

## 7. NEED FOR AFFORDABLE HOUSING

### 7.1 Introduction

- 7.1.1 This Chapter draws upon the ODPM draft guidance to present an assessment of the need for affordable housing culminating in Table 102, which summarises the numbers for Warwick District.
- 7.1.2 In much of the country there is a net shortage of affordable housing, and decisions concerning how much more to build need to be based on an assessment of levels of housing need. This Chapter is therefore concerned with establishing levels of housing need. People who are in housing need are included in the assessment, whether or not they state that they want affordable housing. Equally, people who would like affordable housing, but are not in need, are excluded.
- 7.1.3 Such estimates of housing need are legal requirements to support an Affordable Housing policy in Local Plans or LDFs in order to seek developer contributions to new affordable housing through Section 106 agreements. Estimates of shortfalls or surpluses of affordable housing are important inputs into Local Housing Strategies and LDFs as they inform the policy response to balancing local housing markets.
- 7.1.4 This chapter is only concerned with the need for additional affordable housing in terms of addressing identified housing need. It does not assess the numbers of households where there is an in-situ solution (such as the need for a wheelchair ramp to allow access to a front door).

### 7.2 Previous housing needs assessment

- 7.2.1 The Warwick District Council's 2001 review of their housing need situation shows that between 2001 and 2006 there was a projected demand of 4,664 additional affordable dwellings. This represents 583 per annum. The results suggest that from the previous study in 1998 it is unlikely that there has been any decrease in the level of need over the three-year period. It was found in 2001 that 65.4% of the 1,369 existing households in unsuitable accommodation that did not have an *in-situ* solution could not afford to purchase market housing. This produced an estimated backlog of housing need of 811 affordable homes across the district. This annualised over the eight-year period 1998 to 2006 represents a need to reduce the backlog of 101 dwellings.
- 7.2.2 The 2001 needs model estimates new household formation of 789, with 33.6% of those not being able to afford market housing. 385 existing households are expected to fall into need over the year whilst 364 in-migrant households are also expected to be in affordable housing need. This yields a newly arising need figure of 1,014 *per annum*.
- 7.2.3 The calculation of supply based on projected social and private housing re-lets over the year is given as 532 dwellings *per annum*. In 2001 it was assumed that committed units of new affordable housing supply minus increased vacancies and units taken out of supply would net to zero and hence the total affordable supply over the year was estimated at 532. With both need and supply figures together (1,114 - 532 = 583) a shortfall of 583 affordable homes *per annum*.

### 7.3 Current housing market

7.3.1 The examination of housing markets lends itself to a sub-regional/regional scale and does not reflect administrative geographies. Its operation directly impacts upon housing need across a district.

7.3.2 According to the latest land registry data<sup>50</sup> the mean overall property price in Warwick District for July to September 2005 is £225,980 up from £223,376 for the same period in the previous year (a 1.2% increase). For Stratford-on-Avon the mean overall property price for July to September 2005 is £263,505 up from £261,515 for July to September 2004 (a 0.8% increase).

7.3.3 Table 95 shows the mean overall house price and percentage change for the period between July to September 2001 to July to September 2005 for each district in South Market Area.

**Table 95 Mean house price and % change (July-Sept 2001 to July-Sept 2005)<sup>51</sup>**

District	2001		2002		2003		2004		2005	
	£	%	£	%	£	%	£	%	£	%
Warwick	142151	7.0	179829	26.5	191867	6.7	223376	16.4	225980	1.2
Stratford-on-Avon	174046	11.7	199518	14.6	223739	12.1	261515	16.9	263505	0.8
Bromsgrove	143825	2.1	169531	17.9	204745	20.8	222828	8.8	223941	0.5
Malvern Hills	149035	12.4	192288	29.0	210425	9.4	234421	11.4	235531	0.5
Redditch	96366	10.1	114859	19.2	140280	22.1	157769	12.5	156731	-0.7
Worcester	97218	5.7	122791	26.3	142109	15.7	170022	19.6	159402	-6.2
Wychavon	145445	10.1	160789	10.5	195112	21.3	235746	20.8	239244	1.5
Wyre Forest	109943	30.1	118289	7.6	146406	23.8	168489	15.1	173576	3.0

7.3.4 The mean house price percentage changes for each district in the South Housing Market Area are presented in Figure 8. It is clear that since 2004 house prices have not increased as rapidly as they had previously since 2001, and in Redditch and Worcester house prices have decreased by -0.7% and -6.2% respectively.

7.3.5 In Warwick District, the steepest house price increase was experienced during July to September 2001 to 2002, where the mean house price increased from £142,151 to £179,829, which was a 26.5% increase.

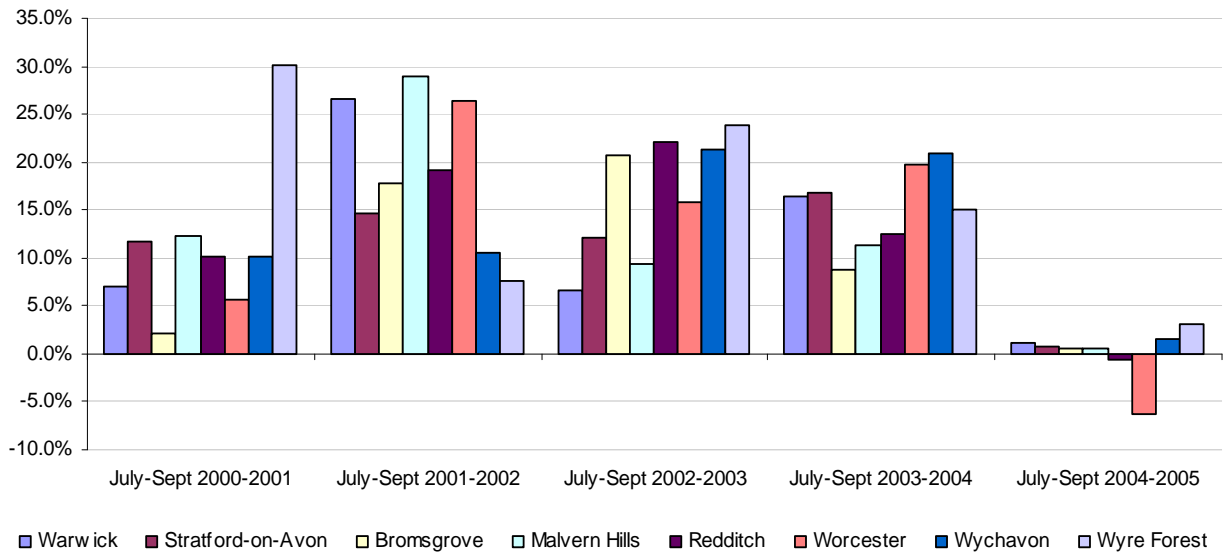
7.3.6 In Stratford-on-Avon District the steepest house price increase was experienced between July to September 2003 to 2004, where the mean house price increased from £223,739 to £261,515, which was a 16.9% increase.

7.3.7 Between July to September 2001 and the same period in 2005, the mean house price in Warwick District increased by 59.0% and in Stratford-on-Avon District by 51.4%.

