

Housing Need in South Worcestershire

Malvern Hills District Council, Wychavon District Council and Worcester City Council

Final Report

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1. Housing need in South Worcestershire

Introduction

- 1.1 The South Worcestershire Development Plan presented an Objectively Assessed Housing Need (OAHN) range of 26,700 to 27,300 for the 2006-2030 plan period, underpinned by an economic – led approach. Data to inform this calculation was prepared by Edge Analytics and published by AMION consulting in 2014. The adopted plan was published in 2016, outlining economic and housing growth aspirations for South Worcestershire districts. Since the evidence base was prepared for South Worcestershire, a ‘standard methodology’ for determining housing numbers has been adopted by the Ministry of Housing, Communities and Local Government (MHCLG) and a range of new data sources have become available. The purpose of this chapter is to set out the new approach for assessing need and how this relates to a broader range of demographic evidence.

Establishing housing need

- 1.2 The 2018 National Planning Policy Framework (NPPF) (Paragraph 60) states ‘to determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance - unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for. In July 2018, planning practice guidance was updated to take account of the standard methodology for assessing overall housing need which involves setting a baseline, adjusting for market signals, taking account of existing strategic plans and any need which cannot be met from neighbouring authorities.
- 1.3 The plan period being considered in this update is the period 2016-2041. However, housing numbers for the first 5 years (2016 to 2021) are already set out and adopted in the South Worcestershire Development Plan. This update therefore considers the housing number for the remainder of the proposed plan period for the South Worcestershire development Plan Review 2021-2041 (20 years).
- 1.4 Further demographic analysis has been prepared by Edge Analytics to verify that the dwelling need calculation using the standard methodology is appropriate for the South Worcestershire Authorities. This is in line with 2018

PPG which states that there may be circumstances where identified need can be higher than the number identified in the standard method. The demographic analysis also considers the extent to which jobs growth is supported.

1.5 The Edge Analytics study also takes account of the latest available data:

- Mid-year population estimates and components of change 2012–2016 from the Office for National Statistics (ONS), including revisions to the estimation of international migration;
- 2016-based national population projections (NPP) from ONS;
- 2016-based sub-national population projections (SNPP) from ONS;
- 2014-based sub-national population projections (SNPP) from ONS;
- 2014-based household projection model from MHCLG;
- Unemployment rates to 2017 from ONS model-based data;
- Long-term labour participation forecasts from the Office for Budget Responsibility (OBR) released in 2017;
- Experian March 2018 economic forecasts.

1.6 This chapter should be read in conjunction with the report ‘South Worcestershire Demographic Forecasts and Analysis’ which has been prepared by Edge Analytics (June 2018). These documents will be updated once the 2016-based household projection data from MHCLG is made available in September 2018. It is also expected that the Councils will keep the OAHN under regular review in response to changing information up to the submission of the Local Plan.

Step 1: Setting the baseline

- 1.7 Planning Practice Guidance¹ states that a baseline should be set using national household projections for the local authority area. The most recent projections need to be used to calculate the average annual household growth over a 10-year consecutive period. Although the current year should be the base year, because targets have already been set in the SWDP, the starting point for the updated analysis is 2021.
- 1.8 For South Worcestershire, over the ten-year period 2021-2031, the total number of households under the 2014-based household projections is set to

¹ July 2018

increase from 133,950 to 143,100, a total change of 9,450 households or 945 each year. Total change by each local authority is set out in Table 1.1.

Table 1.1 Household change 2021-31 by local authority district

Local Authority District	No. households		
	2021	2031	Total change
Malvern Hills	34,936	37,717	2,781
Worcester City	45,506	48,511	3,005
Wychavon	53,502	57,162	3,660
South Worcestershire	133,944	143,390	9,446

Source: 2014-based MHCLG household projections

Step 2: An adjustment to take account of market signals

- 1.9 Planning Practice Guidance recommends a further market signals adjustment based on the affordability of the area. The adjustment is based on an affordability ratio using median house prices to median earnings, with data published annually by the Office for National Statistics. An adjustment factor is applied to the underlying household change data to establish what the level of uplift is to respond to market signals:

$$\text{Adjustment factor} = 1 + ((\text{Local Affordability Ratio} - 4)/4) \times 0.25$$

- 1.10 The affordability ratios and resulting market signals adjustment for each local authority area is set out in Table 1.2. This is based on the latest available data (2017).

