Appendix B

AUGUST 2019

Affordable Housing Needs Update

Final Report

Iceni Projects Limited on behalf of North Warwickshire Borough Council

August 2019

ICENI PROJECTS LIMITED ON BEHALF OF NORTH WARWICKSHIRE BOROUGH COUNCIL

Affordable Housing Needs Update
FINAL REPORT

Iceni Projects
London: Da Vinci House, 44 Saffron Hill, London, EC1N 8FH
Glasgow: 177 West George Street, Glasgow, G2 2LB
Manchester: 68 Quay Street, Manchester, M3 3EJ

t: 020 3640 8508 **| w:** iceniprojects.com | **e:** mail@iceniprojects.com
linkedin: linkedin.com/company/iceni-projects | **twitter**: @iceniprojects

CONTENTS

1. INTRODUCTION 1

2. REVIEW OF EXISTING EVIDENCE 3

3. UPDATED AFFORDABLE HOUSING NEEDS ASSESSMENT 10

4. SUMMARY AND CONCLUSIONS 30

1. INTRODUCTION

1.1 North Warwickshire Borough Council is in the process of preparing a new Local Plan. The Plan was submitted to the Secretary of State in March 2018 and a Local Plan Examination is underway.

The Local Plan Affordable Housing Policy

1.2 Policy LP9 in the Submitted Local Plan (CD/1) addresses 'Affordable Housing Provision.' It seeks 40% affordable housing on greenfield (previously agricultural) sites, and 30% on other sites, on development schemes of more than 10 dwellings subject to viability. The policy sets out a target affordable housing tenure mix of 85% affordable rent and 15% intermediate housing where practicable.

1.3 The evidence base underpinning the affordable housing policy in the submitted Plan including the 2013 Coventry and Warwickshire Strategic Housing Market Assessment ("SHMA", CD8/9) as referred to in Para 8.10 of the submitted Plan and 2015 Update Report, entitled Updated Assessment of Housing Need; Coventry and Warwickshire HMA (GL Hearn, Sept 2015, CD8/10); and the Affordable Housing Viability Assessment Report (CD6/2A) and associated Economic Viability Assessment, prepared by Adams Integra (CD8/22).

1.4 The 2015 Updated Assessment identified a need for 92 affordable homes per annum in North Warwickshire based on the Borough's own needs (CD8/10 Table 43, p107).

The Inspector's Concerns

1.5 The Inspector set out a 'Progress Note' (Document INSP12) in December 2018, following initial examination hearings, in which he set out essentially that the Plan should be amended to clarify the housing requirement figure. He concluded that the Plan should establish a requirement for a minimum of 9,598 dwellings over the 2011-33 plan period. This includes provision of 5,808 dwellings to 2033 to reflect the borough's objectively-assessed housing need (5,268 dwellings or 239 dpa) together with a contribution of 540 dwellings to meet unmet housing needs from within the Coventry & Warwickshire Housing Market Area (HMA). In addition, it includes a contribution of 3,790 dwellings to meeting unmet needs from within the Greater Birmingham HMA. This clarifies the total housing requirement, based on what the Council was proposing.

1.6 The Local Plan Inspector then wrote to the Council in June 2019, following hearings held in February and April. His letter set out several areas in which the Inspector had concerns regarding the soundness of the Plan. In Para 8 he confirmed that the housing requirement in Policy LP6 should be expressed as a minimum figure. In Para 9 he went on to state:

"The affordable housing need figure of 92 dwellings a year remains based on the lower housing requirement figure in the plan as submitted [CD8/10]. It is also of line with the 30% to 40% proportion to be sought from residential development via policy LP9. In that context the Council should refresh the affordable housing requirement set via the plan, a change which could be effected via main modifications ('MMs')."

1.7 Policy LP6: Amount of Development was originally drafted to set a housing requirement of 5,808 dwellings over the 2011-33 plan period. This would be equivalent to 264 dwellings per annum (dpa). In notional terms, the affordable housing need of 92 dpa equated to 35% of the 264 dpa requirement for both affordable and market housing.

1.8 However this figure of 92 dpa related to the Borough's own need for affordable housing, and did not take account of unmet needs from other areas; or indeed the higher in-migration to North Warwickshire arising from the provision made within the Plan for unmet housing needs from other areas.

Purpose and Structure of this Report

1.9 This report responds to the Inspector's request by providing an updated evidence base regarding the affordable housing need in North Warwickshire. It is structured first (in Section 2) to review the evidence base regarding affordable housing in areas where there is an unmet housing need, and where it is envisaged that North Warwickshire will meet an element of this. In Section 3, there is then a remodelling of the affordable housing need taking account of the planned scale of housing provision in North Warwickshire, and the revised NPPF definition of affordable housing.

2. REVIEW OF EXISTING EVIDENCE

2.1 North Warwickshire's Local Plan is to meet both housing needs arising from the Borough itself, as well as contributing to meeting unmet needs arising from Coventry, Tamworth and Birmingham.

Coventry's Unmet Need

Overall Housing Provision and Unmet Need

2.2 North Warwickshire and Coventry fall within a common Housing Market Area covering Coventry and Warwickshire. Coventry City Council has prepared its Local Plan 2011-31, which has been examined and was found sound in October 2017. The Coventry Local Plan made provision (informed by capacity) for 24,600 homes against a need for 42,400 homes, leaving a shortfall of 17,800 homes (2011-31).

2.3 A redistribution of the unmet need to the Warwickshire authorities has been agreed through a Memorandum of Understanding (MOU) related to the 'Planned Distribution of Housing.' A first stage redistribution was identified based on supporting economic growth in a number of the Warwickshire authorities. Following testing of a number of alternative spatial options, the second stage redistribution took account of relative functional relationships of the Warwickshire authorities within Coventry based on gross commuting and migration flows.

2.4 This resulted in the redistribution of 540 dwellings to North Warwickshire, equivalent to around 3% of Coventry's unmet housing needs (for all types of homes).

Affordable Housing Need

2.5 The 2015 SHMA Update (CD8/10) provided an assessment of both overall housing needs across the Coventry & Warwickshire HMA, but also an assessment of affordable housing need. The report identified an objectively-assessed housing need (using the 2012 NPPF methodology) for 4,272 dwellings per annum across the HMA (CD8/10, Para 7.50).

