

# Conwy Deposit Local Development Plan 2007 – 2022 (Revised edition 2011)



## REVISED BACKGROUND PAPER 36 – SUBMISSION

### Affordable housing needs calculation

August 2012

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# Affordable housing needs calculation

Corporate Research and Information Unit

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## Headlines

- This paper revises the information presented in background paper 36 'Affordable Housing Needs Calculation' which was part of the evidence presented with the consultation on Conwy County Borough Council's revised deposit Local Development Plan (LDP) in March 2011. It uses more recent data to prepare a more up-to-date housing need calculation.
- The revised calculation was produced following representations received during the March 2011 consultation, which raised concerns about predicted affordable housing need levels, which were higher than the predicted growth in total household numbers.
- As well as updating the data used in the 2009 calculation the revised calculation provides a split between social and intermediate housing need.
- The revised calculation gives an annual estimate of households falling into affordable housing need in Conwy County Borough of 125 (about 61 social need and 64 intermediate need each year)
- The 'bottom line' affordable housing need figure isn't simply about the requirement to build new homes – it's about households in need. As well as providing new affordable housing, there are a variety of other ways of helping these households which don't require new building – for example through placement within existing social housing stock; the provision of supported purchase schemes such as the Homebuy initiative; and through financial support to rent within the private sector (housing benefit). This paper does not seek to identify the means of delivering affordable housing to meet this need.

## 1. Background

- 1.1 The affordable housing needs calculations in this paper have been produced to update the calculation which was undertaken as part of the unpublished North West Wales Local Housing Market Assessment in 2009. The updated calculations were produced in February 2011 by Conwy County Borough Council's Corporate Research and Information Unit, working with Cartrefi Conwy. Cartrefi Conwy is the local registered social landlord who runs the Council's housing register, and who took control of the Council's social housing stock in 2008.
- 1.2 This paper revises the information presented in background paper 36 'Affordable Housing Needs Calculation' which was part of the evidence presented with the consultation on Conwy County Borough Council's revised deposit Local Development Plan (LDP) in March 2011. It uses more recent data to prepare a more up-to-date housing need calculation.
- 1.3 The new calculation is based on data extracted from the Conwy CCBC / Cartrefi Conwy joint housing register in October 2010. Other data used in the calculation has been fitted to this date where possible. The next update of the calculation is scheduled for October 2012.
- 1.4 Though numbers are presented unrounded, please bear in mind that some of the data in the calculation is modelled data and that even actual counts may not capture all incidences of need. Therefore figures are a guideline only and should not be treated as absolute indicators of need.
- 1.5 Unless otherwise stated, data in this report are for the County Borough as a whole. They include that part of the Snowdonia National Park local planning authority which falls within the boundary of Conwy County Borough.



## 2. Introduction

### 2.1 Planning Policy Wales states that:

*(l)ocal authorities must understand their whole housing system so that they can develop evidence-based market and affordable housing policies in their local housing strategies and development plans. They should ensure that development plan policies are based on an 'up-to-date' assessment of the full range of housing requirements across the plan area over the plan period<sup>1</sup>*

and recommends that

*Local Housing Market Assessments provide the evidence base supporting policies to deliver affordable housing through the land use planning system<sup>2</sup>*

### 2.2 PPW further states that

*development plans must include an authority-wide target for affordable housing based on the Local Housing Market Assessment.<sup>3</sup>*

### 2.3 The affordable housing needs calculation presented in this paper uses the methodology recommended in Welsh Assembly Government's Local Housing Market Assessment Guide (March 2006) and represents a partial update of the Local Housing Market Assessment base line report that was produced for North West Wales in 2008<sup>4</sup>.

### Justification for producing a new calculation

### 2.4 The affordable housing calculation in background paper 36 which was presented as part of the revised deposit LDP was based on unpublished work from the draft final report of the North West Wales Local Housing Assessment. This work has since been updated and a new housing needs calculation was undertaken by the Corporate Research and Information Unit at Conwy County Borough Council in February 2011. The calculation was based on October 2010 data. As this gave a significantly different figure from the earlier calculation, it was appropriate to update the background paper.

