which is set out in detail in Chapter 7. It's central finding in respect of affordable housing was that, in order to meet all of the need in Greater Manchester, it would be necessary to provide 4,678 new affordable homes each year. Of these, it concluded, 1,156 (25%) should be provided in Manchester itself.
- 2.8 The approach is, essentially, to split need into two parts – the current need and the newly arising (or future need).

Current Need

- 2.9 Current need is a measure of the backlog of households who are experiencing a housing need, who need to move to resolve that need and who lack the means to do so because their income is insufficient to afford market prices. This is a stringent test and the SHMA estimates it by reference to the number of households registered on the Council's Waiting List and who are in a "reasonable preference" category. This designation refers to households whose needs are sufficiently acute that the Council may reasonably grant them a degree of priority when allocating the available affordable housing.
- 2.10 At table 7.1, the SHMA reports the relevant figure for Manchester as 4,697 households.
- 2.11 The figure is sourced to the "MHCLG Local Authority Return" 2016/7 and it represents the number of households on the list on 31st March 2017. Having checked the source, we can confirm that figure. However, when we looked to update it, we found a very substantial increase since that time.

31 st March 2017	31 st March 2018	31 st March 2019	31 st March 2020	31 st March 2021	31 st March 2022
4,697	4,763	6,423	6,563	6,981	7,756

Source: DHLGH HSSA Returns

- 2.12 However, the backlog of need is a “stock” and the output of the needs assessment is a “flow”. The study is, after all, seeking to determine the number of affordable homes required *each year*. In order to make such an assessment, it is therefore necessary to make a decision as to how quickly the backlog should be addressed. The obvious answer being, of course, “as soon as practicable”. The guidance referenced in the SHMA (which dates from 2007) suggested that it would be unrealistic to assume that backlogs accumulated over decades, could sensibly be assessed over a period of less than 5 years and suggested that as a minimum period. Even that target is, of course, very ambitious although at the time the guidance was written, there was no obligation on the part of local authorities to seek to address all of that need – the SHMA was, essentially, for information only.
- 2.13 This is the approach taken by the GM SHMA. It uses the 2017 backlog as a baseline and then divides by five in order to arrive at an annual flow rate.
- 2.14 However, since the SHMA was published, the 2007 guidance was withdrawn. The current guidance, set out in the PPG, suggests that Local Authorities should plan to address all of their housing (and affordable housing) needs over the period of their Local Plan – typically 20 years.
- 2.15 This approach makes more sense. It would be illogical for plans to aim to assess the overall level of housing need and then to meet it at an annualised rate over 20 years but then to seek to address all of the affordable housing need over the first five of those years.
- 2.16 That being the case, and for current purposes, it makes sense to update the backlog element of need by increasing the baseline number of households who make up the backlog from 4,697 to 7,756 but then to divide by 20 instead of five in order to arrive at a flow rate. The annualised rate of backlog need to be addressed is therefore as follows:

	SHMA	Update
Total Backlog	4,697	7,756
Less - Available Affordable Housing Stock (372)	4,325	7,384
Assumed Clearance Period	5 yrs	20 yrs
Annual Flow	865	369

Future Need

- 2.17 The second element of need is the future need. This is established by predicting the number of households who will form each year and the proportion of those households who will be able to afford to buy the homes available at the “access price” typically whichever is the lower of the lower quartile rent or the monthly cost of the lower quartile property to purchase.
- 2.18 It is harder to update these figures outside the context of the SHMA. We would, however, raise a number of points in relation to this component of need.
- 2.19 The first point is that it makes up the vast majority of the gross need for affordable housing – 4,136 households each year as opposed to the 369 required to address the backlog.
- 2.20 The second point is that the test used to establish a future need is far less stringent than the approach used for backlog need. It simply asks what proportion of newly forming households have sufficient income that a rent at the lower quartile level would make up no more than 30% of it. This is a little misleading since many young, newly forming households choose to share accommodation initially. This results in joint households with multiple adult incomes sharing a single, family sized home.
- 2.21 Data on households who share in this way is extremely hard to capture. Even the recent census only identifies them by means of the rather broad category “Other, including all full-time students and all aged 66 years and over.” Other in this context should be read as households containing unrelated adults without children. Such households make up

almost 9% of the total in Manchester (a figure that is twice the national average). If it is hard to know how many unrelated adults are sharing accommodation in order to mitigate costs, it is even harder to estimate their available income through sources such as CACI's Paycheck database.

- 2.22 The final point, which we will illustrate below, is that values have moved on significantly since the SHMA was undertaken in 2019 and that, even then access prices may have been understated.
- 2.23 These different factors pull the findings in different directions and it is impossible to make an objective update within the limited scope of this review. For now, we would have to assume that any errors broadly cancel out but that rising housing costs mean that housing need will be experienced in households with higher and higher incomes.

A Partial Update

- 2.24 As noted, whilst the extent of future need must remain somewhat uncertain, we can update the backlog element of the need assessment and the supply side is uncontroversial. This allows us to suggest a revised annual need for additional affordable housing in Manchester.

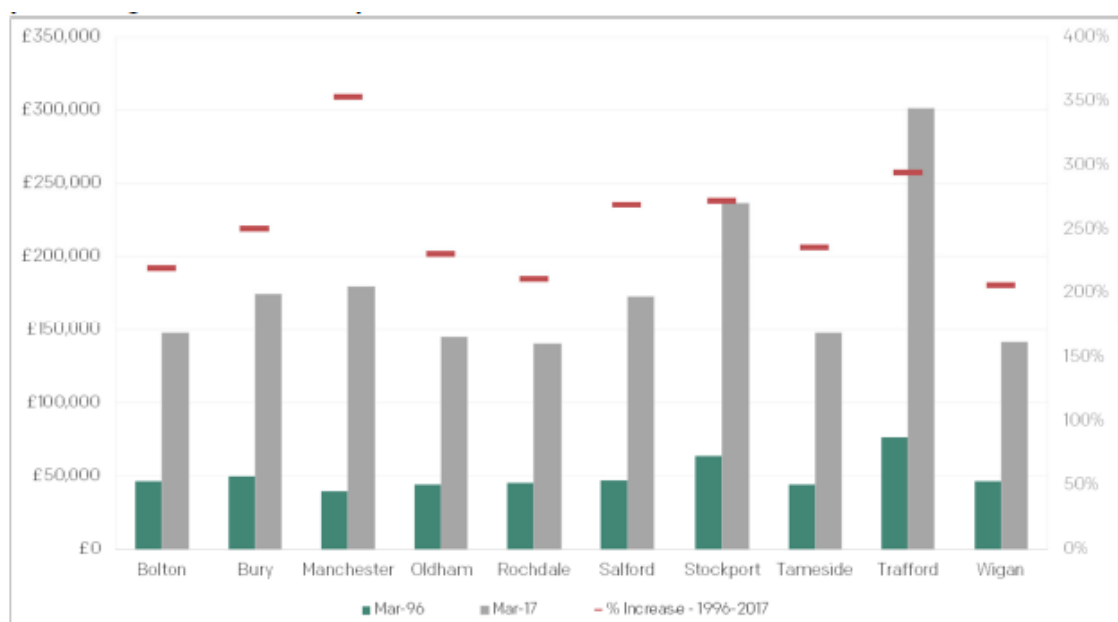
	Households
Annual Newly Arising Need	4,136
Plus Annual Allowance for Clearance of "Backlog" (369)	4,505
Minus Annual supply of Affordable Housing (3,845)	660

- 2.25 Our updated figure of 660 affordable homes required each year is a little over half of the headline figure in the SHMA (1,156). It remains somewhat in excess of the level provided in Manchester in recent years, (see below) but it is not as far out of reach as a comparison of recent supply against requirements might suggest.