<sup>50</sup> [www.landreg.gov.uk/propertyprice/interactive](http://www.landreg.gov.uk/propertyprice/interactive)

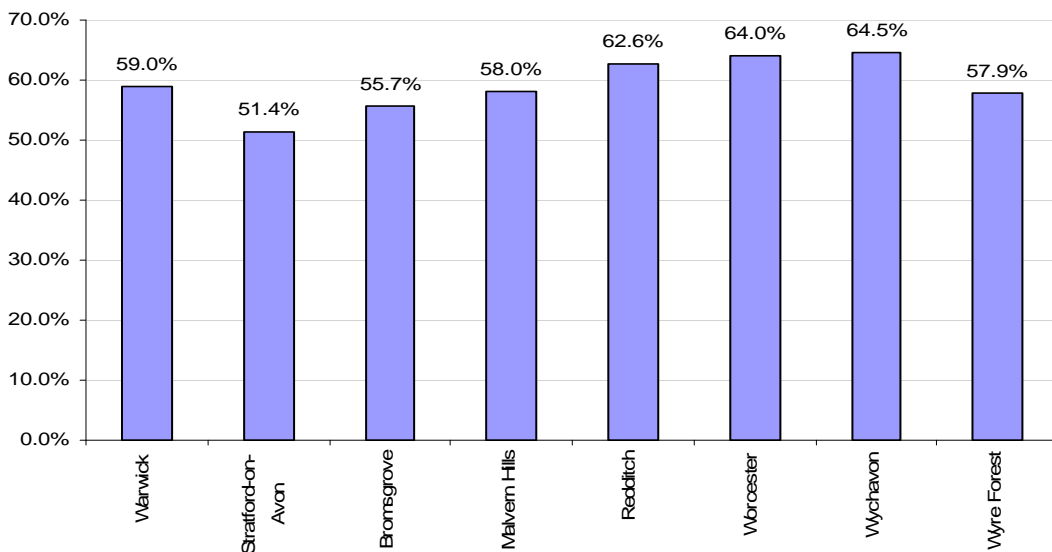
<sup>51</sup> Ibid

Figure 8 Mean house price and percentage change (July-Sept 2001-2005)



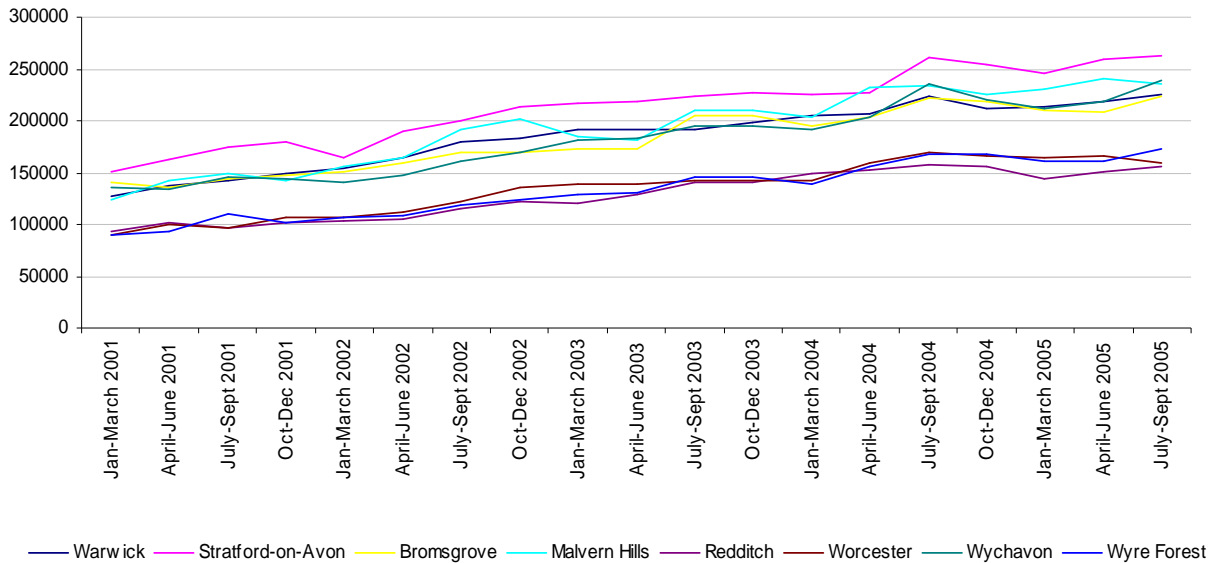
7.3.8 Overall percentage changes for each district in the South Housing Market Area between 2001 and 2005 are illustrated in Figure 9. Wychavon experienced the greatest percentage increases between 2001 and 2005, which was 64.5%, and Stratford-on-Avon experienced the lowest increase, which was 51.4%.

Figure 9 Overall mean house price % change (July-Sept 2001 - 2005)



7.3.9 Figure 10 shows the quarterly house prices for each district in the South Housing Market Area. House prices overall have steadily increased since 2001, although since 2004 house prices have levelled. The mean house price in Stratford-on-Avon District however has remained the highest of the districts in the South Housing Market Area.

**Figure 10 South HMA quarterly house prices**



- 7.3.10 Figure 11 and Figure 12 show quarterly percentage change in mean house price for Warwick District and Stratford-on-Avon District. In Warwick District the mean house price decreased for the first time between April-June 2003 and July-September 2003 (from £192,305 to £191,867). The mean house price also decreased between July-September 2004 and October-December 2004, by 5.4% (from £223,376 to £211,385). However since the mean house price has steadily increased from 1.4% in January-March 2005 to 3.2% in July to September 2005.
- 7.3.11 In Stratford-on-Avon District the mean house price decreased between October-December 2001 and January-March 2001 by 7.1% (from £179,140 to £165,099). Subsequently, there has been an increase every quarter until between October-December 2003 to January-March 2004 when house prices decreased by 0.5%. During the period between April-June 2004 to July-September 2004 the mean house price increased by 15.0% to £261,515, however between this period and January-March 2005 the mean house price decreased by 6.0% to £245,767. More recently over the past two quarters up to July-September 2005 the mean house price has increased again to £263,505 (by 7.2% from January-March 2005).
- 7.3.12 The house price information presented for Warwick District indicates significant house price increases across the five-year period 2001 to 2005. Increases are shown to be comparable with other Districts within the South Housing Market area.