### 2.5 The October 2010 housing needs figure is different from that produced in December 2009 because of:

- an improved understanding of the calculation. The North Wales Research Group<sup>5</sup> led the work to review the calculation in October 2010 and brought better understanding of data issues to the process. The primary difference was that the new calculation uses data from the joint housing register which is for those with housing needs points only. Previous calculations had used the entire register, including

<sup>1</sup> Planning Policy Wales Edition 4 – February 2011 – Chapter 9 Housing, para. 9.1.4

<sup>2</sup> Planning Policy Wales Edition 4 – February 2011 – Chapter 9 Housing, para. 9.2.4

<sup>3</sup> Planning Policy Wales Edition 4 – February 2011 – Chapter 9 Housing, para. 9.1.6

<sup>4</sup> North West Wales Local Housing Market Assessment – baseline report, November 2008

<sup>5</sup> A local network for research and information staff working in the public sector across North Wales, with representation from all unitary authorities, SNPA, and the public health boards.

those with only local connection points. Applicants with local connection points on their own do not qualify as being in housing need.

- a major review of the joint housing register. In late 2009/early 2010 Cartrefi Conwy undertook a full-scale cleaning exercise to remove applications which were no longer active from the register.
- newer household projections of future need being used in the calculation, which give a lower prediction of household growth. The earlier calculation used Welsh Assembly Government's 2006-based projections in the calculation. The revised calculation now uses Conwy County Borough Council's 2009-based projections, which brings it in line with revised background paper 2 'Population and Household Projections'

- 2.6 The decision to re-run the calculation used to predict affordable housing need in the County Borough was also influenced by the representations received during the consultation on the revised deposit LDP. Feedback from the public and other stakeholders about the need identified in background paper 36 challenged the figure as being too high. The background paper (using the 2009 calculation) gave an annual affordable dwelling requirement of 564 – a total of 8,460 over the plan period. This was actually much higher than the figure for predicted growth amongst all households over the plan period, which was 6,800. This was counter-intuitive and needed further investigation.
- 2.7 There were also some representations which questioned whether the 'bottom line' of the calculation really equated to a new build requirement to meet affordable housing need, or whether the figures were indicative of a broader need requirement, which could be met with a variety of housing solutions (see point 3.5 below). This paper clarifies this situation.
- 2.8 As well as addressing the issues raised during the consultation, the production of a revised calculation gave the opportunity to improve understanding of the affordable housing needs requirement figure, and to provide separate figures for social and intermediate housing need.

### 3. The affordable housing needs calculations

- 3.1 The affordable housing needs calculation looks at current and potential future affordable housing need, and calculates an annual estimate of how many households will require help to access affordable housing in addition to households who are already being helped.
- 3.2 Detailed explanations of each stage undertaken in the housing needs calculation have been included in the appendix to this document. They also explain the differences between the housing needs figure presented in this background paper and that which was published with the revised deposit LDP in March 2011.

#### The revised calculation – overview

- 3.3 The results of the affordable housing calculation are shown in the table below. They are split by social and intermediate housing need. ‘Social housing need’ includes people who meet very specific criteria of housing need<sup>6</sup> and are eligible for social rented housing assistance. ‘Intermediate housing need’ covers households who would not necessarily be a priority for social housing but still need help to rent or buy within the open market.

**Table 3.1: annual affordable housing need for Conwy County Borough**

Sources: affordable housing need calculation October 2010, Corporate Research and Information Unit Conwy County Borough Council/North Wales Research Group

Estimated number of households who are currently not provided with social housing assistance who will fall into social need each year (a)	61
Estimated number of additional households falling into intermediate need each year (b)	64
<b>Estimated number of households who will need help to find affordable housing each year (a + b)</b>	<b>125</b>