2.6 An assessment of affordable housing need was undertaken in Section 6 of that report. This used the Basic Needs Assessment Model set out in Planning Practice Guidance (see CD8/10 Figure 52, p98) and considered the current affordable housing need; newly-arising need from both newly-forming households and existing households falling into need; and compared this to the supply of affordable housing arising from relets of existing stock.

2.7 As the assessment was following the 2012 NPPF approach, households were considered to have an affordable housing need where they could not afford to either buy or rent housing without financial support. As Para 6.27 set out it looked at "*households ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support*." As the

costs associated with renting where lower than those to purchase homes (see Figure 50), the scale of affordable housing need was essentially dictated by the proportion of households who could not afford to rent a home.

2.8 As Para 6.3 in the 2015 Report made clear, the modelling of need was also based on housing market conditions (and particularly the relationship between housing costs and incomes) at the time of the assessment, which was based on 2015 data. As Para 6.4 this meant that the modelling would need to be updated over time.

2.9 The assessment of affordable housing need in different areas within the Coventry and Warwickshire HMA was brought together in Table 43. Iceni has replicated this below.

Table 2.1 Annual Affordable Housing Need identified in Coventry and Warwickshire 2015 Housing Need Update

Area	Current need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Coventry	190	1,312	1,237	2,739	2,140	600
North Warwickshire	20	160	60	240	148	92
Nuneaton & Bedworth	40	321	206	566	481	85
Rugby	34	286	159	478	307	171
Stratford-on-Avon	41	326	183	549	316	233
Warwick	58	436	178	672	392	280
Coventry/Warwickshire	**383**	**2,841**	**2,021**	**5,245**	**3,783**	**1,462**

2.10 This table is the source of the identified need for 92 affordable homes pa in North Warwickshire. But it also shows a need for 600 affordable homes pa in Coventry. This is equivalent to a need for 12,000 additional affordable homes in the City over the 2011-31 period.

2.11 Coventry's adopted Local Plan (Policy H6) seeks 25% affordable housing on schemes of 25 or more dwellings or greater than 1 ha in size. The Coventry Local Plan Inspector's Report sets out in Para 64:

> *"As outlined above, there is an identified need for 12,000 additional affordable homes in Coventry between 2011- 2031. The Council has taken a pro-rata approach to identifying the level of affordable housing it will seek to deliver within its administrative boundary. Coventry's identified capacity figure of 24,600 homes equates to 58% of total need within the HMA. On a pro-rata basis this would equate to 6,960 affordable homes (348 per annum). This approach is supported by the neighbouring authorities within the HMA, and the majority of them have agreed to include higher proportions of affordable housing within their respective policies in order to maximise the potential to meet the needs of the HMA. LP*

Policy DS2 sets out a clear commitment to work jointly with the neighbouring authorities to deliver the wider affordable housing need."

2.12 The Inspector in the subsequent paragraphs then explores what level of affordable housing delivery in Coventry is realistic, concluding in Para 69 that "*there is therefore a very good prospect that the affordable housing requirement for 6,960 dwellings within Coventry will be met over the plan period."*

2.13 With an affordable housing need for 12,000 dwellings; and a requirement or expected delivery of 6,960 dwellings, **there is clearly an unmet affordable housing need for 5,040 affordable dwellings from Coventry**. This is equivalent to 252 affordable homes pa.

Tamworth's Unmet Need

2.14 North Warwickshire has agreed to make provision for 500 dwellings as a contribution to meeting Tamworth's unmet housing need. This is set out in a MOU between Lichfield, Tamworth and North Warwickshire Councils (CD5/3) whereby NWDC and LDC each agreed to meet 500 home unmet need from Tamworth. Tamworth falls within a common Greater Birmingham Housing Market Area.

2.15 The latest assessment of affordable housing need in Tamworth is the *Southern Staffordshire District's Housing Needs Study and SHMA Update*, prepared by Nathaniel Lichfield & Partners and dated May 2012. Affordable housing need was assessed in Sections 6-8 of that Study.

2.16 The Study assessed affordable housing need using results from a household survey, data from the housing register, and estimates of affordable housing supply, concluding in identifying a net annual need for 183 affordable homes per annum in Tamworth. Iceni has replicated the results of the modelling in the table below. This represents a need over the subsequent five year period (with a newly-arising need for 105 pa thereafter).

Table 2.2 Affordable Housing Need in Tamworth

	Cannock Chase	Lichfield	Tamworth
Current (Backlog) Need			
Gross Current Need (Step 1.4)	501	644	435
MINUS Total Available Stock Affordable Housing (Step 3.5)	82	75	46
Equates to Net Current (Backlog) Need	419	569	389
Net Backlog: Annualised (5 years) **(A)**	**84**	**114**	**78**
Newly Arising Need			
Newly Arising Housing Need (Annual) (Step 2.4)	478	544	361
MINUS Future Annual Supply of Affordable Housing (Step 3.8)	365	281	256
Equates to Net Newly Arising Need (net) **(B)**	**113**	**263**	**105**
NET ANNUAL NEED = A+B	**197**	**377**	**183**

2.17 Tamworth's Local Plan was submitted to the Secretary of State in February 2015. The Inspector's report was issued, finding the Local Plan to be sound in February 2016. This identified an objectively assessed need for 250 dpa in Tamworth (for both market and affordable dwellings). The Plan makes provision for a requirement for 4,425 dwellings over the 2006-31 plan period (an average of 177 dpa) based on the capacity of the Borough, leaving an unmet need for 1,825 dwellings which is to be provided for in Lichfield and North Warwickshire.

2.18 As set out in the Inspector's Report in Paras 86-94, Policy HG4 in Tamworth's Local Plan sets the framework for delivering affordable housing in Tamworth. It requires 20% affordable housing on schemes of 10 or more dwellings, with an annual target for delivery of 40 affordable homes taking account of viability and funding availability; and the proportion of supply coming forward on sites below the threshold. On this basis of the above, **there is an unmet need for at least 80 affordable homes pa arising from Tamworth**.[1] **Over a 25 year plan period this equates a shortfall of 2,000+ affordable homes.**

2.19 The Tamworth Inspector was clear at Para 93 in the Inspector's Report that schemes in neighbouring authorities, as part of the OAN to be provided outside Tamworth, would be expected to contribute to meeting Tamworth's affordable housing needs.