Figure 11 Warwick District quarterly house price percentage changes

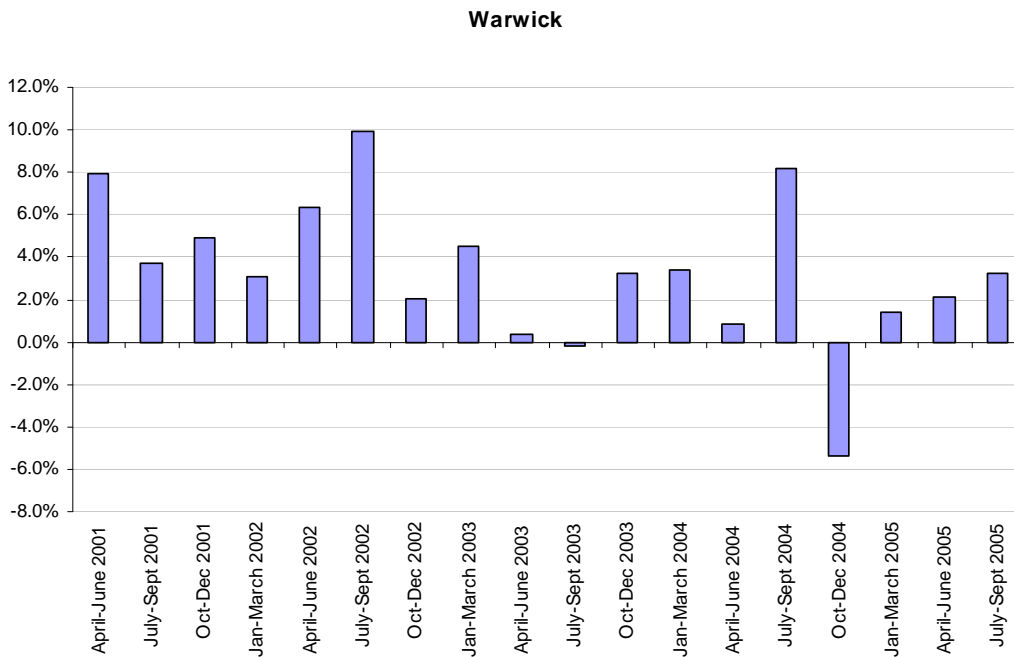
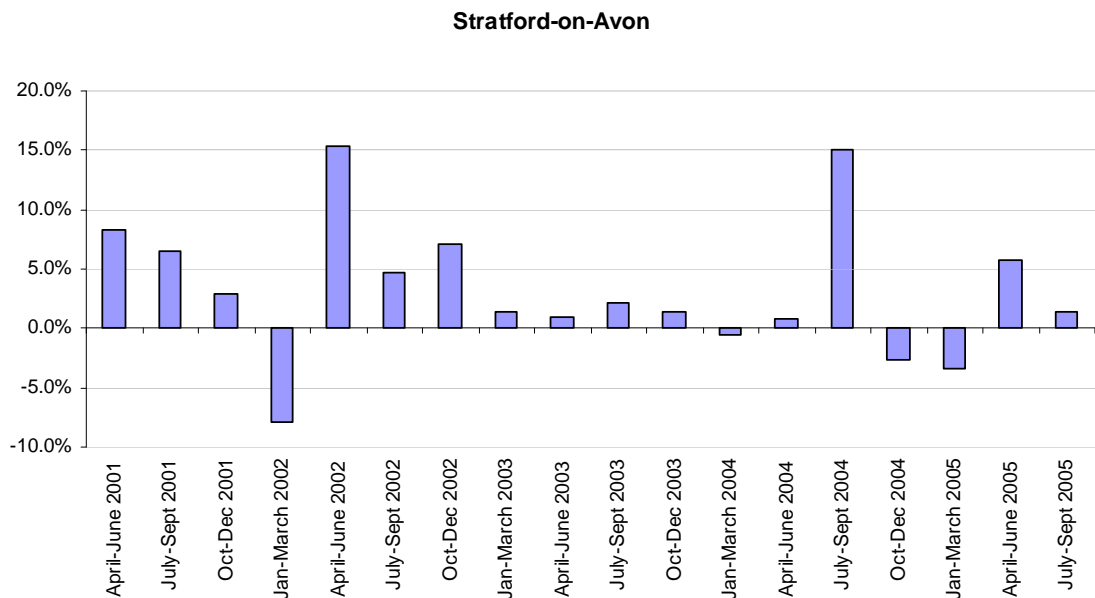


Figure 12 Stratford-on-Avon District quarterly percentage house price changes



## 7.4 Household projections

7.4.1 1996-based household projections<sup>52</sup> indicate growth in household numbers across England of 10.43% (2,267 thousand) 2006 to 2021. For the West Midlands region a projected growth of 6.95% (155,780) is indicated, whilst in Warwickshire a 9.60% change is projected. This

<sup>52</sup> Note: at the time of writing ODPM 1996-based household projections were those offering the most up to date figures and distribution of figures across projected household types.

change represents a growth in households at the County level of 21,131. Projections at the District level show growth in Warwick District 2006 to 2021 to be 14.2% representing an increase in households of 8,057.

- 7.4.2 Table 96 presents the proportional changes projected within the distribution of household types at the National, Regional, County and District levels. At the National, Regional and County levels it is apparent that proportionally the number of married couples is set to contract whilst the highest proportional increase is projected to be single person households. At the district level the highest proportional increases are projected within the co-habiting couple household type. Single person households are also projected to increase substantially.

**Table 96 Proportional change 2006 - 2021 by household type**

Household type	England	West Midlands	Warwickshire	Warwick
	% change 2006 - 2021	% change 2006 - 2021	% change 2006 - 2021	% change 2006 - 2021
Married couples	-4.0	-6.3	-2.7	0.1
Co-habiting couples	22.7	19.6	21.3	36.7
Lone Parents	-0.4	-0.7	1.2	13.3
Other multiple person households	24.5	17.9	10.2	9.5
Single person households	24.8	22.3	27.6	29.6
<b>Total households</b>	<b>10.4</b>	<b>7.0</b>	<b>9.6</b>	<b>14.2</b>
Concealed couples	20.9	33.3	1.8	16.7
Concealed lone parents	-0.8	-9.1	-0.5	-27.5

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- 7.4.3 Table 97 presents the projected numerical change in households by household type in Warwick District.

**Table 97 Numerical change 2006 to 2021 by household type in Warwick District**

Household type	2006	% of total households	2021	% of total households	Change 2006 - 2021	% of total household change
Married couples	26,296	46.4	26,315	40.6	19	0.2
Co-habiting couples	5,880	10.4	8,036	12.4	2,156	26.8
Lone Parents	3,007	5.3	3,407	5.3	400	5.0
Other multiple person households	4,395	7.8	4,814	7.4	419	5.2
Single person households	17,119	30.2	22,182	34.3	5,063	62.8
<b>Total households</b>	<b>56,697</b>	<b>100.0</b>	<b>64,754</b>	<b>100.0</b>	<b>8,057</b>	<b>100.0</b>

- 7.4.4 It is apparent that proportionally, the greatest change is projected to occur as a result of changes in the number of single person households representing 62.8% of the 8,057 increase in households. The number of single person households is also projected to increase as a proportion of total households within the District, as is the number and proportional share of co-habiting couples.

## 7.5 Definitions

### What is housing need?

- 7.5.1 Housing need generally refers to households lacking their own housing (or living in housing which is inadequate or unsuitable) who are unlikely to be able to meet their needs in the local housing market without some assistance. Households in housing need are the part of the population that is not included in market demand because they have insufficient income to satisfy their needs by accessing suitable market housing.

### What is affordable housing?

- 7.5.2 Affordable housing is:

*Non-market housing, provided to those whose needs are not met by the market for example homeless persons and key workers. It can include social-rented housing and intermediate housing.*

- 7.5.3 In addition, affordable housing should:

- *meet the needs of eligible households, including availability at low enough cost for them to afford, determined with regard to local incomes and local house prices; and*
- *include provision for the home to remain at an affordable price for future eligible households, or if a home ceases to be affordable, any subsidy should generally be recycled for additional affordable housing provision.*

### What is unsuitable housing?

- 7.5.4 Table 98 lists the types of housing that constitute a definition of unsuitable housing.

Table 98 Unsuitable housing<sup>53</sup>

Main category	Sub-divisions
Homeless or with insecure tenure	Under notice, real threat of notice, or lease coming to an end
	Too expensive, and in receipt of housing benefit, or in arrears due to this
Mismatch of household and dwelling	Overcrowded, according to the 'bedroom standard'.
	Too difficult to maintain (e.g. too large), i.e. requiring repairs beyond the means of the household, even with equity release.
	Couples, people with children and single adults over 25 sharing a kitchen, bathroom or WC with another household
	Household containing person with mobility impairment or other special needs living in unsuitable dwelling (e.g. accessed via steps), which cannot be made suitable in-situ.
Dwelling amenities and condition	Lacks a bathroom, kitchen or inside WC, and household does not have the resources to make fit (e.g. through equity release or grants)
	Subject to major disrepair or unfitness, and household does not have the resources to make fit (e.g. through equity release or grants)
Social needs	Harassment or threats of harassment from neighbours or others living in the vicinity, which cannot be resolved except through a move.