- 3.4 The social/intermediate split is indicative only – the boundary between the two types of affordable housing need are fuzzy, as households within both groups can move backwards and forwards between the needs categories as their circumstances change.
- 3.5 It is important to note that the ‘bottom line’ affordable housing need figure isn’t simply about the requirement to build new homes – it’s about households in need. As well as providing new affordable housing, there are a variety of other ways of helping these households which don’t require new building – for example through placement within existing social housing stock; the provision of supported purchase schemes such as the Homebuy initiative; and through financial support to rent within the private sector (housing benefit). Evidence

<sup>6</sup> Social housing need is identified by the following criteria: households experiencing overcrowding; under-occupation; medical reasons; homeless; house in disrepair; sharing facilities. It includes people who are entitled to reasonable preference in line with the Housing Act 1996.

about the delivery of affordable housing requirement is laid out in background paper 9 Affordable Housing Viability Study’.

## Appendix: Detailed commentary on the components of the housing needs calculation

A step-by-step explanation of the housing needs calculation is shown in the tables below. It includes the superseded 2009 calculation alongside the revised 2010 calculation. The reasons for the differences between the two calculations are explained at each stage. Details of the sources for the data used in the calculation are included within the tables.

The reduction in affordable housing need compared to that shown in the revised deposit LDP background paper 36, is as a result of the availability of better quality up-to-date base data and a review of the calculation methodology, rather than as a reflection of an increase in the supply of affordable housing or a dramatic fall in the number of households in need.

### Total need

Total affordable housing requirement			
Element and step in calculation	Notes & explanation of differences between 2010 & 2009 calculations	2010 calc	2009 calc
<b>Social housing need plus intermediate need</b>	Step 22 of social need calculation (below) plus step (e) of intermediate housing need calculation (also below) give total affordable housing need. These figures were not produced separately for the 2009 calculation.	125	564

The affordable housing needs calculation looks at current and potential future affordable housing need, and calculates an annual estimate of how many households will require help to access affordable housing in addition to households who are already being helped.

*Social housing need calculation*

<b>C: current need</b>			
<b>Element and step in calculation</b>	<b>Notes &amp; explanation of differences between 2010 &amp; 2009 calculations</b>	<b>2010 calc</b>	<b>2009 calc</b>
1. Existing households in need of alternative housing.	From Cartrefi Conwy/Conwy CBC joint housing register. Difference due to improved understanding of count (includes only those with housing needs points) and cleaned register.	412	918
2. <i>plus</i> current non-households in need of affordable housing			
3. <i>minus</i> cases where they can afford to meet their needs in the market			
<b>4. <i>equals</i> Total current housing need (1 + 2 – 3)</b>		<b>412</b>	<b>918</b>

**Step 1 : Existing households in need of alternative housing and step 2 : Plus current non-households in need of affordable housing**

It was not possible to split these two stages of the calculation because of the way the data was collected. Includes only those on the housing register who have housing needs points. (Excludes those with 'local connection' points only). Housing needs points are awarded to applicants under the following criteria:

- overcrowding; under-occupation; medical reasons; homeless (including due to harassment); house in disrepair; sharing facilities (bath, kitchen, lounge, toilet)

The calculation uses both waiting and transfer lists (i.e. those waiting for a house and those with a house, but wishing to move).

**Step 3 : Minus cases where they can afford to meet their needs in the market**

All households who are able to afford a property outside the social housing system are excluded from the register – so this stage of the calculation is not undertaken.

**Step 4 : Equals Total current housing need**

Calculation stage – no data needed.