Table 1.2 Affordability ratios and market signals uplift

Local Authority	2017 Median price to income affordability ratio	Adjustment factor
Malvern Hills	10.63	1.414
Worcester City	6.61	1.163

Wychavon	9.36	1.335
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Source: ONS Ratio of house price to workplace-based earnings

<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/ratioofhouseprice to workplace based earnings lower quartile and median>

- 1.11 On the basis of the demographic baseline and market signals adjustment, Table 1.3 sets out the components of the dwelling need calculation using latest available evidence applied to the plan period 2021 to 2031.

Table 1.3 Components of the dwelling need calculation

Local Authority District	Baseline demographic need	Market Signals Adjustment	Total dwelling need
Malvern Hills	278	115	393
Worcester City	301	49	350
Wychavon	366	123	489
South Worcestershire	945	287	1,232

Step 3: Capping the level of any increase

- 1.12 PPG states that ‘a cap may be applied which limits the increase in the minimum annual housing need figure an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.’
- 1.13 For authorities that have adopted their local plan in the last five years, the new annual local need figure should be capped at 40% above the annual requirement figure currently set out in the local plan. The South Worcestershire Development Plan 2006-2030 establishes a net annual requirement for 1,183 dwellings across the three local authority areas (and so a 40% cap would be 1,656 dwellings). Therefore, under the parameters set out in the PPG no cap on delivery is required.

Housing need using the standard methodology

- 1.14 Based on the standard methodology the minimum local housing need for South Worcestershire is 1,232 dwellings per annum (dpa) over the 10-year period 2021-2031.

Potential adjustments to the evidence base

- 1.15 A Strategic Housing Market Assessment (SHMA) is being prepared for publication during 2019 and this will include an assessment of the impact of the MHCLG 2016-based household projections on housing need. This will also use any updated affordability ratio data. The MHCLG have also indicated that the standard methodology may be revised to ensure that the Government target of delivering 300,000 dwellings by the mid-2020s is achieved.

Housing need uplift or reduction

- 1.16 PPG 2018 also considers where a higher figure than the standard methodology may need to be considered:

'The standard method for assessing local housing need provides the minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore there will be circumstances where actual housing need may be higher than the figure identified by the standard method.'

Where additional growth above historic trends is likely to or is planned to occur over the plan period, an appropriate uplift may be considered. This will be an uplift to identify housing need specifically and should be undertaken prior to and separate from considering how much of this need can be accommodated in a housing requirement figure. Circumstances where this may be appropriate include, but are not limited to:

- *where growth strategies are in place, particularly where those growth strategies identify that additional housing above historic trends is needed to support growth or funding is in place to promote and facilitate growth (e.g. Housing Deals);*
- *where strategic infrastructure improvements are planned that would support new homes;*
- *where an authority has agreed to take on unmet need, calculated using the standard method, from neighbouring authorities, as set out in a statement of common ground;*

In addition authorities should also consider:

- *previous delivery levels. Where previous delivery has exceeded the minimum need identified it should be considered whether the level of delivery is indicative of greater housing need ; and*

- *recent assessments of need, such as a Strategic Housing Market Assessments (SHMA). Where these assessments suggest higher levels of need than those proposed by a strategic policy-making authority, an assessment of lower need should be justified.*²

- 1.17 The additional analysis by Edge Analytics tests the extent to which the standard method output should vary based on the specific demographic circumstances of the three South Worcestershire authorities.

Testing the standard methodology assumptions

- 1.18 Having established future housing need using the standard methodology, further demographic analysis has taken place to ensure that the scale of housing delivery supports economic growth and longer-term trends in demographic change have been taken into account. Edge Analytics has developed a range of growth scenarios for the three South Worcestershire local authorities. For each scenario, historical data is included for the 2001-16 period, with scenario results presented for the 2016-2041 plan period. The starting point of the scenario analysis is the ONS 2014-based sub-national population and household projections. Alternative trend scenarios, developed using varying migration assumptions, are developed and compared to the ONS 2014-based benchmark scenario. In addition, population and housing growth outcomes linked to future employment growth are derived using key assumptions in economic activity rates, unemployment and commuting.
- 1.19 The demographic scenarios prepared are summarised as follows:
- **SNPP-2016:** this replicates the ONS 2016-based Sub-National Population Projections (SNPP) for each of the South Worcestershire authorities;
 - **SNPP-2014:** this replicates the ONS 2014-based SNPP for each of the South Worcestershire authorities;
 - **PG³ Short Term:** Internal migration rates and international migration flow assumptions are based on a six-year historical period (2010/11 to 2015/16) and incorporating fertility and mortality assumptions from the latest 2016-based SNPP;
 - **PG Long Term:** Internal migration rates and international migration flow assumptions are based on a fifteen-year historical period (2001/02 to 2015/16) and incorporating fertility and mortality assumptions from the latest 2016-based SNPP.