[1] This is calculated addressing the backlog over a 25 year period to derive an annual need figure for 121 pa, and then subtracting the estimated supply of 40 affordable homes pa through new development within Tamworth.

Birmingham's Unmet Housing Need

2.20 The Birmingham Development Plan was adopted in January 2017. Its sets out in Policy PG1: Overall Levels of Growth a requirement to deliver 51,100 homes over the 2011-31 plan period. The Policy wording itself sets out that:

> *"Birmingham's objectively assessed housing need for the period 2011 to 2031 is 89,000 additional homes, including about 33,800 affordable dwellings. It is not possible to deliver all of this additional housing within the City boundary. The City Council will continue to work actively with neighbouring Councils through the Duty to Co-operate to ensure that appropriate provision is made elsewhere within the Greater Birmingham Housing Market Area to meet the shortfall of 37,900 homes, including about 14,400 affordable dwellings, within the Plan period."*

2.21 The overall unmet housing need arising from Birmingham is thus 37,900 homes.

2.22 The latest evidence of affordable housing need is set out within the City's 2012 Strategic Housing Market Assessment, prepared by PBA and HDH. The detailed methodology employed in Part A follows the CLG needs assessment model and looked at need over a five year period identifying a need for 10,427 affordable homes per annum. This is replicated below:

Table 2.3 Birmingham SHMA Assessment of Affordable Housing Need

Element	Notes	Number
A.1 Stage 1: Current need	(Step 1.4)/5	6,096
A.2 Stage 3 (Part A): Current supply	(Step 3.5)/5	2,783
A.3 Net current need	A.1-A.2	3,313
A.4 Stage 2: Future need	(Step 2.4)	13,856
A.5 Stage 3 (Part b): Future supply	(Step 3.8)	6,741
A.6 Net future need	A.4-A.5	7,115
A.6 Total net annual need	A.3+A.6	10,427
A.7 **Total gross annual need**	**A.1+A.4**	**19,952**
A.8 **Total gross annual supply**	**A.2+A.5**	**9,525**
A.9 **Total net annual need**	**A.7+A.8**	**10,427**

2.23 As the Birmingham Development Plan Inspector's Report set out, Part C of the 2012 SHMA approaches the issue of affordable housing from a different standpoint. A Long-Term Balancing the Housing Market model takes a range of overall household growth projections for Birmingham over

the 20-year BDP period. These are then distributed across different housing sizes and tenures according to suitability and affordability. The Inspector found this model, which covered the plan period, to provide a convincing assessment of affordable housing need. It identified **an affordable housing requirement of 30,300 homes (2011-31)** which equated to 38% of total household growth of 80,200.

2.24 As Para 52 in the Inspector's Report set out:

> *"Based on the objectively-assessed need for 89,000 dwellings overall, therefore, Birmingham's objectively assessed need for affordable housing is about 33,800 dwellings. The remaining need, of approximately 55,200 dwellings, is for market housing."*

2.25 Paras 77-82 of the Inspector's Report then deal with how affordable housing need was to be met. It set out that over the plan period the Birmingham Municipal Housing Trust and other Registered Providers were likely to provide 9,000 additional affordable homes in net terms. Policy TP30 in the Plan sought 35% affordable housing on sites of 15 or more dwellings, subject to viability. Taking this into account, the Inspector found a very good prospect that the Plan would deliver 19,400 affordable homes.

2.26 Set against the affordable need for 33,800 homes, the planned affordable supply in Birmingham would result in **an unmet affordable housing need for 14,400 homes arising from Birmingham**.

Implications

The evidence in this section of the report clearly shows that there is a substantial unmet need for affordable housing from Coventry, Tamworth and Birmingham. Over the period to 2031, the evidence base of other authorities with an unmet housing need points to a substantial scale of unmet affordable housing needs to 2031 which exceeds 21,400 dwellings (as set out in the table below).

If the contribution which North Warwickshire has notionally agreed to make to unmet overall housing needs is applied to the scale of unmet affordable housing need, it would suggest that a need to provide for over 2,100 affordable homes to 2031 in addition to North Warwickshire's own affordable housing need for 1,840 affordable homes (92 pa). The level of provision of affordable housing will however be influenced by residential development viability.

Scale of Unmet Affordable Housing Need

	Unmet Affordable Housing Need to 2031	Notional Contribution from North Warwickshire	
Coventry	5,040	3%	151
Tamworth	2000	27%	540
Birmingham	14,400	10%	1440
Total Unmet Need	**21,440**	**-**	**2131**

Clearly North Warwickshire cannot be expected to meet this need in full, but the evidence clearly justifies the 30-40% affordable housing sought on qualifying development sites in the Borough.

3. UPDATED AFFORDABLE HOUSING NEEDS ASSESSMENT

3.1 This section seeks to update analysis of the need for affordable housing in North Warwickshire. It considers the latest evidence regarding expected demographic growth, housing costs and incomes.

3.2 The analysis has been segmented to provide an assessment of need consistent with the 2012 NPPF approach, in which households were considered to have a need where they could not afford to either rent or buy market housing without support. This recognises that the Local Plan is progressing under 'transitional arrangements' under which it's soundness and consistency with national policies are being assessed against the 2012 NPPF.

3.3 To future proof the evidence base, this Section also includes an analysis of affordable housing need using the widened definition of affordable housing need in the 2019 NPPF whereby a wider range of 'affordable home ownership' options are considered to be affordable housing, and households which are able to rent a home without financial support, but aspire to buy a home and need support to do so, are considered to have an affordable housing need.

3.4 The methodology to assess need follows that set out in Planning Practice Guidance. Based on the above, it considers first the needs arising using the 2012 NPPF approach; and then considers the additional needs of those in the 'rent to buy gap' who are now also considered to have an affordable housing need taking account of the 2019 NPPF.

3.5 The assessment has a 2019 base and draws on updated data on house prices/rents, incomes, levels of new household formation and the supply of affordable housing. The analysis looks at need over the 14-year period from 2019 to 2033, to be consistent with the end date of the Local Plan.

Local Prices and Rents

3.6 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'.

3.7 For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes); establishing, in numerical terms, the overall need for affordable housing.

3.8 The analysis below considers the entry-level costs of housing to both buy and rent in North Warwickshire. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents. Using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.