### What is affordability?

- 7.5.5 The key element in a definition of affordability is the relationship between household incomes and entry-level house prices and rents.
- 7.5.6 A household is considered likely to be able to afford to buy a home that costs 3.5 times the gross household income for a single earner household, or 2.9 times the gross household income for dual income households<sup>54</sup>.
- 7.5.7 The size of mortgage that a household can afford is compared to the cost of an entry-level property. This has been calculated for Warwick District as £179,856.
- 7.5.8 A household is taken as being able to afford private rented housing in cases where the rent payable would constitute no more than 25% of their gross household income. The rent payable has been calculated for Warwick District as £300 per month for a single earner household and £600 per month for a dual earner household.
- 7.5.9 A household is taken as being able to afford a shared equity property where the rent and mortgage costs are no more than 30% of gross income.

<sup>53</sup> Local Housing Assessment Guide as at 23 March 2005, Working Draft, pg. 55

<sup>54</sup> Local Housing Assessment Guide as at 23 March 2005, Working Draft, pg. 56

### What is an entry-level property?

- 7.5.10 In order to assess affordability the price of an entry level property is determined based upon the most recent quarter's data from the land registry. At the time of commission this was July - September 05. The entry-level property price is that which a household entering the market can be expected to pay on average. However, it is neither the overall mean house price for the district, nor is it the lowest available or the lower quartile (25th percentile) house price. The calculation is as follows:

$$\frac{(\text{Average terrace price} \times \text{volume of sales}) + (\text{Average flats price} \times \text{volume of sales})}{(\text{Volume of terrace sales} + \text{Volume of flats sales})}$$

- 7.5.11 The results for Warwick and neighbouring districts are shown in Table 99.

**Table 99** Entry-level property prices

District	Terraced		Flat/Maisonette		Average price
	Average price	Sales	Average price	Sales	
Warwick	189,855	175	166,600	132	<b>179,856</b>
Stratford-on-Avon	185,128	121	128,189	55	<b>167,335</b>
Warwickshire	147,355	730	132,759	401	<b>142,180</b>
Bromsgrove	153,835	93	136,161	40	<b>148,520</b>
Malvern Hills	150,415	46	133,469	44	<b>142,130</b>
Redditch	119,371	150	106,077	33	<b>116,974</b>
Worcester	141,521	144	119,265	134	<b>130,793</b>
Wychavon	149,625	108	147,452	38	<b>149,059</b>
Wyre Forest	128,436	117	105,691	30	<b>123,794</b>
Worcestershire	137,837	658	124,060	319	<b>133,339</b>
West Midlands	118,385	7,559	119,428	2,579	<b>118,650</b>

- 7.5.12 This equation takes into account the mean sale price of terraced and flat/maisonette properties and bases the influence of each on the entry-level property price on the number of actual market sales. **Outside** use a more objective measure to set an entry level property price given that there is always some degree of subjectivity regarding entry-level property prices

## 7.6 Modelling the need for affordable housing

- 7.6.1 Table 100 summarises the main stages of the Housing Needs Assessment model and Table 101 presents the more detailed stages and sources of data.

Table 100 Housing needs assessment model

Model outline
<p><b>CURRENT NEED</b> (times a yearly quota)</p> <p><i>Minus</i></p> <p><b>AVAILABLE STOCK TO OFFSET NEED</b> (times a yearly quota)</p> <p><i>Plus</i></p> <p><b>NEWLY ARISING NEED</b></p> <p><i>Minus</i></p> <p><b>FUTURE SUPPLY OF AFFORDABLE UNITS</b></p> <p><i>Equals</i></p> <p><b>NET SHORTFALL (OR SURPLUS)</b> of affordable units p.a.</p>

7.6.2 Housing need and housing supply are expressed in terms of annual flows (i.e. the number of units per year) over a prescribed period. The model and figures presented in sections 7.7, 7.8, 7.9, and Table 102 are *per annum*. Gross figures (such as household formation, migration, etc) are inputs into the model, which, after subtracting supply from need, can then produce a net annual shortfall of dwellings.

7.6.3 In addition, the Housing Market Assessment guidance states:

*“For some steps, there is no one authoritative source of data, and partnerships may have to make estimates based upon a variety of data sources.”<sup>55</sup>*

<sup>55</sup> *Housing Market Assessments*, Draft Practice Guidance, December 2005, ODPM, p38

**Table 101 Housing needs assessment: steps and sources**

Element and step in calculation	Data sources
<b>C: CURRENT NEED</b>	
1. Existing households in need of alternative accommodation	Local housing survey
2. <i>plus</i> Current non-households in need of affordable housing	Local housing survey Priority homeless in temporary accommodation Hostel move on needs Homeless agencies data
3. <i>minus</i> cases that can afford to meet their needs in the market	Local housing survey
4. <i>equals</i> Total current housing need	1 + 2 - 3
<b>A: AVAILABLE STOCK TO OFFSET NEED</b>	
5. Current occupiers of affordable housing in need	LHS
6. <i>plus</i> surplus stock	Local Authority records
7. <i>plus</i> committed supply of new affordable units	Development programmes of LAs and HAs, including conversions and intermediate housing products Regeneration/pathfinder schemes
8. <i>minus</i> planned units to be taken out of management	LAs and HAs demolition and conversions programmes
9. <i>equals</i> Total available stock to meet current need	5 + 6 + 7 - 8
10. <i>equals</i> Total Current need	4 - 9
11. <i>times</i> quota progressively to reduce level of current need	Policy judgement
12. <i>equals</i> annual need to reduce level of current need	10 x 11
<b>N: NEWLY ARISING NEED</b>	
13. New household formation (gross p.a.)	LHS new hidden homeless households/year LHS recent moves not previous households
14. <i>times</i> proportion of newly arising households unable to buy or rent in the market	LHS incomes of hidden homeless households and recent new households Entry level rents and property prices
15. <i>plus</i> existing households falling into need and unable to afford market housing	LHS - Households recently fallen into need LHS - New social tenants who fell into need within the last year LA data on households recently housed outside normal housing register, or where entered register within last year
16. <i>minus</i> potential out-migrants unable to afford market housing	LHS - people intending to move
17. <i>plus</i> in-migrants unable to afford market housing	LHS - recent migrants profile
18. <i>equals</i> Newly arising need	(13 x 14) + 15 + 16 + 17
<b>S: SUPPLY OF AFFORDABLE UNITS p.a.</b>	
19. Net supply of social re-lets	Lettings/voids system for LA and HAs CORE data for HAs HSSA data
20. <i>plus</i> supply of intermediate housing available for relet or resale at sub market levels	LA and HA lettings/voids system and data on re-sales of sub-market LCHO or shared equity schemes
21. <i>equals</i> affordable supply	19 + 20
<b>NET SHORTFALL/SURPLUS</b>	
22. Overall shortfall or surplus	12 + 18 - 21

11  
3

## 7.7 Current need

### Step 1 - Existing households in need of alternative accommodation

- 7.7.1 This involves determining how many existing households are in housing need and require alternative accommodation. Non-households are dealt with separately.
- 7.7.2 Objective measures of need are used wherever possible. Overcrowding is measured by comparing the number and gender of household members with the size of their home. This is then compared with the 'bedroom standard' used in Government surveys.
- 7.7.3 Some housing need can be addressed through in-situ solutions although households in rented accommodation are generally regarded as being in need of alternative accommodation. Owner-occupiers will often be able to adapt their properties to meet their needs either through the use of grants, savings or equity release schemes. They are only regarded as needing alternative accommodation where their problems are severe and cannot be solved in-situ (e.g. large family living in a one-bedroom flat).