² PPG 2018 Paragraph 010 Reference ID: 2a-004-20180913

³ PG stands for PopGroup and refers to the modeling programme used to derive migration-led output

- 1.20 Edge Analytics have also considered alternative assumptions regarding household formation rates⁴ on housing need which factor in a higher level of household formation.
- 1.21 Edge Analytics have also considered the potential impact of alternative economic activity rates and commuting ratio assumptions on the population and dwelling growth required to support the forecast change in employment under forecasts prepared by Experian through the following scenario modelling:
- **Baseline Experian** forecast which uses economic assumptions (economic activity, unemployment rate and commuting) derived from the Experian model;
 - **Employment-led OBR** which compares how the Office for Budget Responsibility (OBR) assumptions on economic activity might influence population growth in South Worcestershire under Experian's employment growth forecasts;
 - **Employment-led CR** which considers the potential impact of maintaining a stable commuting ratio (CR) over the plan period, in line with the 2011 census commuting ratio; assumptions on economic activity rates and unemployment rate remain consistent with the Experian forecast.
- 1.22 The results of the various scenario models are summarised in Table 1.4 and in more detail in Figure 1.1

⁴ The 2014-based headship rates for the young adult male age groups have been adjusted to return to 2001 headship rates by the end of the plan period. This sensitivity analysis evaluates how a return to higher household growth rates could manifest itself in higher dwelling growth outcomes.

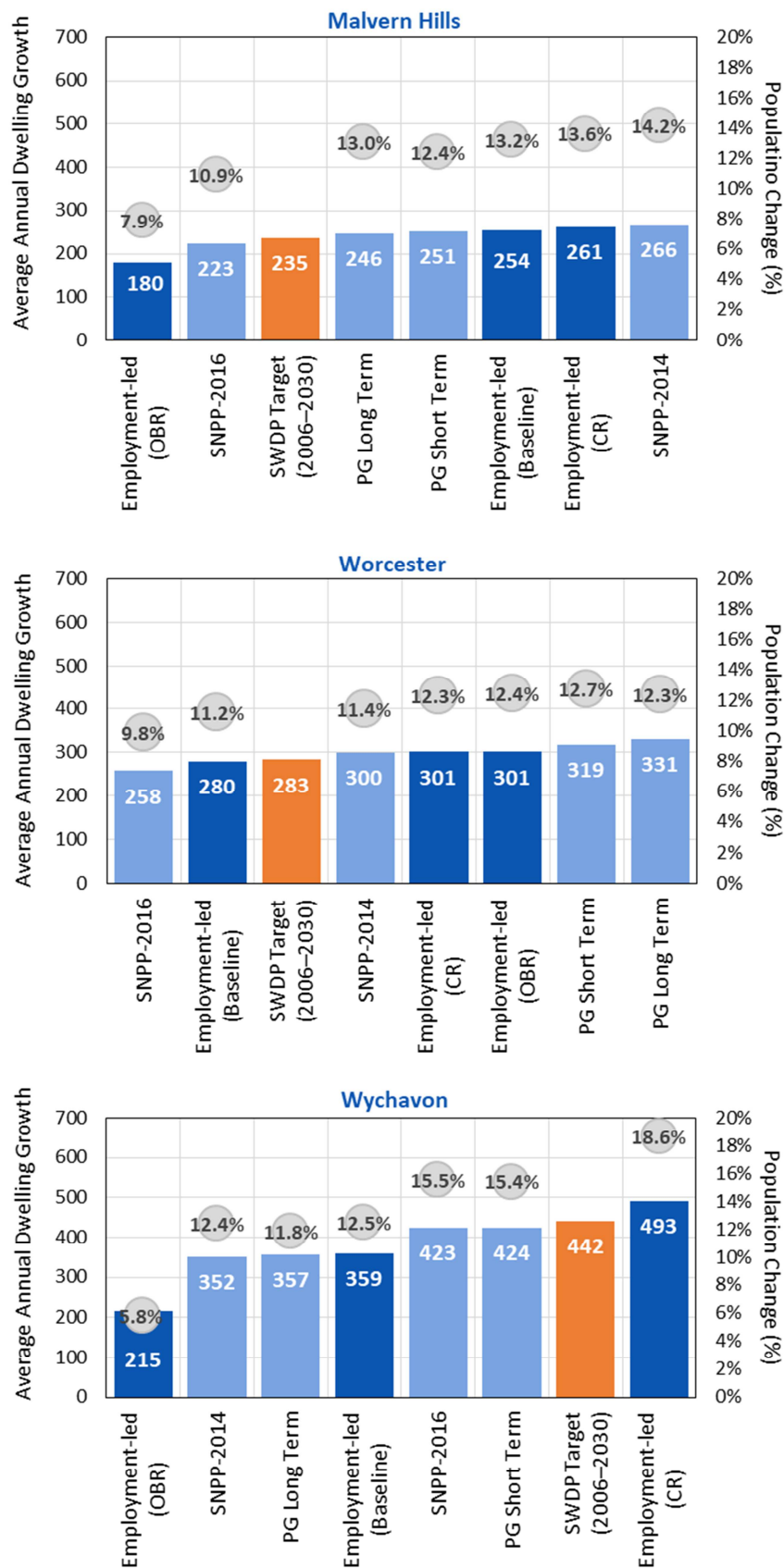
Table 1.4 Comparison of impact of different scenario testing on annual housing growth