3.0 Housing Market

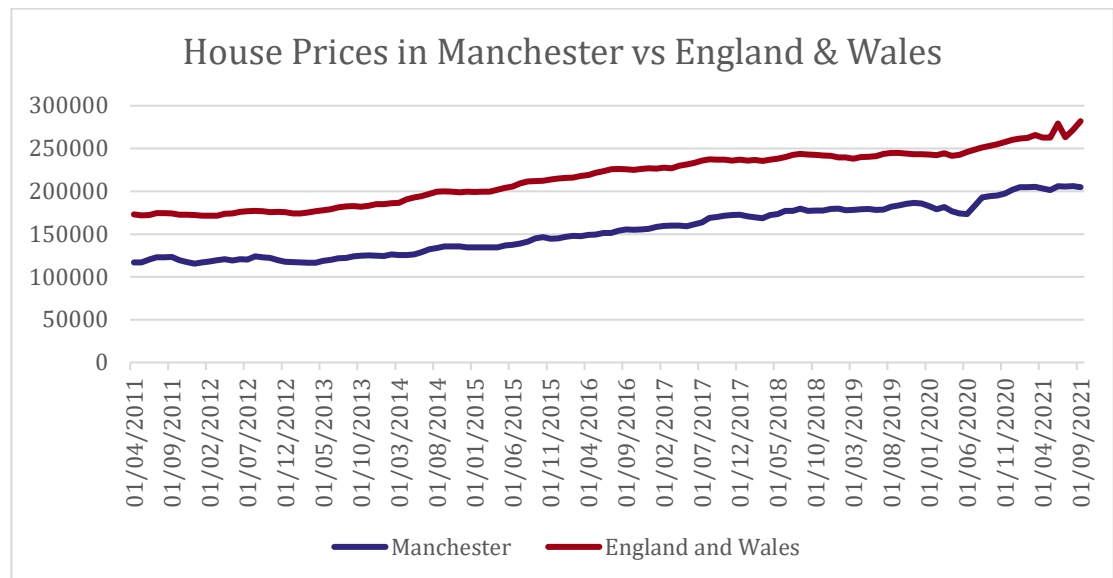
House Price Inflation

- 3.1 One of the findings of the Greater Manchester SHMA was that, although it had experienced the lowest property prices in the Metro Area in 1996, Manchester had also experienced the greatest house price inflation since that time, so that values were now the third most expensive in the city region, after Stockport and Trafford.
- 3.2 The image below reproduces figure 5.2 of the study.



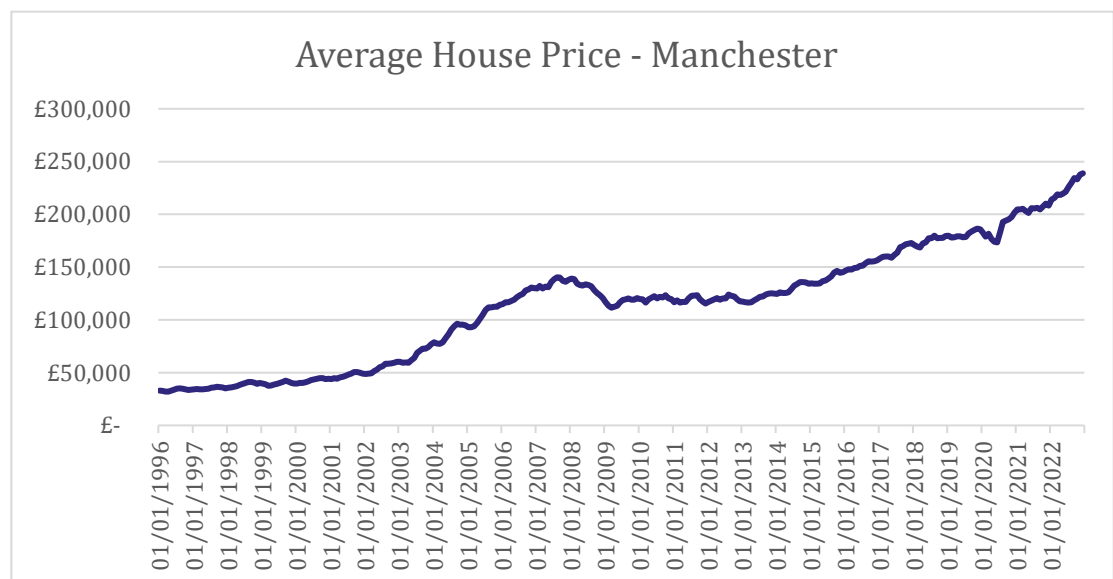
Source: Land Registry via GM SHMA

- 3.3 However, the study also notes that, over the period 2007-2017 house price inflation in the Northwest (4%) and in Greater Manchester (11%) had been far lower than the national average (24%). The level of inflation in Manchester (22%) itself is regionally distinctive but consistent with national trends.
- 3.4 It is also obvious that the vast majority of that growth occurred prior to 2007. If average values in Manchester increased by 350% between 1996 and 2017 but only 22% over the decade 2007-2017, then the market may still be experiencing the after-effects of the explosive inflation of 1996 – 2007.
- 3.5 The chart below, illustrates the first point, that house prices in Manchester have, broadly speaking mirrored national trends in recent years.