3.9 Data from the Land Registry for the year to March 2019 (i.e. Q2-Q4 of 2018 and Q1 of 2019) shows estimated lower quartile property prices in the area by dwelling type. The data shows that entry-level house prices are estimated to start from about £104,000 for a flat and rising to £250,000 for a detached home. Looking at the lower quartile price across all dwelling types the analysis shows a lower quartile 'average' price of £150,000.

Table 3.1 Lower quartile cost of housing to buy – year to March 2019 – North Warwickshire

	Lower quartile price
Flat/maisonette	£104,000
Terraced	£124,000
Semi-detached	£162,000
Detached	£250,000
All dwellings	£150,000

Source: Land Registry

3.10 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data for lettings over the 12-month period to March 2019. For the rental data, information about dwelling sizes is provided (rather than types). The analysis shows an average lower quartile cost (across all dwelling sizes) of £550 per month in North Warwickshire.

Table 3.2 Lower Quartile Market Rents, year to March 2019 – North Warwickshire

	Lower Quartile rent, pcm
Room only	£395
Studio	£410
1-bedroom	£425
2-bedrooms	£550
3-bedrooms	£625
4-bedrooms	£895
All properties	£550

Source: Valuation Office Agency

3.11 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis. 2007 SHMA Guidance suggested that 25% of income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically assume 40%. Government

policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

3.12 The threshold of income to be spent on housing should be set by asking the question 'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?' The choice of an appropriate threshold will to some degree judgement-based. It should be influenced by the cost of housing in the area, rather than incomes. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold but are simply being used to assess how many can or can't afford market housing.

3.13 Rent levels in North Warwickshire are slightly higher than those seen nationally (£550 PCM in North Warwickshire compared to a lower quartile rent of £525 per month across England). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range and it is considered that a proportion of 28% is reasonable. The 2015 SHMA Update looked at a range of thresholds from 25% to 40%.

3.14 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis to follow is based solely on the ability to afford to access private rented housing. However, the local house prices are important when looking at the extended definition of affordable housing in the 2019 NPPF and are returned to when looking at this new definition.

Income Levels and Affordability

3.15 Following on from the assessment of local housing costs it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability, i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy.

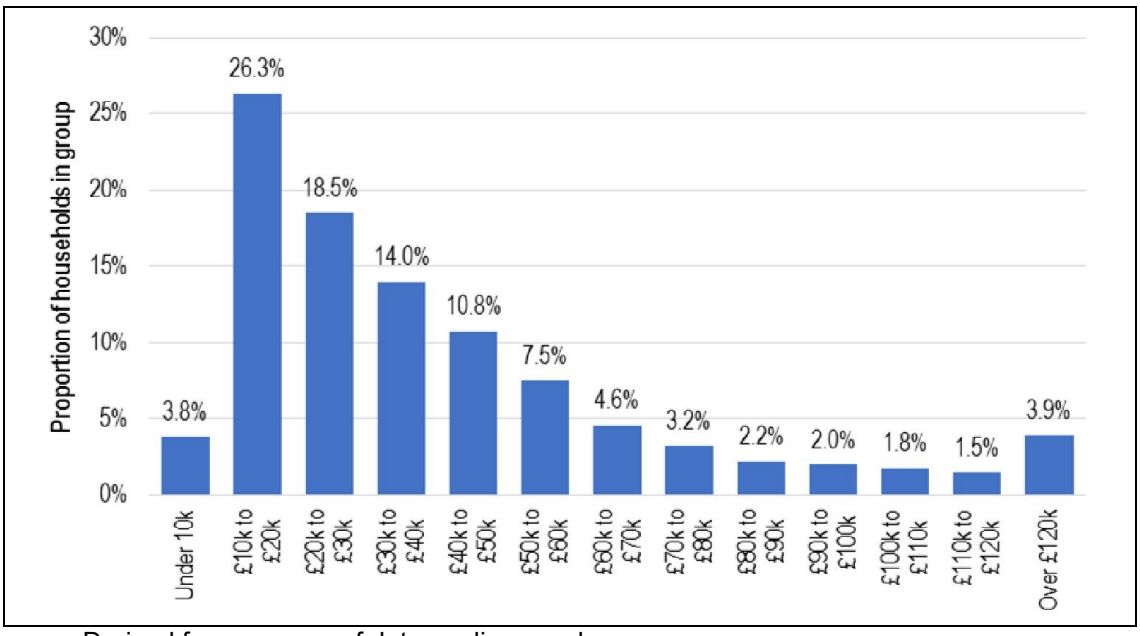
3.16 Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of income. The key sources of data include:

- ONS modelled income estimates (published in April 2018 with a 2015/16 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up a profile for North Warwickshire Borough;
- English Housing Survey (EHS) – to provide information about the distribution of incomes; and

- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date.

3.17 Drawing all of this data together, an income distribution for 2018 has been constructed. The figure below shows the income distribution estimated across the Borough. Overall the average (mean) income is estimated to be around £40,600, with a median income of £30,900. The lower quartile income of all households is estimated to be £17,900. The estimated income across the Borough is around 19% higher than was assessed in the SHMA update (which took a 2015 base).

Figure 3.2: Distribution of household income (2018) – North Warwickshire



Source: Derived from a range of data as discussed

3.18 To assess affordability a household's ability to afford private market housing without financial support has been studied. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

3.19 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households (this has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are the same as in previous assessments of affordable need.

Affordable Need – Established Definition

3.20 The method for studying the need for affordable housing has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in Guidance.

3.21 The modelling considers three categories of need:

- **Current need**: an estimate of the number of households who have an affordable housing need now and based on a range of data modelled from local information;
- **Projected newly forming households in need**: based on the most up-to-date (2016-based) household projections and projections linked to delivery of approximately 8,000 additional homes (2019-33) based on the stepped trajectory proposed within the Local Plan, with an affordability test applied to estimate numbers unable to afford market housing without support;
- **Existing households falling into need**: based on studying the types of households who have needed to access social/affordable rented housing using past lettings data;

3.22 These three bullet points added together provide an indication of the gross need (the current need is divided by 14 so as to meet the need over the 2019-33 period. A 14 year period is used to generate an annual figure which can be compared to total housing need being planned for.