6790

### Step 2 - current non-households in need of affordable housing

- 7.7.4 This relates to hidden homeless households not currently occupying a home of their own:
- ✓ households living within another household (e.g. family and friends) who want to live in their own self-contained accommodation
  - ✓ people who are currently in temporary accommodation
  - ✓ people who are currently homeless staying in hostels, night shelters or on the streets
  - ✓ Gypsies and Travellers and others living in caravans, vans or barges
- 7.7.5 The following are always counted as a household living within another household:
- ✓ Families (including single parents) currently living within another household
  - ✓ Couples over 16 currently living within another household
  - ✓ Single adults over 25, currently living within an unrelated household, including those renting a room only within another household
  - ✓ Households unable to live together because of a lack of housing
- 7.7.6 People who are not counted as needing self-contained accommodation include:
- ✓ 18-24 year olds living within an unrelated household, or sharing a kitchen, bathroom or toilet with another household
  - ✓ Single adults over 18 living at home

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### Step 3 - Removing those that can afford to meet their needs in the market

- 7.7.7 The affordability criteria are applied to the incomes of all households in need of alternative accommodation.

2245

### Step 4 - Total current housing need

- 7.7.8 This is the total number of households in need of alternative accommodation, who cannot afford to meet their needs in the housing market. It is calculated by adding together the numbers of existing households in need (Step 1) and non-households in need (Step 2), and removing from this figure those that can afford to meet their needs in the market (Step 3).

1+2-3=4593

## 7.8 Available stock to offset need

### Step 5 - Removing current occupiers of affordable housing in need

- 7.8.1 This is important in establishing the *net* level of affordable units required to meet housing need as moving these households to other affordable units will have a nil effect in terms of additional housing need. Care must be taken to ensure that units vacated by current occupiers are fit for use by other households in need.

1323

### Step 6 - Surplus stock

- 7.8.2 A certain level of voids is normal within council stock to allow for transfers and work on the properties. However, if the rate is in excess of 3% or properties are vacant for considerable periods of time, these are counted as surplus stock.

0

### Step 7 - Committed net increase in affordable housing

- 7.8.3 This includes new social rented units and intermediate housing which are already planned to be built over the time period of the assessment.

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### Step 8 - Units to be taken out of management

- 7.8.4 This is an estimate of the numbers of units that will be taken out of management each year as effected households will need alternative accommodation. It does not include Right-To-Buy sales as a gross figure as authorities are not required to re-house these households - their impact upon the stock base is covered in Step 19. It should include planned demolitions or redevelopment programmes which could lead to net losses of stock. Any empty properties that are due for demolition are counted as surplus housing in Step 6.

0

### Step 9 - Total available stock to meet current need

- 7.8.5 This is the total stock available, or predicted to become available over the time period (see step 11). It is calculated by adding Steps 5, 6, and 7, and subtracting the stock to be taken out of management (Step 8).

$5+6+7-8=1361$

### Step 10 - Total unmet need

- 7.8.6 This is the current number of households who are in housing need and unable at present to meet their needs in the market. It is calculated by subtracting Step 9 from Step 4.

$4-9=3232$

### Step 11 - Quota to reduce levels of current need

- 7.8.7 The quota is recommended to be based upon meeting need over a period of five years, or the relevant local plan local development document time period, whichever is the longer. It does not imply that any individual household has to wait for this period.

- 7.8.8 A five-year period can be used, meaning that 20% of the current need should be addressed in each year. There may be merit in linking the quota to the remaining time period of the adopted housing policies in local plan or local development frameworks. It is not generally recommended to use a period of less than five years in which to meet all current need. It is important to consider the need for comparability between local authorities when determining the quota.

20%

#### Step 12 - Annual need to reduce the level of current need

- 7.8.9 This is the number of affordable units that will be needed each year in order to eliminate the levels of unmet housing need over the time period agreed in Step 11. It is obtained by multiplying the current need (Step 10) by the quota (Step 11).

$10 \times 11 = 646$

### 7.9 Newly arising need

#### Step 13 - New household formation

- 7.9.1 This involves estimating the gross number of households that will form on an annual basis. It is based upon past trends rather than on making assumptions about the intentions of households likely to form in the future, as future intentions are uncertain whereas past behaviour is known.
- 7.9.2 The use of past trends involves basing the profile of new households on the characteristics of identified newly forming households in the recent past. There are two components to this:
- (i) existing households that have split within the last year and consequently formed one net new household
  - (ii) hidden homeless households who have formed in the last year
- 7.9.3 Using past trends to predict new household formation also enables the ex-institutional population to be included within it.

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#### Step 14 - Proportion of newly arising households unable to buy or rent in the market

- 7.9.4 This relates to the proportion of newly forming households who are unable to buy or rent a suitable sized property on the open market. Estimating the proportion of households unable to afford the open market involves assessing minimum household incomes required to access market housing using the affordability tests described above.
- 7.9.5 Affordability of newly forming households is difficult to assess as young people's income levels change quickly as does their propensity to form partnerships, which will affect total household income. For these reasons, the ability of newly forming households to afford to buy or rent in the open market is based upon the incomes of those that actually did form over the past year, including those that formed as hidden homeless households.

38.7%

#### Step 15 - Existing households falling into need

- 7.9.6 By looking at the number of existing households who fell into need in the previous year, an estimate of the number who falls into need each year can be made.

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Step 16 - In-migrants unable to afford market housing

- 7.9.7 The recommended way of estimating in-migration using local housing survey data is to assume that future in-migrants will be similar in number (and share similar characteristics) to previous in-migrants.<sup>56</sup> Such estimates can be altered if there are known events or factors that may impact upon future in-migration e.g. programmes to accommodate asylum seekers, employment growth etc.

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Step 17 - Potential out-migrants unable to afford market housing

- 7.9.8 Whilst in-migration can be estimated using survey data as described in Step 16, out-migration cannot be picked up this way as last year's out-migrants are now living elsewhere.
- 7.9.9 The best means of approximation is to ask households in current need whether they will leave within the next year. Asking people to predict beyond a year is not recommended

0

Step 18- Total newly arising need

- 7.9.10 This is the annual gross level of newly arising housing need for affordable housing. It is calculated by adding together newly forming households unable to afford market housing (Step 13 times Step 14), existing households falling into need (Step 15) and in-migrants unable to afford market housing (Step 16) and subtracting from this out-migrants unable to afford market housing.

$(13 \times 14) + 15 + 16 - 17 = 720$

**7.10 Supply of affordable units**

Step 19 - Net supply of social re-lets

- 7.10.1 This is calculated on the basis of past trends. Generally, the average number of re-lets over the last three years is taken as the predicted annual level.
- 7.10.2 This does not include transfers within the social sector. It is only properties that come up for re-let to a new household that are counted. In areas where the stock base of affordable housing is changing substantially (e.g., due to high levels of Right to Buy or substantial new stock being built) it may be appropriate to take into account the changing stock base when predicting levels of future voids.

545

11  
7

<sup>56</sup> Surveys can be used to identify the numbers of in-migrant households who have moved into a district within the last two years. This number can then be halved to estimate the annual flow of in-migrant households. However, when examining the circumstances of those that have in-migrated within the last year, including the numbers unable to afford market housing, it is best to look at only those that have in-migrated within the last year as they are likely to have the most similar profile to next year's in-migrants.

Step 20 - Supply of intermediate housing

- 7.10.3 This is the intermediate housing that comes up for re-let or resale. It is only included as affordable housing if it remains at a cost substantially below market value.

0

Step 21 - Total affordable supply

- 7.10.4 This is the predicted annual supply of affordable units (both social rented and intermediate housing).