Source: Land Registry HPI

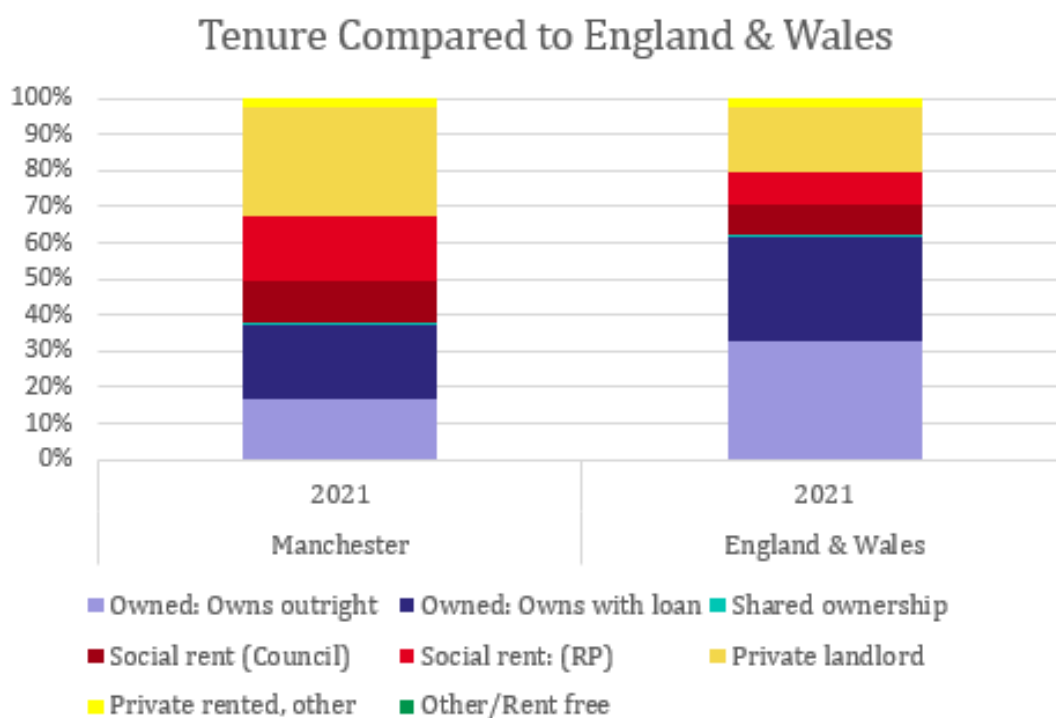
- 3.6 And the longer time series below illustrates the second point. Between May 1996 and May 2007, the average property transaction value quadrupled, rising from £32,184 to £129,663 (400% growth). Over the following decade, values slumped in the wake of the global financial crisis before continuing their upward trajectory – rising to £160,087 (24% growth). In the following five years, to March 2022, the market accelerated again, with the average transaction value rising to £218,981 (37% growth). In 26 years, values had increased seven-fold.



Source: Land Registry HPI

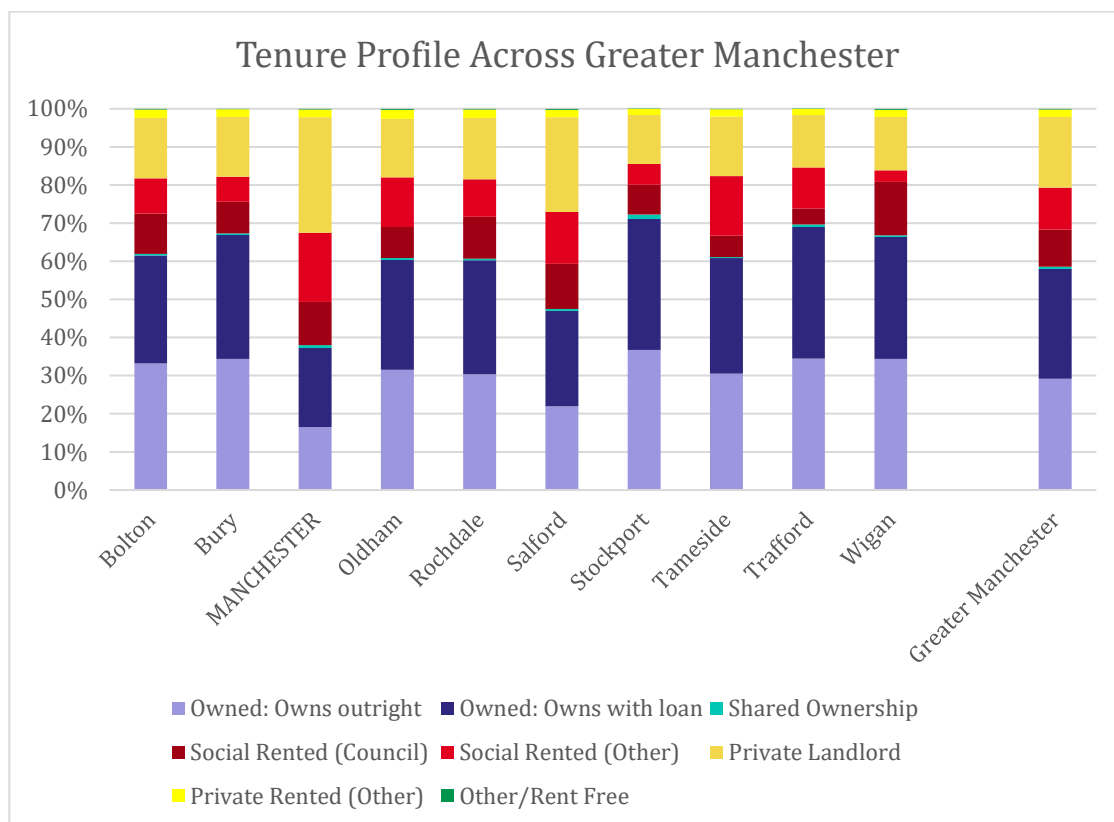
Tenure Changes

- 3.7 An even more striking aspect of Manchester's housing market is its tenure profile, which differs very substantially from the profile elsewhere in the country and, indeed elsewhere in the Greater Manchester Metro Area.
- 3.8 The chart below shows the tenure profiles recorded for Manchester and England & Wales at the 2021 Census.



Source: Census

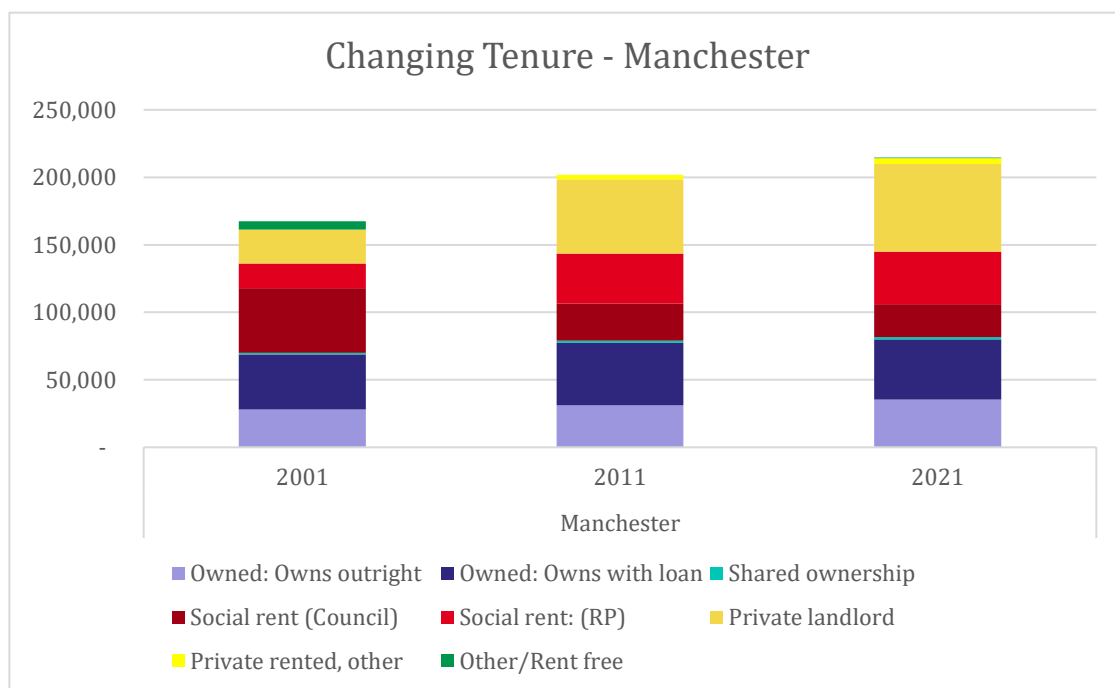
- 3.9 Whilst over 60% of households nationally own their own homes, in Manchester, fewer than 40% do so. By contrast, the Social Rented and Private Rented Sectors are much larger.
- 3.10 This profile is highly specific to Manchester itself, with other authorities in the Metro Area much closer to the national profile.