3.23 The supply of affordable housing is then assessed, based on an estimate of the likely number of letting that will become available from the existing social housing stock – drawing on data from CoRe[2]. Subtracting the supply from the gross need provides an estimate of the overall (annual) need for affordable housing

3.24 Each of these stages is described below. In addition, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections therefore look at different aspects of the analysis.

Current Affordable Housing Need

3.25 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below

[2] The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it bring their aspiration – this category is considered separately in this report (under the title of the expanded definition of affordable housing need).

Table 3.3 Main sources for assessing the current unmet need for affordable housing

	Source	Notes
Homeless households (and those in temporary accommodation	CLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	Analysis undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

3.26 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable analysis to be undertaken to study the impact of this and so it is possible that the figures presented include a small element of double counting. Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as in need.

3.27 The table below shows the initial estimate of the number of households within the Borough with a current housing need. These figures are before any consideration of affordability has been made and has been termed 'the number of households in unsuitable housing'. Overall, the analysis suggests that there are currently some 1,600 households living in unsuitable housing (or without housing).

Table 3.4 Estimated number of households living in unsuitable housing

Category of 'need'	Households
Households in overcrowded housing	712
Concealed/homeless households	306
Existing affordable housing tenants in need	84
Households from other tenures in need	528
Total	1,630

Source: CLG Live Tables, Census (2011) and data modelling

3.28 In taking this estimate forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of national survey data) that the vast majority will be able to afford housing once savings and equity are taken into account. A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient).[3] Once these households are removed from the analysis, the remainder are taken forward for affordability testing.

3.29 The table below shows it is estimated that there were 825 households living in unsuitable housing (excluding current social tenants and the majority (90%) of owner-occupiers).

Table 3.5 Unsuitable housing by tenure and numbers to take forward into affordability modelling

	In unsuitable housing	Number to take forward for affordability testing
Owner-occupied	511	51
Affordable housing	345	0
Private rented	468	468
No housing (homeless/concealed)	306	306
Total	1,630	825

Source: CLG Live Tables, Census (2011) and data modelling

3.30 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. An affordability test is therefore applied.

3.31 For the income data has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing. For the purposes of the modelling an income distribution that reduces the level of income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing). A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing. These two percentage figures (which describe the difference in the median income for these

[3] This is not a significant issue in North Warwickshire

households relative to all households) have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector) along with typical income levels of households accessing social rented housing (for those without accommodation). These have been informed by survey data including the English Housing Survey. These figures are considered to be best estimates, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

3.32 Overall, just over half of households with a current need are estimated to be likely to have insufficient income to afford market housing (either to rent or to buy) and so the estimate of the total current need is reduced to around 460 households in the Borough.

Table 3.6 Estimated Current Affordable Housing Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
North Warwickshire	825	55.9%	461

Source: CLG Live Tables, Census (2011), data modelling and affordability analysis

Newly Forming Households

3.33 The number of newly-forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of *gross* household formation.

3.34 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent 2007 CLG SHMA Guidance which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households. Two different analyses have been run; the first uses household formation from the most recent (2016-based) household projections (i.e. a trend-based position) with the second looking at estimated formation from a higher level of housing delivery (assumed to be around 8,000 additional homes in the 2019-33 period).

3.35 In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

3.36 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the

distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). The assessment suggests that overall just under half of newly-forming households will be unable to afford market housing (to rent) and that a total of 191 new households will have a need on average in each year to 2033 – a higher estimate of 309 per annum need is shown with higher housing delivery. The latter analysis essentially adjusts upwards the demographic growth to take account of the provision which is being made for unmet need. The evidence in Section 2 clearly shows that a proportion of the unmet housing need will be for affordable housing.

Table 3.7 Estimated Level of Affordable Housing Need from Newly Forming Households (per annum)

	No. of new households	% unable to afford	Total in need
Trend-based	427	44.9%	191
Higher delivery	689	44.9%	309

Source: Projection Modelling/affordability analysis

Existing Households Falling into Affordable Housing Need

3.37 The second element of newly arising need is existing households falling into need. To assess this, information from CoRe has been used. This looked at households who have been housed over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. An affordability test has also been applied.

3.38 This method for assessing existing households falling into need is consistent with the 2007 SHMA Guidance which says on page 46 that *'Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)'*.

3.39 Following the analysis through suggests a need arising from 71 existing households each year from 2019 to 2033.

Supply of Affordable Housing Through Relets

3.40 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.

3.41 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the CoRe system has been used to establish past patterns of social housing turnover. The figures include general needs and supported lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

3.42 On the basis of past trend data is has been estimated that 146 units of social/affordable rented housing are likely to become available each year moving forward.

Table 3.8 Analysis of past social/affordable rented housing supply (per annum 2015/16 – 2017/18) – North Warwickshire

	General needs	Supported housing	Total
Total lettings	240	19	259
% as non-newbuild	90.3%	79.3%	89.5%
Lettings in existing stock	217	15	232
% non-transfers	63.6%	55.2%	63.1%
Lettings to new tenants	138	8	146

Source: CoRe

3.43 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock) – as of 2018, CLG data shows around 28 vacant social rented homes across the Borough – less than 1% of stock. Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Affordable Housing Need

3.44 The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows that there is a need for 149 affordable homes per year to be provided based on the 'narrow definition' of need arising from the 2012 NPPF – a total of around 2,100 over the 14-year period (2019-33). The net need is calculated as follows:

Net Need = Current Need + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 3.9 Estimated Need for Affordable Housing (linking to trend-based projections) – North Warwickshire

	Per annum	2019-33
Current need	33	461
Newly forming households	191	2,679
Existing households falling into need	71	996
Total Gross Need	295	4,135
Relet Supply	146	2,048
Net Need	149	2,087

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

3.45 With the higher level of dwelling delivery (approximately 8,000 additional homes in the 2019-33 period) the estimated level of need is somewhat higher (at 267 affordable homes per annum) as our modelling assumes that there the higher housing delivery supports additional in-migration to North Warwickshire over and above past trends and stronger demographic growth. A proportion of these additional people moving to the Borough will require affordable housing.

3.46 In interpreting the figures, it should be noted that the additional dwelling growth might be expected to see an increase in existing households falling into need (as there is a greater base of households). That said, additional provision would be expected to see a greater number of affordable homes being delivered and over time this would be expected to see relet supply increase. Overall, therefore these two factors may broadly cancel out and the estimate is likely to be realistic when set against the methodology employed.