$19+20=545$

**7.11 Net shortfall/surplus**

Step 22- Overall shortfall or surplus of affordable housing

- 7.11.1 This is the overall level (i.e. shortfall of surplus) of affordable housing that would need to be provided each year in order to meet housing need over the chosen time period.
- 7.11.2 It is calculated by subtracting the supply of affordable housing (step 21) from the annual need (step 12 plus step 18). A negative figure here implies a net surplus of affordable housing and the number indicates the rate that the surplus is predicted to grow at each year.

$12+18-21=821$

## 7.12 Summary

- 7.12.1 Table 102 summarises the above 22 Steps to show the need for affordable housing in Warwick District *per annum*.
- 7.12.2 The size of units needed, and role of different kinds of affordable housing, such as intermediate housing products in meeting this need is discussed in the Chapter 8, *Delivering Affordable Housing*.

**Table 102 Housing Needs Model for Warwick District (Annual)**

<b>C: CURRENT NEED</b>	
1. Existing households in need of alternative accommodation	6790
2. <i>plus</i> Current non-households in need of affordable housing	48
3. <i>minus</i> cases that can afford to meet their needs in the market	2245
4. <i>equals</i> Total current housing need	4593
<b>A: AVAILABLE STOCK TO OFFSET NEED</b>	
5. Current occupiers of affordable housing in need	1323
6. <i>plus</i> surplus stock	0
7. <i>plus</i> committed supply of new affordable units	38
8. <i>minus</i> planned units to be taken out of management	0
9. <i>equals</i> Total available stock to meet current need	1361
10. <i>equals</i> Total unmet need	3232
11. <i>times</i> quota progressively to reduce level of current need	20%
12. <i>equals</i> annual need to reduce level of current need	646
<b>N: NEWLY ARISING NEED</b>	
13. New household formation (gross p.a.)	1091
14. <i>times</i> proportion of newly arising households unable to buy or rent in the market	38.7%
15. <i>plus</i> existing households falling into need and unable to afford market housing	143
16. <i>plus</i> in-migrants unable to afford market housing	155
17. <i>minus</i> potential out-migrants unable to afford market housing	0
18. <i>equals</i> newly arising need	720
<b>S: SUPPLY OF AFFORDABLE UNITS</b>	
19. Net supply of social re-lets	545
20. <i>plus</i> supply of intermediate housing available for re-let/resale at sub-market levels	0
21. <i>equals</i> affordable supply	545
<b>NET SHORTFALL/SURPLUS <i>per annum</i></b>	
22. Overall shortfall or surplus	821

## 8. DELIVERING AFFORDABLE HOUSING

### 8.1 Introduction

- 8.1.1 The aim of this Chapter is to indicate the type, tenure and size of affordable housing required to meet the needs identified in Chapter 6 above. In addition there is a discussion of the policy implications of the identified need.
- 8.1.2 Judgements as to exactly what level of housing provision should be made in the context of identified housing need are part of the local development document preparation process. Importantly, the level of agreed provision may not be the same as the level of need identified by this assessment.
- 8.1.3 The delivery of affordable housing is set in the context of the existing housing strategies and planning policies.

### 8.2 Housing strategy

- 8.2.1 The West Midlands Regional Housing Strategy 2005 (RHS) covers the period 2005-2021. It was produced by the West Midlands Regional Housing Board in partnership with the West Midlands Regional Assembly, and complements and reinforces the aims and strategies set out in the Regional Spatial Strategy (RSS), the Regional Economic Strategy (RES) and the Regional Sustainable Development Framework (RSDF).
- 8.2.2 Together with other regional strategies, the RHS aims “to create a strong Regional economy, which through the provision of ‘pathways of housing choice’ enables people to live near their work in pleasant affordable homes.” This “should enhance diversity, address social inclusion and community cohesion, and protect the vulnerable, whilst encouraging sustainable lifestyles”.
- 8.2.3 The core aims of the Regional Housing Strategy are in brief:
  - ✓ to create mixed, balanced and inclusive communities through the provision of a range of housing types and prices in every community,
  - ✓ to assist in the delivery of urban and rural renaissance,
  - ✓ to support and promote regional economic growth through appropriate housing provision,
  - ✓ to increase the supply of social and other affordable housing,
  - ✓ to ensure the Decent Homes standard is met in the social sector and for those in vulnerable circumstances in the private sector,
  - ✓ to promote environmental sustainability through lower resource consumption and traffic and healthier local environments.
- 8.2.4 It is argued that appropriate choice and distribution of housing is needed to support and promote diversification of the regional economy, as set out in the RES. Similarly, the RHS aims to encourage more evenly distributed growth within the region through more geographically balanced housing investment.
- 8.2.5 Throughout the regional strategies there is a strong emphasis on refocusing development back into urban areas, primarily to reduce pressure on greenbelt land and to increase the efficiency of public services. The RHS supports this through a policy of using the planning system to ensure private developers use appropriate sites. Public bodies are also encouraged to release surplus land for affordable housing.

- 8.2.6 The region's South Housing Market Area, in which Warwick District and Stratford-on-Avon District are located, is a high demand area with severe affordability problems. Out-migration from the Birmingham conurbation and the South East of England has caused income to house price ratios to rise as high as levels in the South East. Work stemming from a survey of new households shows that 62% of newly forming households could not afford the 'for sale' housing markets in the South HMA, compared to 42% in the North HMA. New social and other affordable housing is thus required to ensure mixed and balanced in the future that can meet locally generated need. Other strategies such as the RES also aim to tackle the problem by raising incomes through the strengthening and diversification of the rural economy to enable indigenous populations to compete in local housing markets.
- 8.2.7 Key challenges for housing at the regional level include meeting the demands of new households, with forecasts projecting an increase of approximately 250,000 between 2001 and 2021. The major growth in households is expected to occur within the Central Housing Market Area (63.0%) while the South HMA is set to experience 16.2%. This is in part due to measures to reverse migration out of the Central HMA's Major Urban Area, i.e. the Birmingham conurbation. Without intervention, the Central area would, based on current migration trends, account for 51.2% of household growth and the southern market 24.9%.
- 8.2.8 Changes in types of household are also expected. Although couples (with or without children) are expected to remain a major household type there will be a continuing shift towards more single person households, which are expected to make up over a third of all households. This growth is not only occurring in urban areas or consisting of young people, however: the single person household group is very mixed, with a high and growing proportion of elderly persons. Private house builders are therefore being encouraged to provide a wide range of small dwellings in all types of location, in order to offer a choice of different styles of living for single person households.
- 8.2.9 The provision of affordable housing is essential to meeting the diverse needs of sustainable communities. The RSS recognises the need, based on future household projections, for an annual affordable housing supply of between 6,000 and 6,500 dwellings during the period 2002-2011. RHS projections suggest a need for nearly 78,000 affordable housing units from 2001 to 2021 and nearly 47,000 social housing units over the same period. The South HMA will, according to household projections, require 16,686 affordable dwellings (21.4% of need across the West Midlands) and 8,434 social dwellings (18.1% of need across the West Midlands) to 2021.
- 8.2.10 Provision of a range of affordable housing including low cost home ownership and intermediate rent will be required in order to improve the range of housing options for low to middle income households and to meet the housing aspirations of the diverse communities within the region. The RHS indicates that local authorities should develop effective strategies at the neighbourhood and district levels as well as examining the role of their area within the wider sub-region.
- 8.2.11 A fundamental review of Warwick District's Local Housing Strategy was completed in 2003, its finding being applicable to 2005.
- 8.2.12 The Strategy notes that Warwick District has a buoyant housing market with the highest house prices in the West Midlands. However, national and regional capital for regeneration and affordable housing is being directed at urban centres in the hope of easing demand in more prosperous districts like Warwick. Therefore, investment in affordable housing in the district will need to be generated without subsidy; methods of achieving this are being investigated. In order to increase the supply of affordable housing with scarce resources, the minimum thresholds for developer contributions have been decreased, whilst the percentages of affordable housing required has been increased.
- 8.2.13 The quality of Council housing stock is to be assured through work to meet the Decent Homes Standard, while the Housing Association stock is generally excellent as most is

relatively new. Older housing that does not meet required standards is being sold or modernised.