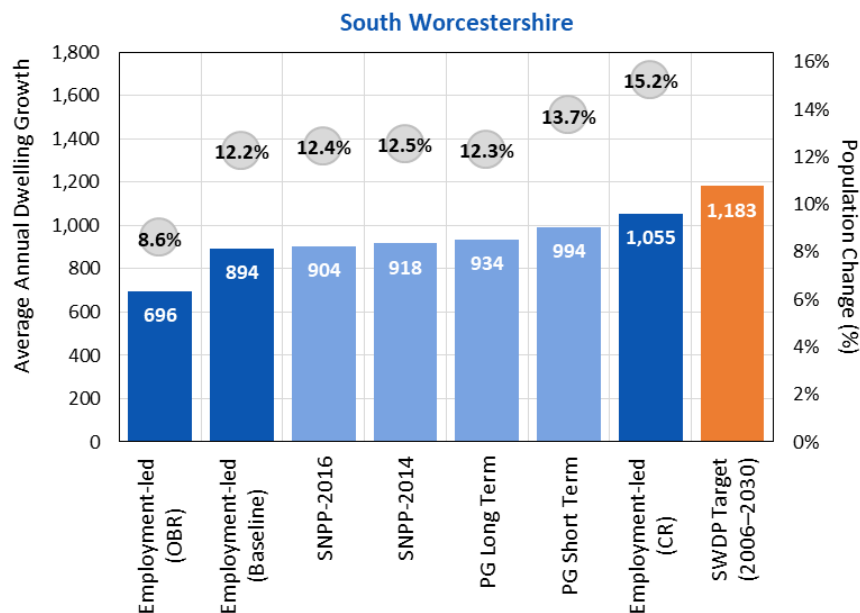
Scenario	Average Annual Dwelling Growth 2016-2041 (headship rate sensitivity in brackets)			
	Malvern Hills	Worcester	Wychavon	South Worcestershire
Employment-led OBR	180	301	215	696
Employment-led Baseline	254	280	359	894
Employment-led CR	261	301	493	1,055
PG Long Term	246 (299)	331 (367)	357 (448)	934 (1,114)
PG Short Term	251 (302)	319 (355)	424 (516)	994 (1,173)
SNPP 2014	266 (321)	300 (336)	352 (443)	918 (1,101)
SNPP 2016	223 (274)	258 (293)	423 (512)	904 (1,079)
Application of MHCLG Methodology 2021-31	393	350	489	1,232
SWDP Target (2006-30)	235	283	442	1,183**

**This includes a Wider Worcester Area (WWA) SWDP target of 223 dwellings each year

Note that the MHCLG methodology and SWDP targets refer to different plan periods than the demographic and employment-led scenarios

Figure 1.1 Population change and average annual dwelling growth under the employment-led scenarios, demographic-led scenarios, MHCLG and SWDP





Source: Edge Analytics

1.23 For South Worcestershire over the plan period 2016-41 and as presented in Table 1.4:

- Demographic scenarios indicate a dwelling need range of between 904 and 994;
- Alternative household formation rate assumptions results in a range of 1,079 to 1,173;
- Employment-led scenarios result in a growth range of 696-1,055.