Table 3.10 Estimated Need for Affordable Housing (linking to higher dwelling delivery) – North Warwickshire

	Per annum	2019-33
Current need	33	461
Newly forming households	309	4,329
Existing households falling into need	71	996
Total Gross Need	413	5,786
Relet Supply	146	2,048
Net Need	267	3,738

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

3.47 It is difficult to do a direct comparison with the previous SHMA Update (which took a 2014 base) as some key assumptions have changed. The most notable is that this report uses a 28% affordability threshold whereas the previous work looked at figures in the 25% to 40% range (and drew some conclusions based on 35%). In the previous report, it was estimated that the annual need when

based on a 25% threshold was for 177 affordable homes per annum with a 30% threshold showing a need for 131 dwellings each year.

3.48 These figures are broadly consistent with the figures derived in this report (when using trend-based assumptions). Both assessments clearly demonstrate a need for affordable housing and the Council should seek to maximise delivery where opportunities arise.

How much should rented affordable housing cost?

3.49 The analysis above has studied the overall need for affordable housing using a well-established model. This model focusses on households who cannot afford to rent in the market. These households are therefore most likely to have a need for rented housing and below is an analysis that sets out what might be an affordable rent for different sizes of accommodation (in different locations) based on local incomes and housing costs.

3.50 The analysis essentially considers what might be a 'Living Rent'. These calculations are based on research by JRF/Savills[4] and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model; and
- Starting rent set at 28% of net earnings
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure

3.51 Across the whole of the Borough, the analysis shows rents starting at about £360 for a 1-bedroom home in and rising to £570 for homes with 3-bedrooms. Generally, the suggested Living Rents are at a similar or lower level than the relevant LHA (second table below). As a general principle it is not considered sensible to charge a rent in excess of LHA limits, as this would mean households having to top up their rent from other income sources. Therefore, the suggested Living Rents should be treated as indicative, with lower rent being appropriate where the LHA level is lower than the calculated figure.

Table 3.11 Living rents (per month) – 2017/18

	1-bedroom	2-bedroom	3-bedrooms

[4] http://pdf.savills.com/documents/Living%20Rents%20Final%20Report%20June%202015%20-%20with%20links%20-%2019%2006%202015.pdf

North Warwickshire	£356	£463	£570

Source: ASHE and Living Rents methodology

3.52 The table below shows LHA limits in the four Broad Rental Market Areas (BRMAs) covering North Warwickshire. As noted, there is a case for ensuring that rents are capped at the maximum amount of benefit able to be claimed. The issue of LHA limits should be a key consideration when setting rent levels for any new developments.

Table 3.12 Maximum Local Housing Allowance (Housing Benefit) by location and property size (July 2019)

Rental Market Area	1-bedroom	2-bedroom	3-bedrooms
Birmingham	£441	£553	£589
Coventry	£399	£498	£572
Mid Staffs	£394	£494	£578
Solihull	£505	£648	£748

Source: Valuation Office Agency

Expanded NPPF Definition – Need for Affordable Home Ownership Homes

3.53 Using the previously established method to look at affordable need, it was estimated that there is a need for around 149 units per annum using trend-based assumptions (as set out in Table 3.9), and 267 units per annum taking account of the planned housing delivery (as set out in Table 3.10). This represents a need for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some form of subsidy). It would be expected that this housing would be delivered primarily as social/affordable rented housing.

3.54 Annex 2 of the 2019 NPPF widens the definition of affordable housing and introduces additional affordable housing products. The Planning Policy Guidance confirms a widening definition of those to be considered as in affordable need; now including *'households which can afford to rent in the private rental market, but cannot afford to buy despite a preference for owning their own home'*. However, at the time of writing, there is no guidance about how the number of such households should be measured.

3.55 The methodology used in this report therefore draws on the current method, and includes an assessment of current needs, projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.

3.56 The first part of the analysis seeks to understand what the gap between renting and buying actually means in North Warwickshire – in particular establishing the typical incomes that might be required.

3.57 Just by looking at the relative costs of housing to buy and to rent it is clear that there will be households in the Borough who can currently rent but who may be unable to buy. In the year to March 2019, the 'average' lower quartile private rent is shown by VOA to cost £550 a month, assuming a household spends no more than 28% of income on housing, this would equate to an income requirement of about £23,600. For the same period, Land Registry data records a lower quartile price in the Borough of about £150,000, which (assuming a 10% deposit and 4.5 times mortgage multiple) would equate to an income requirement of around £30,000.

3.58 Therefore, on the basis of these costings, it is reasonable to suggest that affordable home ownership products would be pitched at households with an income between £23,600 (i.e. able to afford to privately rent) and £30,000 (the figure above which a household might reasonably be able to buy).

3.59 Using the income distributions developed for use in the previous analysis of affordable housing need it has been estimated that of all households living in the private rented sector, around 45% already have sufficient income to buy a lower quartile home, with 12% falling in the rent/buy gap. The final 43% are estimated to have an income below which they cannot afford to rent privately.

3.60 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in or who might be expected to access this sector (e.g. newly forming households).

3.61 The finding that a significant proportion of households (45%) in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests that for many households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)).

3.62 To study current need, an estimate of the number of household living in the Private Rented Sector (PRS) has been established, along with the same (rent/buy gap) affordability test described above. the start point is the number of households living in private rented accommodation; as of the 2011 Census there were some 2,900 households living in the sector. Data from the Survey of English Housing (EHS) suggests that since 2011, the number of households in the PRS has increased notably and on the basis of national changes it is estimated that there may currently be around 3,500 households in the sector in North Warwickshire.

3.63 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point and of these some 25% would expect this to happen in the next 2-years. This proportion (i.e. 25% of 60% = 15%) is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

3.64 As noted above, on the basis of income it is estimated that around 12% of the private rented sector sit in the gap between renting and buying; applying this proportion would suggest a current need for around 66 affordable home ownership products (5 per annum if annualised over a 14-year period).

3.65 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of between 67 and 100 dwellings (depending on whether or not assumptions link to trend-based or higher growth projections).

3.66 Bringing together all of this analysis suggests that there is a need for between 72 - 105 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum in the 2019-33 period.