Source: Census

- 3.11 Considered in a time series, we can see that almost all of the substantial growth over the past 20 years has flowed straight into the Private Rented Sector.
- 3.12 Since 2001, the absolute number of owner occupiers grew from 34,000 to almost 40,000 but that represented a slight fall in the proportion of households who own – from 41% to 37%.
- 3.13 Over the same period, the prevalence of social rented homes fell not only as a proportion of the stock (from 39% to 29%) but also in absolute terms (from 66,000 to 63,000).
- 3.14 That is a somewhat surprising result in view of the substantial number of affordable homes delivered – at least over the past decade. Between 2011 and 2021, the stock of social rented homes in Manchester shrank by 1,406 units. Over the same period, Live Table data suggests that some 3,532 affordable homes were completed.
- 3.15 The implication is clear. Losses arising from Right to Buy and demolitions far outstrip new supply.

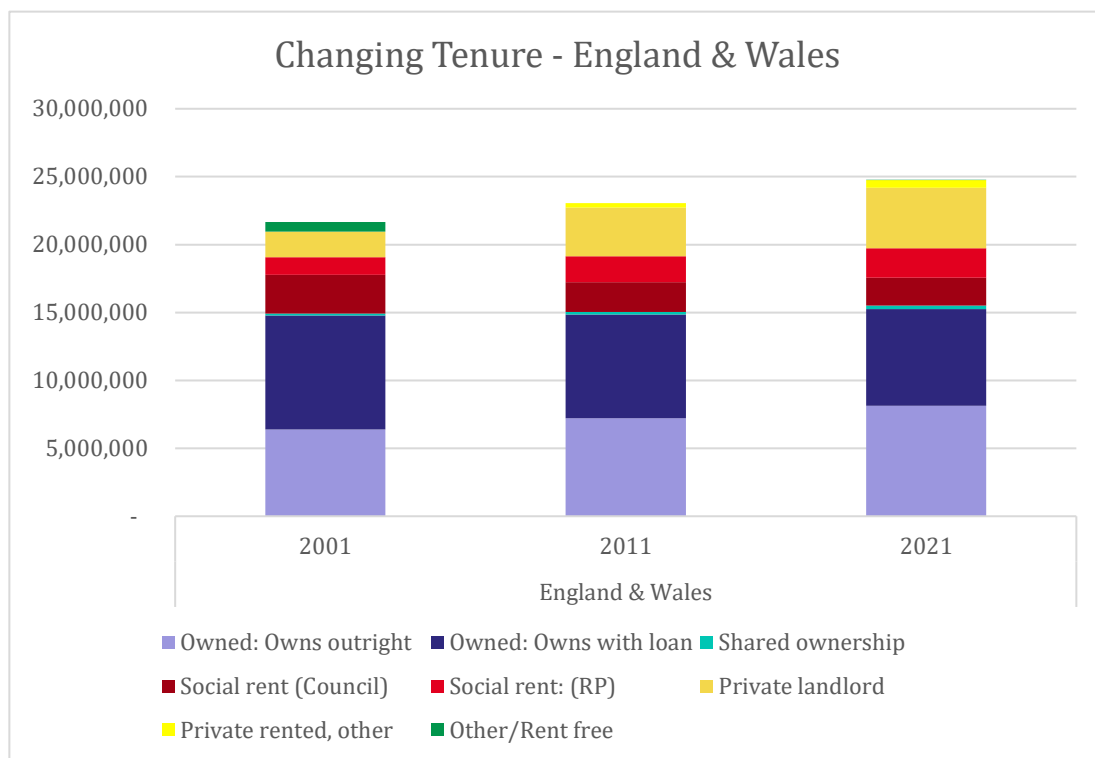
- 3.16 As to shared ownership, the tenure did see considerable growth in proportionate terms (from 1,200 to 1,6790 homes over 20 years but, even in 2021, it represented an almost negligible share of the stock – less than 0.8% of all homes.
- 3.17 We also note that, in the period from 2011 to 2021, the increase in the number of Shared Ownership homes (around 200 in total) was far less than the number of Shared Ownership homes completed over the same period. Live Table Data (see section 5 below) suggest that almost 950 Shared Ownership homes were completed over that period.
- 3.18 Counter-intuitively, this may actually be considered evidence of success. Shared Ownership was never intended as a tenure of long-term occupation but, rather as a stepping stone to the open market. If the data suggests a considerable “churn” between Shared Ownership and open market housing, the obvious interpretation is that, after a few years, those who buy Shared Ownership homes are frequently able to buy out the landlord’s share and either convert to owner occupation of their existing home or to use the equity they have accrued as a deposit to fund the purchase of another home elsewhere.



Source: Census

- 3.19 A similar (though less pronounced) pattern is visible in the tenure changes over the past 20 years in England and Wales as a whole. Even so, it is notable that, unlike in

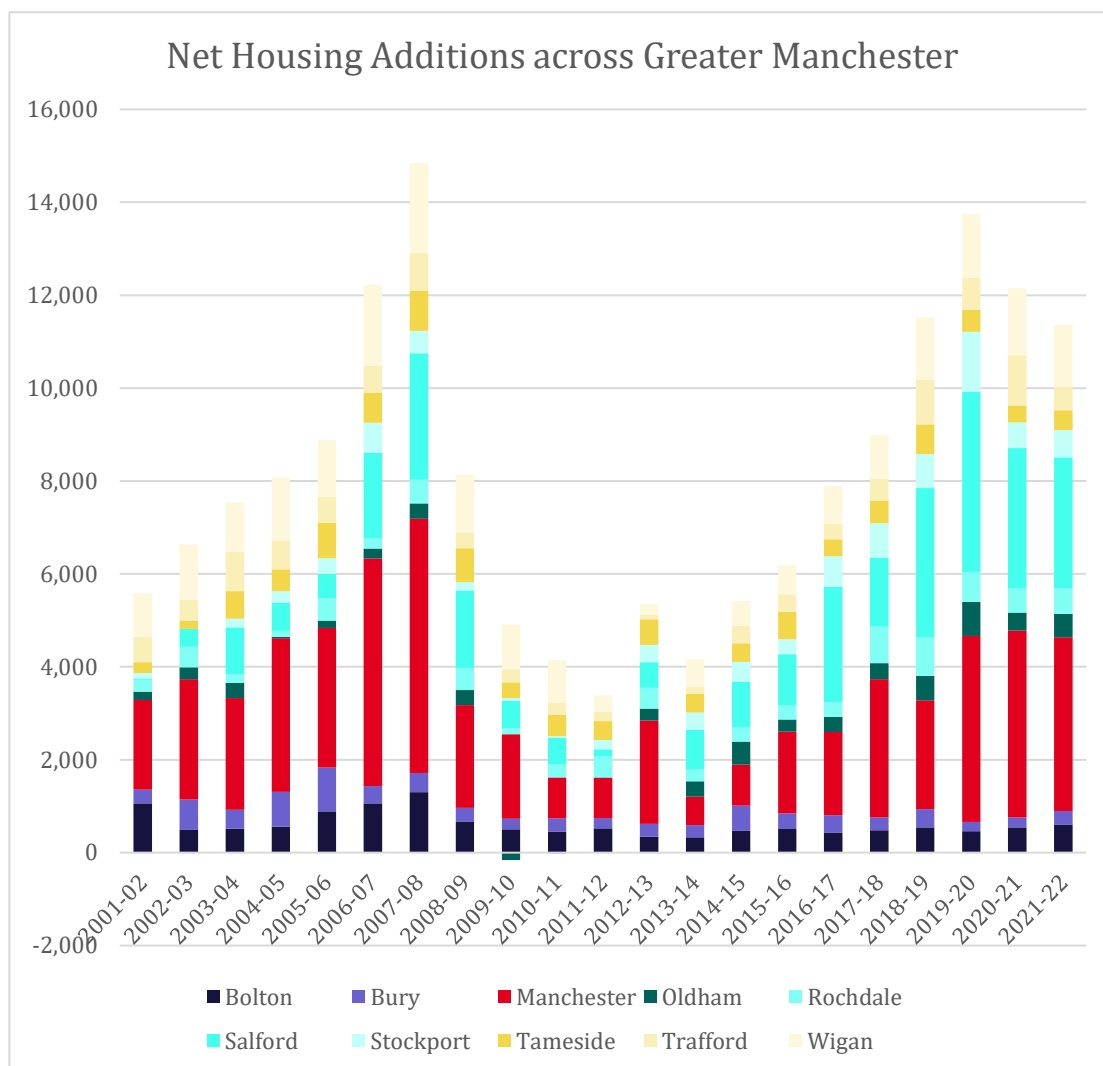
Manchester, the stock of affordable housing did grow somewhat – despite much lower levels of housing growth overall (14% nationally vs. 28% in Manchester)