<b>A: available stock to offset need</b>			
<b>Element and step in calculation</b>	<b>Notes &amp; explanation of differences between 2010 &amp; 2009 calculations</b>	<b>2010 calc</b>	<b>2009 calc</b>
5. Current occupiers of affordable housing in need	From Cartrefi Conwy/Conwy CBC joint housing register. Difference due to improved understanding of count (includes only those with housing needs points) and cleaned register.	94	194
6. <i>plus</i> surplus stock		0	76
7. <i>plus</i> committed supply of new affordable units	From LDP/development control commitments and allocations	336	235
8. <i>minus</i> planned units to be taken out of management		0	0
<b>9. equals Total available stock to meet current need (5 + 6 + 7 – 8)</b>		<b>430</b>	<b>505</b>
<b>10. equals Total current need (4 – 9)</b>		<b>0</b>	<b>413</b>
11. times quota progressively to reduce level of current need	From local authority Affordable Housing Delivery Statement - policy judgement (cleared over 15 yr period). Changed from 7.5% to 6.7% (15 yr) (Note: local housing market assessment work in 2008/9 set this at 20% - that is, it would take 5 years to meet existing need - but this was considered to be undeliverable)	6.7%	7.5%
<b>12. equals annual need to reduce level of current need (10 x 11)</b>		<b>0</b>	<b>31</b>

### Step 5 : Current occupiers of affordable housing in need

Current occupiers of affordable housing in need of re-housing (transfer) should have already been counted on the transfer list at Step 1 above. This step is meant to remove those current occupiers of existing affordable stock (i.e. those in housing need, but already housed within the stock), as they will free up stock for other households. Moving these households will have a nil effect on the overall level of need (as they should have been counted as being in need at Step 1) – but this step is important to establish the net level of affordable housing needed, by deducting the amount of stock freed by the moving households.

### **Step 6 : Plus surplus stock**

A certain level of empty stock is normal and allows for 'turn-over' and some difficult-to-let properties<sup>7</sup>. Welsh Government guidance is that any vacant stock in excess of about 3% of all stock should be counted as surplus stock. If fewer than 3% of the stock is vacant then a 'nil' value is applied at this stage of the calculation.

### **Step 7 : Plus committed supply of new affordable units**

New supply in the social housing sector – including low-cost ownership schemes by Housing Associations. Obtainable from planning monitoring records.

### **Step 8 : Minus planned units to be taken out of management**

Any social housing stock that are planned to be demolished, sold or otherwise taken out of the managed stock.

### **Step 9 : Equals total available stock to meet current need and Step 10 : Equals total current need**

Calculation stage – no data needed.

### **Step 11 : Times (x) quota progressively to reduce the current level of need**

From local authority Affordable Housing Delivery Statement – policy judgement

### **Step 12 : Equals annual need to reduce level of current need**

Calculation stage – no data needed.

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<sup>7</sup> Difficult-to-let will include some specially adapted properties or stock that can only be let to specific client groups and so may remain vacant until suitable applicants are found.



<b>N: newly arising need</b>			
<b>Element and step in calculation</b>	<b>Notes &amp; explanation of differences between 2010 &amp; 2009 calculations</b>	<b>2010 calc</b>	<b>2009 calc</b>
13. New household formation – gross p.a.	From household projections 2010 uses Conwy County Borough Council's 2009-based projections (annual average 2010-2015) 2009 uses Welsh Assembly Government's 2006-based projections (annual average 2009-2014) (also used in intermediate need calculation step (d))	419	581
14. <i>times</i> proportion unable to buy or rent in the market	2010 (update v2) uses new proxy for households in social need from CACI PayCheck “% households below 60% of GB median income” calc. Separates social need from intermediate need (see ‘Intermediate housing need calculation’ below).	30.92%	46.25%
15. <i>plus</i> existing households falling into need	Count of new applicants in last year. From Cartrefi Conwy/Conwy CBC joint housing register. Difference due to improved understanding of count (includes only those with housing needs points) and cleaned register.	187	521
16. <i>minus</i> potential out-migrants unable to afford market housing			
17. <i>plus</i> in-migrants unable to afford market housing			
<b>18. <i>equals</i> newly arising need ((13 x 14) + 15 + 16 + 17)</b>	Not rounded until final calculation	<b>316.6</b>	<b>790</b>

### Step 13 – New household formation

A prediction about the number of newly forming households is taken from population projections. The 2009-based projections which were used in background paper 2 were used in the revised calculation. The Welsh Assembly Government's 2006-based projections were used in the 2009 calculation.