Table 3.13 Estimated Gross Need for Affordable Home Ownership (per annum) – North Warwickshire

	Trend-based	Higher growth
Current need	5	5
Newly forming households	53	86
Existing households falling into need	14	14
Total Gross Need	72	105

Source: Census (2011)/Projection Modelling and affordability analysis

Potential Supply of Housing to Meet the Affordable Home Ownership Need

3.67 As with assessing the need for affordable home ownership, it is the case that at present the PPG does not include any suggestions about how the supply of housing to meet these needs should be calculated. The estimates of need (above) are based on households able to afford something between the lower quartile cost of renting and the lower quartile cost to buy.

3.68 Iceni has developed two scenarios for supply of homes to meet those who can afford housing priced in the ‘rent to buy gap.’ The first scenario assumes that supply comprises only the resales of existing low cost home ownership properties.

3.69 The second scenario takes into account that a proportion of sales occur below lower quartile prices. However some homes sold at below a lower quartile house price are in poor condition and in need of investment/ repair and may not therefore be suitable for lower income households. A broad modelling assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting.

3.70 The table below brings together the analysis of need and supply. It shows a potential surplus of affordable home ownership homes based on the methodology adopted in this report.

Table 3.14 Estimated Net Need for Affordable Home Ownership (per annum) – North Warwickshire

	Trend-based	Higher growth
Current need	5	5
Newly forming households	53	86
Existing households falling into need	14	14
Total Gross Need	72	105
Supply (50% of LQ sales)	138	138
Supply (LCHO resales)	2	2
Net Need – High Scenario	70	103
Net need – Low Scenario	-67	-35

Source: Census (2011)/Projection Modelling/Land Registry/CoRe and affordability analysis

3.71 The evidence base shows that there are a number of households within North Warwickshire with an income of between £23,600 - £30,000 who can afford to rent but might require support to afford market housing for sale at lower quartile house prices. The evidence shows that these households would potentially be interested in low cost home ownership products. However in many instances they might also be able to access market housing for sale, particularly second hand stock, at prices below the lower quartile. If this supply is taken into account, there is not a net need for additional affordable home ownership homes in the Borough.

3.72 An element of provision of affordable home ownership housing might however be justified within new-build development schemes recognising that the lower deposit requirement in particular for shared ownership properties might make affordable to some households who cannot access housing in the open market; and in order to future proof housing supply against potential increases in house prices relative to incomes in the future. The evidence is however clear that the priority need for affordable housing is for social/ affordable rented homes.

Implications of the Analysis

3.73 In bringing together evidence to inform policies, relevant considerations including the evidence of need, the relative acuteness of the need, and issues of residential development viability.

3.74 The 2019 NPPF, which will be relevant to decision-making, advises that at least 10% of all new housing on larger sites should be for affordable home ownership unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.

3.75 Given the analysis above, it would be reasonable to conclude that there is no need to provide substantive levels of housing under the new definition of 'affordable home ownership' and it is therefore the case that provision of 10% of homes for affordable home ownership would exceed the level of need identified.

3.76 The evidence points to a clear and acute need for rented affordable housing from lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. Such housing is cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments).

How Much Should Affordable Home Ownership Homes Cost?

3.77 Where the Council does seek to provide affordable home ownership housing, the evidence suggests that shared ownership is the most appropriate form of affordable home ownership due to lower likely deposit requirements, consideration of other packages such as providing support for deposits are also encouraged. However, it is possible that some housing would come forward as other forms of housing such as Starter Homes or discounted market sale. If this is the case, it will be important for the Council to ensure that such homes are sold at a price that is genuinely affordable for the intended target group.

3.78 On this basis, it is worth discussing what sort of costs affordable home ownership properties should be sold for. The Annex 2 (NPPF) definitions suggest that such housing should be made available at a discount of at least 20% from Open Market Value (OMV). The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that housing is more expensive than that typically available in the open market.

3.79 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are set out as a range with the bottom end being based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. The upper level is set based on the estimated lower quartile price to buy a home.

3.80 Setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option. For 1- and 2-bedroom homes,

the equivalent price to private renting is higher than homes currently available to buy and so there is no range (the figures being equivalent to estimates of the lower quartile purchase price).

Table 3.15 Affordable Home Ownership Prices (year to March 2019)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Lower limit	-	-	£133,000	£190,000
Upper limit	£87,000	£99,000	£146,000	£235,000

Source: Derived from VOA and Land Registry Data

3.81 If the Council do seek for some additional housing to be in the affordable home ownership sector, the Council might consider setting up a register of people interested in these products (in a similar way to the current Housing Register). This will enable any properties to be 'allocated' to households whose circumstances best meet the property on offer. Alternatively, the Council and developers should liaise with the Help-to-Buy agent.

3.82 Another form of affordable home ownership is shared ownership with the analysis below looking at what level of equity share might be needed to make housing affordable. The example calculation is borough-wide and based on the following key assumptions:

- OMV at LQ price plus 20% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced slightly above a LQ level)
- 10% deposit
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- Service change of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes)
- The total cost per month to be equivalent to the cost of renting in the private sector

3.83 The analysis suggests that an equity share of about 50% would potentially be affordable as a general rule, although there is some variation across the different sizes of homes. It should be noted that these figures are based on a specific estimate of OMV and similar calculations would need to be carried out for any specific scheme to test affordability.

Table 3.16 Estimated Affordable Equity Share for Shared Ownership by Size of Dwelling – North Warwickshire

	1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
OMV	£104,400	£118,800	£175,200	£282,000
Share	33%	61%	52%	36%
Equity bought	£34,661	£72,112	£90,754	£100,956
Mortgage Needed	£31,195	£64,900	£81,678	£90,860
Monthly Cost of Mortgage	£165	£343	£431	£480
Retained Equity	£69,739	£46,688	£84,446	£181,044
Monthly Rent on Retained Equity	£160	£107	£194	£415
Service Charge	£100	£100	£0	£0
Total Cost	£425	£550	£625	£895

Source: Derived from VOA and Land Registry Data

Affordable Housing Need: Key Messages

- The analysis in this section assesses the need for affordable housing in the 2019-33 period. The analysis is split between a 'traditional' need (which is mainly for social/affordable rented accommodation and is based on households unable to buy or rent in the market) and the 'additional' category of need introduced by the revised NPPF/PPG (which includes housing for those who can afford to rent privately but cannot afford to buy a home).