Source: Census

4.0 Delivery

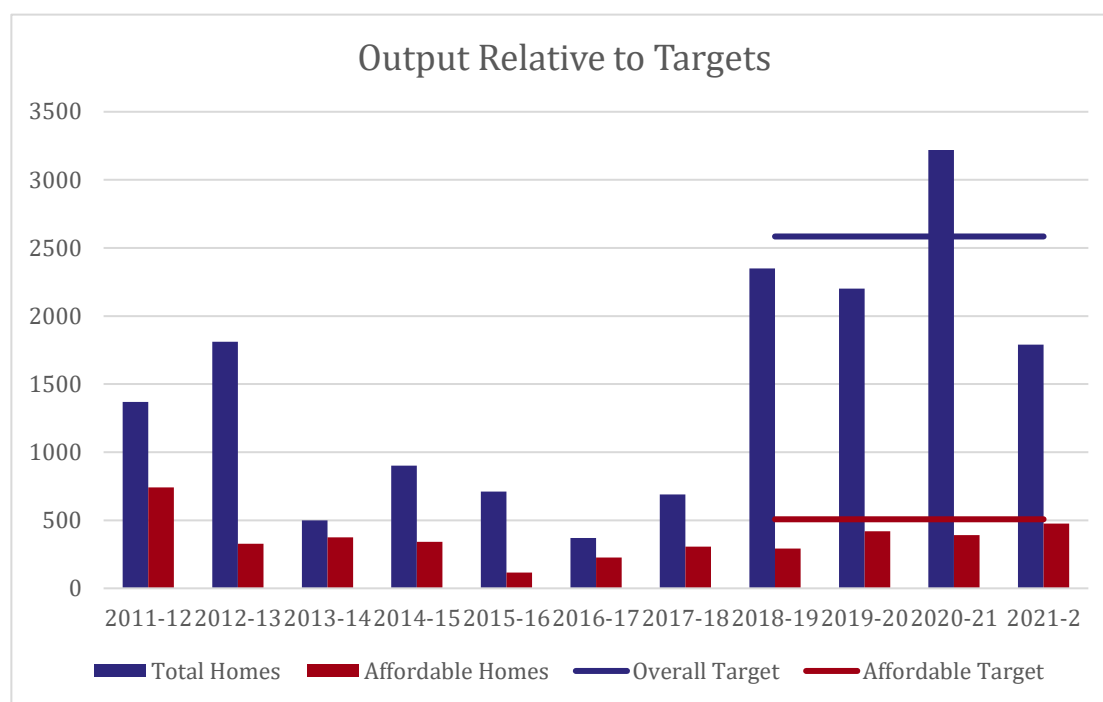
- 4.1 Of the 10 authorities across the Greater Manchester area, Manchester itself has added the largest number of homes to its housing stock. Since 2001/2 it has accounted for an extra 53,000 homes – over 31% of the total across the entire metro area.



Source: Greater Manchester Housing Market Monitor

- 4.2 The last few years have seen a step change in the output of housing Manchester – rising from an average of 907 homes per year from 2011/2 to 2017/8 to an average of over 2,300 homes per annum in the past four years.

- 4.3 However, the increase in the affordable housing supply over the same period has been much smaller, well within the margin of error – rising from around 370 per annum to around 390 per annum.