1.24 This compares with the standard methodology figure of 1,232 and the existing SWDP target of 1,183. All demographic and employment-led scenarios (including headship sensitivity scenarios) result in lower dwelling requirements than the MHCLG figure.

1.25 For Malvern Hills over the plan period 2016-41 and as presented in Table 1.4:

- Demographic scenarios indicate a dwelling need range of between 223 and 266;
- Alternative household formation rate assumptions results in a range of 274 to 321;
- Employment-led scenarios result in a growth range of 180-261.

1.26 This compares with the MHCLG figure of 393 and the SWDP target of 235. All demographic and employment-led scenarios including headship rate sensitivity analysis results in lower dwelling requirements than the MHCLG figure.

1.27 For Worcester over the plan period 2016-41 and as presented in Table 1.4:

- Demographic scenarios indicate a dwelling need range of between 258 and 331;
 - Alternative household formation rate assumptions results in a range of 293 to 367;
 - Employment-led scenarios result in a growth range of 280 to 301.
- 1.28 This compares with the MHCLG figure of 350 and the SWDP target of 283. All demographic and employment-led scenarios including headship rate sensitivity analysis results in lower dwelling requirements than the MHCLG figure.
- 1.29 For Wychavon over the plan period 2016-41 and as presented in Table 1.4:
- Demographic scenarios indicate a dwelling need range of between 352 and 424;
 - Alternative household formation rate assumptions results in a range of 443 to 516 which represents the largest proportionate uplift compared with the other districts;
 - Employment-led scenarios result in a growth range of 215 to 493.
- 1.30 This compares with the MHCLG figure of 489 and the SWDP target of 442. All demographic and employment-led scenarios result in lower dwelling requirements than the MHCLG figure, with the exception of the PG Short Term headship rate sensitivity which results in a figure of 516.
- 1.31 All of the demographic scenarios support economic growth across South Worcestershire. The SHMA evidence therefore does not suggest that there is any need to provide more than the minimum number of dwellings established through the MHCLG standard methodology in the SWDP review period. That said, the NPPF does state that needs which cannot be met within neighbouring areas should also be taken into account. Under the duty to co-operate, the Councils will engage with neighbouring local authorities as part of the plan-making process.

Affordable housing need and mix

- 1.32 Affordable housing need has been modelled based on the parameters set out in PPG 2018. The analysis indicates **a shortfall of around 391 affordable dwellings each year** across South Worcestershire. The District breakdown is Malvern Hills 57 net shortfall each year, Worcester 290 and Wychavon 43. Appendix A sets out a full description of the steps and stages of the affordable housing modelling.
- 1.33 This analysis establishes the overall scale of affordable need as measured in terms of an annual imbalance between supply and need. The actual scale of

delivery of affordable housing will be determined through affordable housing policies, the development programmes of housing associations.

- 1.34 Table 1.5 sets out the estimated mix of housing based upon evidence from the housing register.

Table 1.5 Net affordable need 2018/19 to 2022/23				
Bedroom need	Location (Annual net need %)			
	Malvern Hills	Worcester	Wychavon	South Worcestershire
1	64.5	53.3	61.1	57.6
2	23.9	32.6	27.3	29.4
3	9.6	11.0	9.4	10.2
4	1.7	2.9	2.1	2.5
5	0.4	0.2	0.1	0.2
6	0.0	0.0	0.0	0.0
Total	100	100	100	100
Bedroom need	Location (annual net need)			
	Malvern Hills	Worcester	Wychavon	South Worcestershire
1	37	155	26	218
2	14	95	12	120
3	6	32	4	41
4	1	9	1	10
5	0	1	0	1
6	0	0	0	0
Total	57	290	43	391

- 1.35 It is clear from the data that the majority of need across South Worcestershire (87.1%) is for 1- and 2-bedroom homes, with 10.2% of need for 3-bedroom homes and 2.7% for homes with 4 or more bedrooms. There is some degree of variation in bedroom need by district as shown in Table 1.5.
- 1.36 No tenure preference data is available from the housing register. The overall tenure split based on Arc4 national studies is 65% rented and 35% intermediate tenure. However, a final tenure split also needs to consider the current planning policy context as set out in the 2018 NPPF. This states in para 64:
- ‘where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership’