- The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. Additionally, when looking at traditional needs, consideration is given estimates of the supply of social/affordable rented housing. For the additional definition, consideration is given to the potential supply (from Land Registry data) of cheaper accommodation to buy.

- Using the traditional method, the analysis suggests a need for 149 affordable homes per annum (rising to 267 per annum based on higher housing delivery proposed). The Council is therefore justified in seeking to secure additional affordable housing.

- It is also suggested that the cost of housing to rent within this group should be mindful of local incomes (and the Living Rent methodology) as well as considering Local Housing Allowance (LHA) limits. Rents higher than LHA maximums should be avoided (to ensure housing is affordable to those needing to claim Housing Benefit).

- When looking at the need for affordable home ownership products (i.e. the expanded definition of affordable housing in the NPPF) it is clear that there are a number of households likely to be able to afford to rent privately but who cannot afford to buy a suitable home. However, there is also a potential supply of homes within the existing stock that can make a contribution to this need. It is therefore difficult to robustly identify an overall need for affordable home ownership products.

- However, it does seem that there are many households in North Warwickshire who are being excluded from the owner-occupied sector. The analysis would therefore suggest that a key issue in the Borough is about access to capital (e.g. for deposits, stamp duty, legal costs) as well as potentially mortgage restrictions (e.g. where employment is temporary) rather than simply the cost of housing to buy.

- If the Council does seek to provide some housing as affordable home ownership, then it is suggested that shared ownership is the most appropriate option. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).

- Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), it is recommended that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. This would ensure that households targeted by the new definition could potentially afford housing – this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.

- Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the Borough. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

4. SUMMARY AND CONCLUSIONS

4.1 This report responds to the Inspector's request by providing an updated evidence base regarding the affordable housing need in North Warwickshire.

4.2 The analysis within Section 3 provides an updated assessment of the need for affordable housing using a consistent methodology to the 2015 SHMA. With trend-based demographic growth this would equate to 149 affordable homes per year (2019-33). However this would be meeting simply the borough's own housing needs; and the Plan is making provision to meet unmet needs from other areas.

4.3 Section 2 within the report has reviewed the evidence of planned provision of affordable housing against need in Coventry, Tamworth and Birmingham. It reveals an unmet affordable housing need for 252 homes per year in Coventry, 80 affordable homes per year in Tamworth, and 720 affordable homes per year in Birmingham. Over the period to 2031 there is a substantial unmet need across these three authorities which is for over 21,400 affordable homes. There is clearly a substantial unmet affordable housing need, and it is appropriate that in providing for an element of unmet housing needs for other areas, that a proportion of this will be of affordable housing (subject to viability). Applying notional proportions to the unmet affordable housing need, the evidence would point to North Warwickshire testing the potential to contribute to addressing a shortfall of up to 2,100 affordable homes to 2031.

4.4 The analysis in Section 3 has then developed this to consider what implications higher growth would have on the Borough's affordable housing need, on the assumption that a proportion of those people moving to the Borough would need affordable housing (assuming no supply-side constraints). This analysis suggests a need for 267 affordable homes per year. This is using the 2012 NPPF definition and is principally a need for rented affordable housing.

4.5 The Plan is intended to have an overall minimum housing requirement for 9,598 dwellings. Net housing delivery over the 2011-19 period is of 1,570 dwellings. The residual housing requirement from 2019 forwards is therefore 8,028 dwellings equivalent to 573 dpa. The affordable housing need for 267 per annum is equivalent therefore to 47% of the expected level of total housing delivery. This clearly justifies the policy position in Policy LP9 which seeks 30-40% affordable housing on qualifying sites subject to viability.

4.6 In reality the mix of housing delivered will influence the nature of in-migration to North Warwickshire, meaning that whilst there will be sufficient affordable housing delivered to meet the Borough's own housing needs, viability will influence its ability to provide affordable housing for those moving into the Borough.

4.7 The 2019 NPPF widens the definition of affordable housing need to include households who aspire to own a home but require support to do so, but can afford to live in the private rented sector without support. In North Warwickshire's specific circumstances such households typically have annual earnings of between £23,600 - £30,000 (at the time of this assessment). The analysis within this report indicates that these households would potentially be interested in low cost home ownership products. If supply of such housing is limited to existing resales of intermediate housing, a need for between 70-100 such homes is shown. However in many instances such households might also be able to access market housing for sale, particularly second hand stock, at prices below the lower quartile. If this supply is taken into account, there is not a net need for additional affordable home ownership homes in the Borough.

4.8 The evidence clearly indicates that in North Warwickshire's specific circumstances, there is insufficient need to justify 10% of new housing being low cost home ownership housing as proposed in Para 64 of the 2019 NPPF. Whilst not necessarily relevant to the Local Plan Examination, this is an important consideration for decision-making on planning applications.

4.9 An element of provision of affordable home ownership housing might however be justified within new-build development schemes recognising that the lower deposit requirement in particular for shared ownership properties might make affordable to some households who cannot access housing in the open market; and in order to future proof housing supply against potential increases in house prices relative to incomes in the future. The evidence is however clear that the priority need for affordable housing is for social/ affordable rented homes.

4.10 On the basis of the evidence, Iceni would consider that the tenure split of 85% affordable rented housing and 15% intermediate housing set out in Policy LP9 is justified by the evidence, and strikes the right balance between meeting the priority need for rented affordable housing, and providing some intermediate housing – which the evidence suggests should be principally shared ownership properties – for households who require support to buy a home.

4.11 The evidence in this report indicates that to ensure rented housing is affordable, rents should not exceed Local Housing Allowance levels for different types of properties. Provision of intermediate or low cost home ownership housing should prioritise shared ownership housing. This is due to the lower deposit requirements and lower overall costs (given that the rent would also be subsidised).

4.12 Where other forms of affordable home ownership are provided (e.g. Starter Homes or discounted market), it is recommended that the Council considers setting prices at a level which (in income terms) are equivalent to the levels needed to access private rented housing. This would ensure that households targeted by the new definition could potentially afford housing – this might mean greater than 20% discounts from Open Market Value for some types/sizes of homes in some locations.