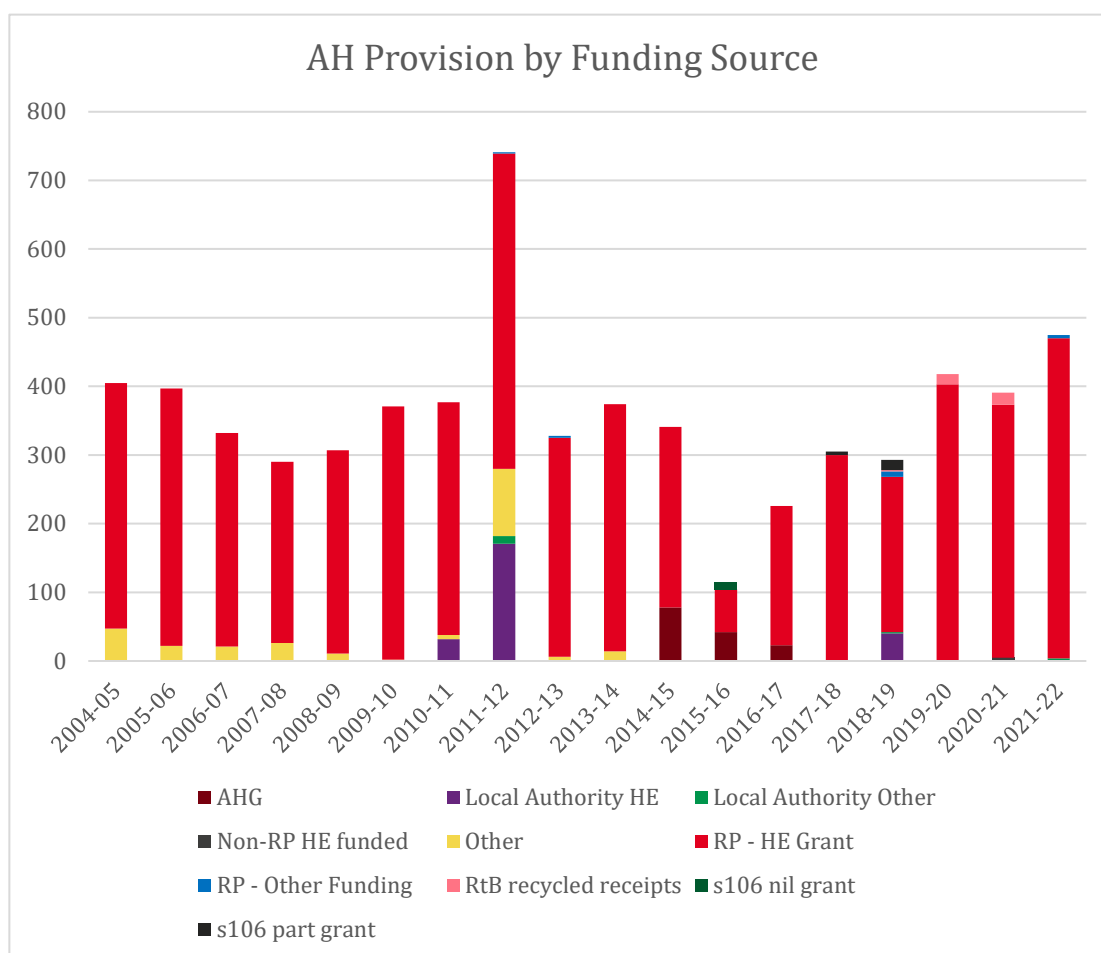


	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Total Homes	1370	1810	500	900	710	370	690	2,350	2,200	3,220	1,790
Affordable Homes	741	328	374	341	115	226	305	293	418	391	475
Overall Target								2,584	2,584	2,584	2,584
Affordable Target								507	507	507	507
% Affordable	54%	18%	75%	38%	16%	61%	44%	12%	19%	12%	27%

Source:

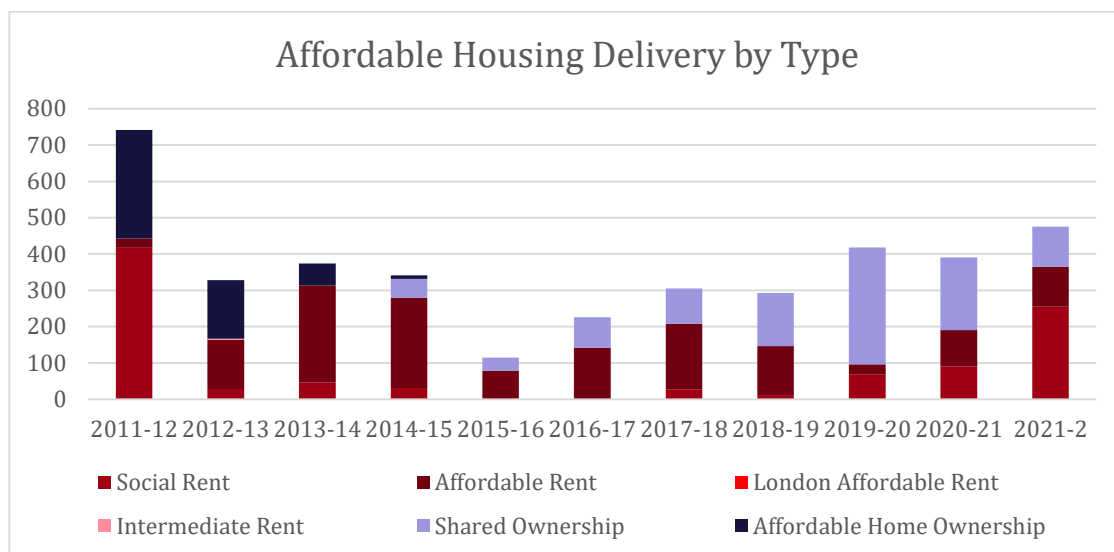
- 4.4 One striking aspect of the delivery of affordable housing in Manchester is the extent to which provision arises from Registered Providers developing homes on their own account using Homes England funding. Since 2004, this has accounted for over 88% of all homes provided. Homes provided via planning obligations imposed through S106 agreements (which make up the largest share of provision nationally) account for only 1 in 200 of the affordable homes provided.

- 4.5 This circumstance goes a long way to explaining the modest extent of the increase in affordable housing output in 2018/9 and subsequently. Affordable housing provision was not directly a consequence of overall supply and was therefore uncorrelated with it.



Source: Greater Manchester Housing Market Monitor

- 4.6 The same *general* pattern is evident across the Greater Manchester Metro Area as a whole, where provision via S106 agreements, accounts for less than 10% of all new affordable homes, whilst RPs using Homes England funding account for almost 80%.
- 4.7 A brief review of the composition of affordable housing provision shows that rented tenures predominate. Over the 11 year period for which we have data, rented tenures (Social and Affordable Rent) accounted for around 60% of all completions. In the most recent years, rented provision accounted for an only slightly lower proportion (54%).



	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-2
Social Rent	417	29	46	31	0	0	28	12	69	90	255
Affordable Rent	26	135	267	249	79	142	180	135	27	101	110
Intermediate Rent	0	3	0	0	0	0	0	0	0	0	0
Shared Ownership	0	0	0	52	36	84	97	146	322	200	110
Aff Home Ownership	298	161	61	9	0	0	0	0	0	0	0
Affordable Total	741	328	374	341	115	226	305	293	418	391	475
% for Rent	60%	50%	84%	82%	69%	63%	68%	50%	23%	49%	77%

- 4.8 One notable finding arising from this is the one already mentioned at para 3.17 above; the output of Shared Ownership homes over the last Census period (2011-2021) was, 937 homes. Over the same period, the number of extant Shared Ownership homes increased only by around 200 homes. This suggests that, over time, a substantial majority of Shared Ownership homes fulfil their intended function as a bridge to full owner occupation.

5.0 Affordability

- 5.1 One of the issues considered in some detail by the Greater Manchester Strategic Housing Market Assessment is the question of the affordability threshold – the cost at which housing of various tenures is available.
- 5.2 This analysis feeds into the question of how many households require an affordable home. The key tables, in this respect are 7.3 and 7.4. The former sets out the study's view of the cost of a lower quartile home to purchase and a home for rent at the lower quartile point in the housing market. The latter assesses the income necessary to purchase or rent such a home. The information, for Manchester itself and Greater Manchester more generally are summarised below.