1.37 The current tenure split in the SWDP is 80% rented and 20% intermediate tenure (see Affordable Housing SPD 2016) and this remains an appropriate target, although the proportion of intermediate tenure dwellings may increase in the light of the NPPF. For instance, within larger developments:

- If 40% affordable housing is sought, 30% would be rented and 10% ownership (75/25 split);
- If 30% affordable housing is sought, 20% would be rented and 10% ownership (67/33 split);
- If 20% affordable housing is sought, 10% would be rented and 10% ownership (50/50 split)

Appendix A Affordable housing need calculation

Introduction

- B.1 The purpose of this appendix is to set out the affordable housing need calculations for the South Worcestershire SHMA using the framework for analysis established in the 2018 PPG.
- B.2 All households whose needs are not met by the market can be considered (to be) in affordable housing need⁵. PPG 2018 then considers how affordable housing need should be calculated:
- ‘Strategic policy-makers will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market. This should involve working with colleagues in their relevant authority (e.g. housing, health and social care departments).’⁶*
- B.3 Housing Register data and data on affordable housing lettings provides an appropriate source of data from which a robust assessment of need can be calculated.
- B.4 Housing needs analysis and affordable housing modelling has been prepared in accordance with PPG guidance at the district level. In summary, the model reviews in a step-wise process:
- Stage 1: Current housing need (gross backlog)
 - Stage 2: Newly-arising need
 - Stage 3: Likely future affordable housing supply
 - Stage 4: Total and annual need for affordable housing
- B.5 Table C1 provides an overall summary of needs analysis and a description of each stage of the model is then presented.

⁵ Paragraph: 021 Reference ID: 2a-021-20180913

⁶ Paragraph: 022 Reference ID: 2a-021-20180913

Table C1 Affordable housing need calculation

Step	Stage and Step description	Calculation	Malvern Hills	Worcester City	Wychavon	South Worcestershire	Notes
Stage1: CURRENT NEED							
1.1	TOTAL in need and cannot afford open market (buying and/or renting)	Total	1,276	3989	2305	7,570	From housing register
	of which: can afford private renting, cannot afford to buy but wants to		76	145	262	483	This is an indicative number based on those only eligible for intermediate tenure on the housing register
Stage 2: FUTURE NEED							
2.1	New household formation (Gross per year)	Based on 1.55% national household formation rate	527	682	824	2,033	Based on national household formation rate of 1.55%
2.2	Number of new households requiring affordable housing	% based on actual affordability of households forming	55.2%	55.2%	55.2%	55.2%	Estimate based on national arc4 surveys
2.2	Number of new households requiring affordable housing	Number cannot afford	291	377	455	1,122	
2.3	Existing households falling into need	Annual requirement	Included in 1.1				Included in 1.1
2.4	TOTAL newly-arising housing need (gross each year)	2.2 + 2.3	291	377	455	1122	
Stage 3: AFFORDABLE HOUSING SUPPLY							
3.1	Affordable dwellings occupied by households in need	(based on 1.4)	364	1210	819	2,393	From housing register
3.2	Surplus stock	Vacancy rate <2% so none assumed	0	0	0	0	
3.3	Committed supply of new affordable units	Estimated over 5 years	75	420		495	Latest available data used
3.4	Units to be taken out of management	None assume	0	0	0	0	
3.5	Total affordable housing stock available	3.1+3.2	439	1,630	819	2,888	
3.6	Annual supply of social re-lets (net)	Annual supply (3 year average)	348	552	622	1,522	From MHCLG Social lettings Live Tables 2014/15, 2015/16 and 2016/17
3.7	Annual supply of intermediate affordable housing available for re-let or resale at sub-market levels	Annual supply (3 year average)	53	6	87	146	From MHCLG Additional Affordable Housing Live Tables 1011C
3.8	Annual supply of affordable housing	3.6+3.7	401	558	709	1,668	
Stage 4: ESTIMATE OF ANNUAL HOUSING NEED							
4.1	Total backlog need	1.1-3.5	837	2,359	1,486	4,682	
4.2	Quota to reduce over 5 years (20%)		20%	20%	20%	20%	
4.3	Annual backlog reduction	Annual requirement	167	472	297	936	
4.4	Newly-arising need	2.4	291	377	455	1,122	
4.5	Total annual affordable need	4.3+4.4	458	848	752	2,059	
4.6	Annual affordable capacity	3.8	401	558	709	1,668	
4.7	NET ANNUAL SHORTFALL (4.5-4.6)	NET	57	290	43	391	