- 8.2.14 Only a small proportion of housing in the district is considered unfit or in disrepair at 6.7%. However, a high proportion of these are in multiple occupation or student occupied. These are to be targeted for improvement through various forms of financial assistance and landlord accreditation schemes.

### 8.3 Planning context

- 8.3.1 The Regional Planning Guidance for the West Midlands (RPG11) was adopted in June 2004, providing a spatial strategy and a broad development strategy for the region. This has now become the Regional Spatial Strategy. The RSS contains directions for the location of development, levels of distribution of annual housing provision to 2021 including use of previously developed land, and strategies for delivering sufficient affordable housing and mixed communities.

- 8.3.2 The main objectives contained within these are:

- ✓ Focus development in the West Midlands' five Major Urban Areas (MUAs) and other priority urban areas.
- ✓ Provide wider housing choice and ensure the availability of decent quality housing.
- ✓ Ensure existing housing stock and previously developed land contribute to the above.
- ✓ Balance housing provision with employment, transport, leisure and investments in public services at the local level.

- 8.3.3 Housing provision is to be focused in five the Major Urban Areas of Birmingham/Solihull, the Black Country, Coventry, Stoke and Newcastle-under-Lyme, with five sub-regional foci for development being identified, including Worcester. In the long run these centres are intended to absorb surplus pressure for development from nearby large settlements such as Stratford-on-Avon, in addition to meeting their own generated need. This marks a shift from the previous policy of supporting urban out-migration by providing housing in the Central Crescent towns, including Warwick and Worcester, for workers in the metropolitan areas. By 2011, 60% of the region's new housing will be built in the MUAs.

- 8.3.4 The RSS specifies annual average rates of housing provision to 2021. In the period to 2007, 16,680 new units are to be built in the region, of which 2,000 will be located within Warwickshire. Over the period 2007-2011, total annual provision across the region will fall to 15,280, with 1,500 units being provided within Warwickshire. For the period of 2011-2021, annual provision is again planned to fall to 14,650 for the region as a whole, 1,350 for Warwickshire. In contrast, the annual average rate of provision within the MUAs rises from 6,450 units during the period to 2007, to 7,250 during the period 2007-2011 and again to 8,500 for the period 2011-2021, representing the gradual refocusing of development back into the MUAs over this time.

- 8.3.5 The revised Warwickshire Structure Plan adopted in August 2002 states that most new development will be directed to Warwickshire's main towns, defined as having over 8,000 inhabitants at 1991 levels. The revised Warwick Local Plan identifies four such towns: Royal Leamington Spa, Warwick, Kenilworth and Whitnash. The revised Stratford-on-Avon Local Plan specifies Stratford-on-Avon as the only settlement matching this criterion within this district.

- 8.3.6 The RSS and the WASP indicate that development in rural areas should not be greater than levels justified by locally generated need. Given the rural characteristics of both the Warwick and Stratford-on-Avon Districts, the revised Local Plans note the relative importance of rural centres and identify a hierarchy of settlements, including those suitable for rural development. The revised Warwick Local Plan identifies a number of villages to become linked centres of rural development.

- 8.3.7 The WASP sets a requirement of 31,100 new dwellings in Warwickshire over the period 1996-2011, with just over half being located in the districts of Warwick (8,000) and Stratford-on-Avon (8,200). However, these figures were based on earlier RPG targets, which have since been reduced in the RSS to take account of reduced levels of migration into Warwickshire. The County figures presented in the RSS now supersede those in the WASP.
- 8.3.8 In line with national policy, the RSS and the WASP state that new housing development should wherever possible be located on and in previously developed land and buildings, to ease pressure on greenfield sites. The overall WASP target for Warwickshire is 50%, broken down into more specific targets of 56% for Stratford-on-Avon and 45% for Warwick. However, the RSS target for Warwickshire to 2021 is 64%, requiring either an upward adjustment to the target to 2011 or a greater rate of brownfield provision after this time.

## 8.4 Tenure

- 8.4.1 Affordable housing can be delivered in a number of ways, not only traditional social housing provided by local authorities and RSLs, but also discounted market housing or shared equity schemes. Clearly in some parts of the country, some forms of tenure are more appropriate than others and are better suited to the local housing market and the local political situation.
- 8.4.2 Table 103 below shows the difference in housing costs that would result from discounted market housing at 10%, 20% and 25% of the entry-level dwelling. An entry-level home discounted by 25% to £134,892, would reduce the overall household income required by a two-earner household to £46,514 p.a. and for a single earner household to £38,541. This would enable 4.1% of two income households previously unable to afford an entry-level property to enter the housing market.

**Table 103 Housing costs for discounted market housing**

	Entry-level home	Required annual income	
		Two earner household	Single earner household
Entry-level dwelling	£179,856.00	£62,019	£51,387
10% discount	£161,870.40	£55,817	£46,249
20% discount	£143,884.80	£49,615	£41,110
25% discount	£134,892.00	£46,514	£38,541

- 8.4.3 Table 104 and Table 105 show the housing costs for the mortgage element of a shared equity dwelling where the resident held a 30% or a 50% equity share of an entry-level dwelling. What this demonstrates is that the income requirements for a household purchasing a 50% share of their home are reduced by 23.9% and for a household purchasing a 30% share of their home their income requirements are reduced by 33.5%. This would enable 8.3% of two income households previously unable to afford an entry-level property to enter the housing market.

**Table 104 Housing costs for shared equity dwelling (two earners)**

	Entry-level home	Unsold equity	Housing costs per month			Gross annual income required
			Rental on unsold equity <sup>57</sup>	Mortgage	Total housing costs	
Entry-level dwelling	£179,856	-	0	£862.95	£862.95	£62,019
50% equity share	£89,928	£89,928	£224.82	£431.47	£656.29	£47,167
30% equity share	£53,957	£125,899	£314.75	£258.88	£573.63	£41,226

**Table 105 Housing costs for shared equity dwelling (one earner)**

	Entry-level home	Unsold equity	Housing costs per month			Gross annual income required
			Rental on unsold equity <sup>58</sup>	Mortgage	Total housing costs	
Entry-level dwelling	£179,856	-	0	£862.95	£862.95	£51,387
50% equity share	£89,928	£89,928	£224.82	£431.47	£656.29	£39,081
30% equity share	£53,957	£125,899	£314.75	£258.88	£573.63	£34,159

- 8.4.4 11.6% of existing households and 40.1% of new forming households represented within the survey that were planning to move expressed an interest in shared equity schemes and a further 15.1% and 30.1% respectively would like to know more. Overall the proportion of new and existing households that expressed an interest in shared ownership was 18.9%. This would suggest that at least 155 of new affordable homes per annum could be provided as shared ownership instead of traditional social rented housing. It should be noted that some of the households who expressed an interest in shared equity /shared ownership may not be able to afford such housing.

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## 8.5 Size and type

- 8.5.1 Table 106 shows households' preferences for size and type of dwelling. This is then translated into the numbers that the housing needs model would imply at Table 107.
- 8.5.2 What these two tables demonstrate is that the priorities for development are three-bedroom semi-detached properties and two-bedroom flats/apartments.

<sup>57</sup> Rental charge per month is assumed to be 3% of the unsold equity divided by 12. The charge can vary between 2%-4%.