	Manchester	Greater Manchester
Lower Quartile House Price	£110,000	£105,825
Income Required to Afford LQ Price	£31,429	£30,236
Lower Quartile Rent	£500	£450
Income Required to Afford LQ Rent	£20,000	£18,000

Source: GM SHMA 2019

- 5.3 Clearly, housing costs in Manchester are slightly (but not substantially) higher than those in the City as a whole.
- 5.4 We note, however, that these figures are now somewhat out of date. The SHMA itself was carried out in 2019 and the source data on prices is referenced to Q3 2016 (prices) and April 2015-March 2016 (Rents). To that end, we have sought to update the figures for Manchester (the figures for the metro area as a whole would have been more complicated to compile but we assume that they remain proportionate to Manchester itself).
- 5.5 Data for house prices was readily accessible from the Land Registry – the same source as the SHMA used. In respect of rents, the referenced source is the VOA's Private Rental Market Data. This report is no longer compiled. However, through the use of a Freedom of Information request, we have managed to obtain a copy of the source information – the List of Rents². It is important to note that this is compiled on the basis of Broad Rental Market Areas (BRMAs) rather than Local Authorities. The BRMA in this case is Central Greater Manchester. The most recent edition covers rents recorded between

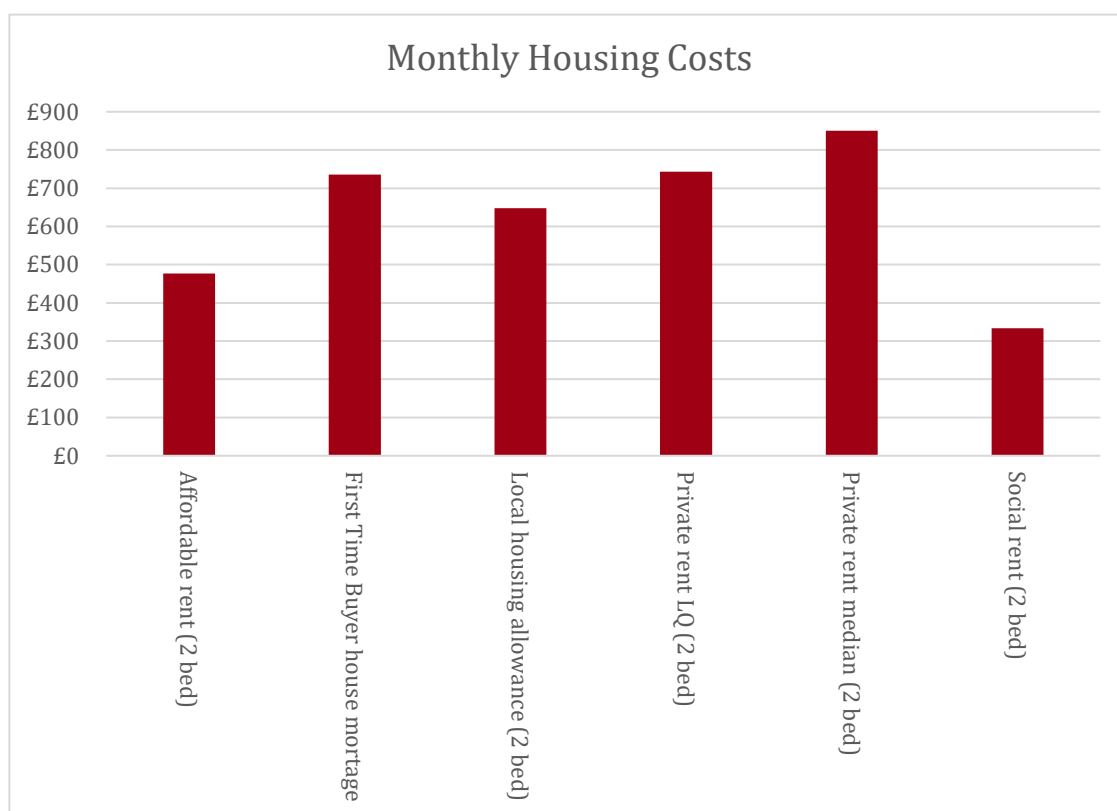
² <https://www.gov.uk/government/publications/shadow-lists-of-rents-rents-collated-1-october-2019-30-september-2020-and-1-october-2020-30-september-2021>

30 September 2020 and 1 Oct 2021. Also note that the full dataset contains information on rents for shared accommodation, which we have excluded from this analysis.

	Manchester	Change from SHMA
Lower Quartile House Price	£165,000	+50%
Income Required to Afford LQ Price	£47,142	
Lower Quartile Rent	£695	+39%
Income Required to Afford LQ Rent	£27,800	

Source: Land Registry & LoR

- 5.6 The rate of increase seen in housing costs is therefore very steep indeed – far steeper than the rate of earnings increases over the same period.
- 5.7 Further light is shed on the matter of housing costs by the data compiled in the Greater Manchester Housing Market Monitor, which records the monthly cost of occupation for different housing products.

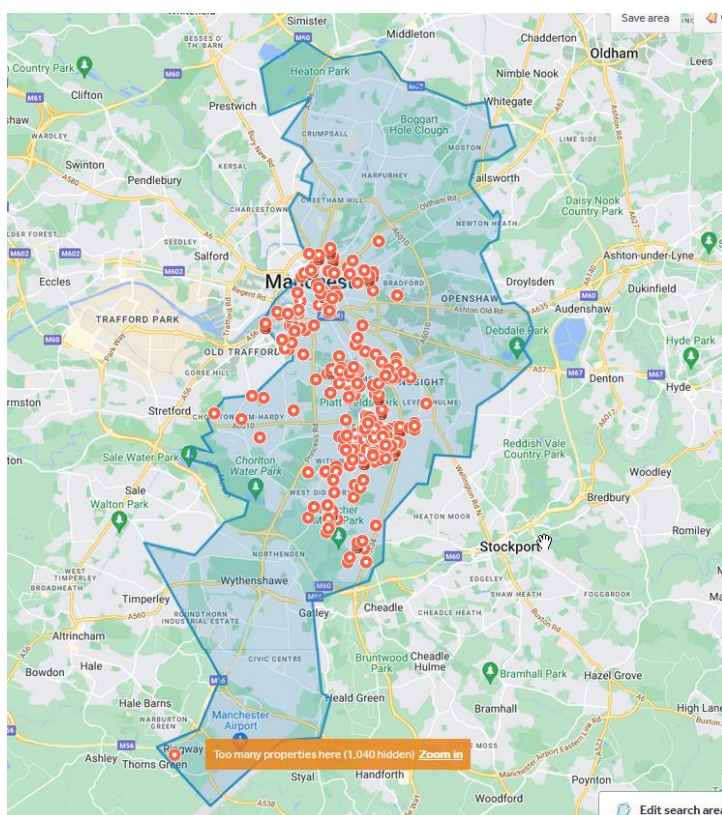


Source: GM Housing Market Monitor

- 5.8 Whilst it is not clear what assumptions have informed the calculation of the cost of the First Time Buyer Mortgage (*i.e.* interest rates and LTV), we note that the assessed Local