Note: Numbers presented in the table may be subject to rounding errors

Stage 1: Current households in affordable housing need

- B.6 PPG 2018 suggests⁷ how current unmet gross need for affordable housing should be calculated with reference to past trends and recording current estimates of:
- the number of homeless households;
 - the number of those in priority need who are currently housed in temporary accommodation;
 - the number of households in over-crowded housing
 - the number of concealed households;
 - the number of existing affordable housing tenants in need (ie householders currently housed in unsuitable dwellings);
 - the number of households from other tenures in need and those that cannot afford their own homes, either to rent or to own if that is their aspiration.
- B.7 PPG 2018 notes that care should be taken to avoid double-counting and to only include those households who cannot afford to access suitable housing in the market.
- B.8 Using the latest (May 2018) Council housing register data, an up to date position on the number of households in overall need can be established.

Homelessness

- B.9 Table C2 considers trends in decisions and acceptances of homeless households over the five year period 2013/14 to 2017/18 and indicates that an annual average of 351 households have been accepted as homeless across South Worcestershire.

⁷ Paragraph: 023 Reference ID: 2a-021-20180913

Table C2 Homeless decisions and acceptances 2013/14 to 2017/18								
Year	Malvern Hills		Worcester		Wychavon		South Worcestershire Total	
	Decisions made	Accepted as homeless	Decisions made	Accepted as homeless	Decisions made	Accepted as homeless	Decisions made	Accepted as homeless
2013/14	59	52	471	187	260	170	790	409
2014/15	69	51	525	171	232	153	826	375
2015/16	55	37	332	135	219	128	606	300
2016/17	58	39	343	153	270	132	671	324
2017/18	58	36	358	181	232	130	648	347
Total	299	215	2029	827	1213	713	3541	1755
Annual Average	59.8	43	405.8	165.4	242.6	142.6	708.2	351

Source: MHCLG Homelessness Statistics

Overcrowding and concealed households

- B.10 The extent to which households are overcrowded is measured using the 'bedroom standard'. This allocates a standard number of bedrooms to each household in accordance with its age/sex/marital status composition. A separate bedroom is allocated to each married couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex and each pair of children under 10. Any unpaired person aged 10-20 is paired if possible with a child under 10 of the same sex, or, if that is not possible, is given a separate bedroom, as is any unpaired child under 10. This standard is then compared with the actual number of bedrooms (including bedsits) available for the sole use of the household.
- B.11 The model takes account of households in need due to overcrowding.

Total current housing need summary

- B.12 Analysis indicates a total of 7,570 households who are in housing need which represents 5.7% of all households (arc4 would expect between 5 and 10% of households are in need based on our other studies). As accurate household income data is not available from housing register data, it is assumed that all households on the register are in need of affordable housing.

Stage 2: Newly-arising affordable need

- B.13 The 2018 PPG considers how the number of newly-arising households likely to need affordable housing: *'Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process will need to identify the minimum household income required to access lower quartile (entry level) market housing (strategic policy-making authorities can use current cost in this process, but may wish to factor in anticipated changes in house prices and wages). It can then assess what proportion of newly-forming households will be unable to access market housing.'*⁸

New household formation (gross per year)

- B.14 The national household formation rate reported in the English Housing Survey is currently 1.55% based on the latest three-year average national rate reported in the English Housing Survey over the period 2013/14 to 2015/16.

⁸ Paragraph: 024 Reference ID: 2a-021-20180913

The total number of households in 2018 is assumed to be 131,179. Applying the gross national household formation rate establishes an annual household formation of 2,033.

- B.15 Accurate income data is not available from the housing register; therefore, we have considered the evidence from national studies carried out by arc4 which indicates that 55.2% of newly-forming households cannot afford lower quartile open market prices or rents (1,122)

Existing households expected to fall into need

- B.16 The housing register will contain households who have fallen into need and likely to appear as in priority need however it is difficult to isolate this figure from the data available, therefore, we expect that this is already captured in step 1.1.

Total newly arising housing need (gross per year)

- B.17 Total newly arising need is calculated to be 1,122 households each year across South Worcestershire.