**Step 14 : Times (x) proportion unable to buy or rent in the market**

A proxy measure is used at this stage as the data does not exist. For the 2010 calculation a commonly used measure of households in poverty was used – the percentage of households with income below 60% of the GB median, from CACI PayCheck data. The 2009 calculation had used data from the commercially available HomeTrack system – ‘proportion of first time buyers unable to purchase terraced housing at market prices’. Using the household income data enabled newly forming households to be split by intermediate and social need. This was not possible with the 2009 calculation.

**Step 15 : Plus existing households falling into need**

Estimates the number of existing households falling into need each year, based on recent trends (i.e. the number of existing households who entered the housing register within the last year – including any that were housed during the year). Data used is the number who joined the register during the preceding year and is a proxy measure (an estimate) of likely future joiners, based on the trend during the most recent year. Actual joiners within the last year will already have been counted at Stage 1.

**Step 16 : Minus potential out-migrants unable to afford market housing**

**Step 17 : Plus in-migrants unable to afford market housing**

There is currently no known source of reliable data to calculate these two steps separately, so they have been left as zero. Further research may reveal useable sources of data, but the actual numbers could not be expected to be very large. The household projections used at step 13 of the calculation will have picked up migration trend data at the individual level.

**Step 18 : Equals newly arising need**

Calculation stage – no data needed.

<b>S: supply of affordable units per year</b>			
<b>Element and step in calculation</b>	<b>Notes &amp; explanation of differences between 2010 &amp; 2009 calculations</b>	<b>2010 calc</b>	<b>2009 calc</b>
19. Net supply of social re-lets	3 yr average of social housing churn (lettings voids system)	256	247
20. <i>plus</i> supply of intermediate housing available for re-let or resale at sub market levels	Taken out of the calculation in 2010 as now part of the intermediate housing need calculation		10
<b>21. equals affordable supply (19 + 20)</b>		<b>256</b>	<b>257</b>

#### **Step 19 : Net supply of social re-lets**

Calculated on the basis of past trends – turn-over rates, taken as a 3-years average of vacants and re-lets. This does not include transfers within the social sector.

#### **Step 20 : Plus supply of intermediate housing available for re-let or resale at sub-market levels**

Intermediate housing – affordable housing at a cost substantially below market value. Shared equity schemes, affordable in perpetuity.

#### **Step 21 : Equals affordable supply**

Calculation stage – no data needed.

<b>Net shortfall or surplus</b>			
<b>Element and step in calculation</b>	<b>Notes &amp; explanation of differences between 2010 &amp; 2009 calculations</b>	<b>2010 calc</b>	<b>2009 calc</b>
<b>22. Overall shortfall (12 + 18 - 21)</b>	Rounded. In 2009 this total also included households in intermediate housing need	<b>61</b>	<b>564</b>

#### **Step 22 : Overall shortfall**

Annual total of households in need of social housing assistance.

*Intermediate housing need calculation*

<b>Future intermediate housing need - possible count for 2010 calculation</b>		
(a) HomeTrack "first time buyer households unable to buy terraced housing at 3 x income"	Proxy measure used to identify total newly forming households who can't afford to rent or buy in the market	46.26%
(b) CACI PayCheck "% households below 60% of GB median income"	(as used in social need calculation step 14)	30.92%
(c) Proxy for intermediate housing need (a-b)	Removes those in social need from the calculation	15.34%
(d) Newly forming households - gross p.a.	From household projections. CCBC 2009-based projections (annual average 2010-2015) (as used in social need calculation step 13)	419
(e) supply of intermediate housing available for re-let or resale at sub market levels	Intermediate housing – affordable housing at a cost substantially below market value. shared equity schemes, affordable in perpetuity	0
<b>(e) Households in intermediate need p.a. ((d-e)*c)</b>		<b>64</b>

Uses the commercially available HomeTrack data to provide a proxy measure of total newly forming households who will be unable to afford to buy or rent within the housing market. The proportion of newly forming households who are likely to be in social need is removed from this total, leaving an estimate of those who are in intermediate housing need.

Existing intermediate need is not included at this stage as it is presumed that these households have been housed within the market.