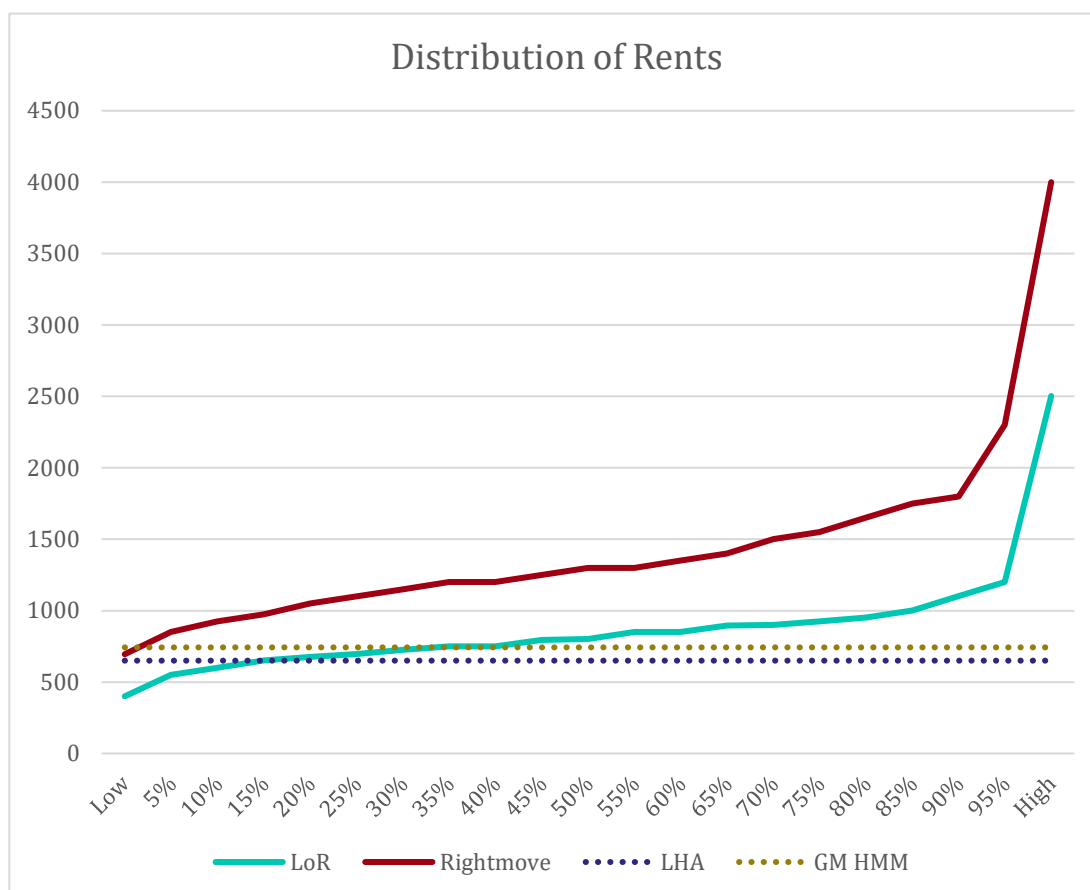
Housing Allowance matches the current published rate for a two bedroom property (£149.59/week or £650/month).

- 5.9 Of much greater significance is the indication that the cost of the lower quartile private rent (£170.80/week or £743/month) is significantly higher than the Local Housing Allowance.
- 5.10 This is a very significant finding because, *in theory*, the Local Housing Allowance is based upon the 30th centile of rents for properties of a given size in a given BRMA. In theory, the lower quartile rent should always be less than the LHA. In this case, however, it is not; the lower quartile rent is actually 15% higher than the Local Housing Allowance.
- 5.11 To investigate further, we took all the of the rents for two-bedroom properties, listed on the LoR (comprising some 4,000 homes). We then plotted the distribution in 5 centile increments. On the same chart, we also plotted all the two-bedroom homes currently offered for rent on the property portal Rightmove (335 homes) across an area generally commensurate with Manchester's local authority area. Finally, and for the benefit of comparison, we plotted the Lower quartile cost reported by the GM HMR as well as the LHA.



Source: Rightmove

5.12 The results are below.



- 5.13 The first thing to note here is that the LHA, which is supposed to reflect the 30th centile of local rents, in fact doesn't. On this evidence, it is closer to the 15th centile. This is because the LHA has, in fact, been frozen for the third year in a row. The link to the 30th centile was "restored" for claims commencing in April 2020 onwards. But those rates were based on the LoR for the period running up to the previous October. Any increase in rents since then would simply not have been recorded.
- 5.14 The second and, even more striking issue is that the LoR is not undertaken by reference to new tenancies (as most rental indices and all house price information are) instead, the VOA's survey attempts to capture all tenancies – old as well as new. Its annual survey starts by revisiting all of the properties for which it found data the previous year and then seeks to replace any entries which it cannot update with sufficient new entries to ensure that it meets its goal of capturing around 20% of the market. That methodology means that the VOA survey may be slow to capture movement in the market because rental increases are typically larger between tenancies than during them.

- 5.15 Moreover, a comparison of the VOA data and the rents asked for new tenancies on Rightmove suggests that the difference may be very large indeed. The difference between the median of all rents in the VOA survey and the median price asked was an astonishing £500/month – slightly more than the cost of an Affordable Rented tenancy.
- 5.16 If there are reasons to fear that the VOA sample may understate rental market costs, it is also true that here are some reasons to suspect that the Rightmove data may be overstating average costs. These include the fact that it contains a high concentration of new build stock, and that, whilst its sample size is actually comparable to the VOA survey, Rightmove’s listings do not seek to be representative³.

The Role of Housing Benefit

- 5.17 The reason that it is worth undertaking a detailed look at the cost of accessing Private Rented housing in Manchester is that the Private Rented sector is often considered to constitute the front line of the affordability problem in the housing market.
- 5.18 The explosive growth that we have seen in the size of the Private Rented Sector is generally acknowledged to arise from two groups of households – on the one hand, households who might in a previous era, have expected to purchase their homes and, on the other hand, households who might otherwise have had a reasonable prospect of access to a social or affordable rented home.
- 5.19 Different policy responses have been proposed for these two groups. For the former, there is intermediate housing – of the type proposed here and, for the latter, there is the prospect of assistance with housing costs through either Housing Benefit or, latterly, the housing element of Universal Credit.
- 5.20 Under both regimes, the maximum amount that a household can claim towards their housing costs in the private rented sector is set by reference to the Local Housing Allowance.
- 5.21 In theory, the LHA represents the 30th centile of open market rents. Claimants will be responsible for any housing costs in excess of that level and will need to make up the “excess rent” from other income. In practice, as we have seen in the preceding section, it reflects something closer to the 15th centile. That is, only 15% of all homes in the PRS will be affordable to households who need assistance with their housing costs.

³ The census 2021 found slightly less than 70,000 households living in the PRS in Manchester. The VOA entry for Central Greater Manchester contains 9,800 entries. Rightmove is currently listing 685 properties and the median listing is less than 3 weeks old. Assuming that the average property spends three weeks on the website, suggests that there could be something in the order of 12,000 listings annually.

- 5.22 That is a problem because, in the most recent month for which data was available (November 2022), 24,588 households living in the Private Rented Sector had a claim for either Housing Benefit or the Housing element of UC⁴. That represents around 35% of the c.70,000 households living in the sector.
- 5.23 As a matter of basic arithmetic, it is impossible for all of those households to have found accommodation, priced below the 30th centile of the market. Moreover, as we have found, the LHA does not actually represent the 30th centile – it is closer to the 15th.
- 5.24 This is borne out in the DWP's own statistics, which state that 8,850 households with a valid claim have a rent that exceeds the LHA cap. These households will need to make up the difference from other income. However, because the British benefit system is designed to leave households with just enough to maintain a decent standard of living after tax, benefits *and housing costs* are taken into account, it follows that all of these households will be experiencing significant financial hardship.

⁴ DWP Stat Xplore - HB claimants 4,926 UC claimants (19,662)