Stage 3: Affordable housing supply

- B.18 The 2018 PPG states how the current stock of affordable housing supply should be calculated:
- *the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need;*
 - *suitable surplus stock (vacant properties); and*
 - *the committed supply of new net affordable homes at the point of the assessment (number and size).⁹*

Step 3.1 Affordable dwellings occupied by households in need

- B.19 This is an important consideration in establishing the net levels of housing need as the movement of these households within affordable housing will have a nil effect in terms of housing need.
- B.20 A total of 2,393 households are current occupiers of affordable housing in need. Although the movement of these households within affordable housing will have a nil effect in terms of housing need (i.e. they already live in affordable housing), the model assumes that these households will move in the next 5 years to address their housing need.

⁹ Paragraph: 025 Reference ID: 2a-021-20180913

Step 3.2 Surplus stock

- B.21 A proportion of vacant properties are needed to allow households to move within housing stock. Across the social rented sector, this proportion is generally recognised as being 2%. Stock above this proportion is usually assumed to be surplus stock. Modelling assumes no surplus social rented stock across South Worcestershire.

Step 3.3 Committed supply of new affordable units

- B.22 Over the past five years period 2012/13 to 2016/17, a total of 2,182 affordable dwellings were built across South Worcestershire. The planned figures in Table C3 are taken from available Council data. We expect this data will be updated during the preparation of the main SHMA reports.

Table C3 Supply of new affordable units			
Location	5 yr total 2012/13 to 2016/17	Planned	Basis
Worcester City	626	420	Council Data
WWA Malvern Hills	0	0	Council Data
WWA Wychavon	116	75	Council Data
Malvern Hills Ex WWA	363		
Wychavon Ex WWA	1077		
South Worcestershire Total	2182	495+	

Step 3.4 Units to be taken out of management

- B.23 The model assumes there will be minimal social rented units taken out of management over the next five years. We have not assumed any impact of units to be taken out of management but this should be monitored by the Councils.

Step 3.5 Total affordable housing stock available

- B.24 It is assumed that there are 2,888 social (affordable) rented dwellings available over the five year period arising from households moving within the stock.

Step 3.6 Annual supply of social re-lets

- B.25 Over the period 2014/15 to 2016/17, a total of 6,166 dwellings were let across South Worcestershire, resulting in an annual average of 1,522 lettings.

Step 3.7 Annual supply of intermediate re-lets/sales

- B.26 MHCLG affordable housing supply data indicates a total of 436 intermediate tenure dwellings have been built across South Worcestershire over the three years 2014/15 and 2016/17, resulting in an annual average of 146 being built.

Summary of Stage 3

- B.27 Overall, the model assumes an affordable supply of 2,888 units of affordable housing stock (2,393 affordable dwellings occupied by households in need plus at least 495 newbuild) and an annual supply through relets of 1,522 rented dwellings and 146 intermediate dwellings.

Stage 4: Estimate of annual housing need

Overview

- B.28 Analysis has carefully considered how housing need is arising within South Worcestershire by identifying existing households in need (and who cannot afford market solutions), newly-forming households in need and existing households likely to fall into need.
- B.29 This has been reconciled with the overall supply of affordable dwellings. Based on the affordable needs framework model, analysis suggests that **there is an overall annual net imbalance of 391 dwellings each year.**
- B.30 Stage 4 brings together the individual components of the needs assessment to establish the total net annual shortfall.

Step 4.1 Total backlog need

- B.31 Step 4.1 is the total backlog need which is derived from the number of households in Step 1.1 minus total affordable housing stock available (Step 3.5). The total backlog need is 4,682.

Steps 4.2 to 4.6

- B.32 Step 4.2 is a quota to reduce the total backlog need which is assumed to be 20% (this was the standard modelling assumption in former CLG guidance).
- B.33 Step 4.3 is the annual backlog reduction based on Step 4.2 (936 each year).

- B.34 Step 4.4 is a summary of newly-arising need from both newly forming households and existing households falling into need (1,122 each year).
- B.35 Step 4.5 is the total annual affordable need based on Steps 4.3 and 4.4 (2,059 each year) (*this is also the gross need*).
- B.36 Step 4.6 is the annual social/affordable rented and intermediate tenure capacity based on Step 3.8 (1,668 each year).

Total gross and net imbalance

- B.37 The overall gross imbalance across South Worcestershire is 2,059 affordable dwellings each year. After taking into account supply of affordable accommodation, the net imbalance is 391 each year.