<sup>58</sup> Rental charge per month is assumed to be 3% of the unsold equity divided by 12. The charge can vary between 2%-4%.

**Table 106 Preference by type and size (%)**

	One	Two	Three	Four	Five or more	Total
Detached	0.6	6.4	15.1	10.0	0.9	33.0
Semi-detached	2.3	8.6	17.7	1.6	0.0	30.3
Terraced	1.8	12.2	5.9	0.2	0.0	20.2
Flat	4.6	9.4	0.0	0.0	0.0	14.0
Other	1.2	1.3	0.0	0.0	0.0	2.6
<b>Total</b>	<b>10.6</b>	<b>38.0</b>	<b>38.7</b>	<b>11.8</b>	<b>0.9</b>	<b>100.0</b>

**Table 107 Preference by type and size (number of affordable units per annum)**

	One	Two	Three	Four	Five or more	Total
Detached	5	53	124	82	7	271
Semi-detached	19	70	146	14	0	249
Terraced	15	100	49	2	0	166
Flat	38	78	0	0	0	115
Other	10	11	0	0	0	21
<b>Total</b>	<b>87</b>	<b>312</b>	<b>318</b>	<b>97</b>	<b>7</b>	<b>821</b>

## 8.6 Location

- 8.6.1 Table 108 suggests how the overall need for affordable housing from the housing needs model could be distributed across the five market areas. It is not possible to produce an individual housing needs model for each area as the numbers are not sufficient to support such a fine level of analysis. Table 108 indicates how the 821 households in need of affordable housing might be distributed across the District by the use of two proxies: suitability of current home and household income.
- 8.6.2 Two means of calculating the distribution are presented. The first is based upon the households with insufficient income to enter the general market. The second is based upon all those who said their home was not suitable for their needs. The final column averages out these two alternatives.
- 8.6.3 Table 108 shows on the two key indicators of affordability and suitability that:
- ✓ In Kenilworth and Warwick affordability is a greater problem than suitability
  - ✓ In Leamington Spa, Whitnash and Rural Warwick suitability is a greater problem than affordability
  - ✓ Warwick and Whitnash have a greater variance than the three other areas

**Table 108 Housing need by area**

	Affordability		Suitability		Average	
Kenilworth	17.2%	141	14.3%	117	15.8%	129
Leamington Spa	39.4%	323	41.6%	342	40.5%	333
Warwick	22.4%	184	18.5%	152	20.5%	168
Whitnash	6.9%	57	10.2%	84	8.6%	70
Rural Warwick	14.1%	116	15.5%	127	14.8%	122
<b>Warwick District</b>	<b>100.0%</b>	<b>821</b>	<b>100.0%</b>	<b>821</b>	<b>100.0%</b>	<b>821</b>

8.6.4 What Table 108 shows is, for example in Kenilworth:

17.2% of all households unable to enter the general market live in Kenilworth

this translates to the need for 141 affordable units out of the District's 821

OR

14.3% of all households whose home is inadequate to meet their needs live in Kenilworth

this translates to the need for 117 affordable units out of the District's 821

OR

these figures can be averaged giving the need for 129 affordable units in Kenilworth

8.6.5 It is also clear that when compared to the household distribution in the District (Table 109), Kenilworth's and Warwick's need for affordable housing is slightly lower than might be expected, whereas Leamington Spa's and Whitnash's is slightly higher. Nevertheless, these figures are within confidence levels and suggest that across the District the numbers of affordable units required are largely proportionate with the existing size of the community.

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**Table 109 Household and need distribution by area**

Wards	Household distribution (%)	Average need (%)
Kenilworth	17.2	15.8
Leamington Spa	39.1	40.5
Warwick	22.5	20.5
Whitnash	6.6	8.6
Rural Warwick	14.6	14.8
<b>Warwick District</b>	<b>100.0</b>	<b>100.0</b>

## 8.7 Targets

8.7.1 The Warwickshire Structure Plan requires Warwick District to provide 8,000 (25.7% of the 31,000 to be provided countywide) new dwellings between 1996 and 2011; 533 per annum. The West Midlands Spatial Strategy (formerly Regional Planning Guidance for the West Midlands) alternatively provides a maximum of 2,000 dwellings per annum to be provided between 2007 and 2011. Beyond 2011, a total of 1,350 dwellings per annum in the county are required. In response to Government guidance, the district proportions presented in the Structure Plan should be applied to the County figures up until 2011 and that the period prior to 2001 should not be taken into account. The strategic requirement under this

revision for Warwick District is 4,624 2001 to 2011 and 8,094 to 2021. The following table sets out the housing land supply position as at April 2005.

**Table 110 The strategic requirement 2001-2011<sup>59</sup>**

<b>A Completions 2001 - 2005</b>	
Year	Dwellings
2001/02	872
2002/03	973
2003/04	733
2004/05	746
Total completions 2001-2004	3,324
<b>B Commitments at 01/04/05</b>	
Dwellings under construction	622
Dwellings with outstanding permission	1,436
Allocated sites without permission	567
Other commitments	219
Allowance for permissions not implemented (10%)	-284
Total Commitments	2,560
<b>C Completions and commitments at 01/04/05</b>	
	<b>5,884</b>
<b>D Balance to be provided 2005-2011</b>	
	<b>0</b>

- 8.7.2 The requirement (4,624) is exceeded by completions and commitments at April 2005 (5,884) by 1,260 dwellings.
- 8.7.3 Policy H2 of the Warwickshire Structure Plan (1996-2011) suggests that 3,600 affordable dwellings may be required in Warwick District during the plan period but states that district councils should assess local need based on an up-to-date housing needs assessment. The Review of the Housing Needs Assessment carried out in 2001 by Fordham Research updated the previous study (1998) and extrapolated housing need up to 2011. The updated estimate gave a requirement of 7,072 additional affordable homes from 1998-2011 or 544 dwellings per annum, if all housing needs were to be met. During the year 2003/04, a total of 87 affordable homes were completed. Of the total affordable dwellings completed between 1996 and 2004, 714 were housing association dwellings and 16 were local authority dwellings.
- 8.7.4 The Housing Needs Model identifies 821 households in need of affordable housing at this point in time and as such should be used as a baseline to measure the success or otherwise of policies designed to deliver affordable housing.
- 8.7.5 As whatever figure suggested by the model would have been greater than the District's balance of housing to be provided to 2011, there is clearly a need to look very carefully at the sites coming forward in the future and their suitability for mixed, sustainable developments as the Council will need to seek a considerably higher proportion of affordable housing than has been the target in the past. Warwick District's current Affordable Housing policy dictates that residential development will not be permitted on sites within towns that are 10 or more dwellings in size or 0.25 hectares or more in area irrespective of dwelling number, or permit sites within rural areas of 3 or more dwellings, unless a minimum of 40% is provided as affordable housing to meet local needs. As stated the evidence provided in the model output indicates that theoretically a threshold of 100%

<sup>59</sup> Warwick District Council, *Housing Monitoring Report*, November 2005

affordable housing could be pursued in order to significantly reduce need. However, this absolute threshold is unrealistic with the 40% currently in place appearing a more appropriate and realistic threshold to base affordable housing targets upon.

- 8.7.6 By maintaining the model and updating annually, it will be possible to see whether an increase in the delivery of affordable housing through firmer and higher targets than have been achieved previously has the desired effect of reducing the shortfall across the District.
- 8.7.7 The Council will need to take account of these findings to set a suitable planning target for future development that takes into account the need for affordable housing as well as the long-term requirement to maintain a sustainable housing market.

## 9. APPENDICES

- 9.1 Pre-interview letter
- 9.2 Face-to-face interview schedule
- 9.3 Postal questionnaire