



# Kingsbridge, West Alvington and Churchstow Housing Needs Assessment (HNA)

May 2021

## Quality information

### **Prepared by**

Paul Avery  
Senior Consultant

### **Checked by**

Kerry Parr  
Associate Director

### **Approved by**

Kerry Parr  
Associate Director

## Revision History

<b>Revision</b>	<b>Revision date</b>	<b>Details</b>	<b>Authorized</b>	<b>Name</b>	<b>Position</b>
1	April 2021	First draft	PA	Paul Avery	Senior Consultant
2	April 2021	Technical review	KP	Kerry Parr	Associate Director
3	May 2021	Group review	PS	Peter Sandover	Consultant to the Steering Group
4	May 2021	Locality review	AO	Annabel Osborne	Neighbourhood Planning Officer
5	May 2021	Final report	PA	Paul Avery	Senior Consultant

## Prepared for:

Kingsbridge Town Council

## Prepared by:

AECOM  
Aldgate Tower  
2 Lemn Street  
London  
E1 8FA  
aecom.com

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**List of acronyms used in the text:**

AONB	Area of Outstanding Natural Beauty
BRMA	Broad Rental Market Area
HNA	Housing Needs Assessment
HRP	Household Reference Person (head of household)
JLP	Plymouth and South West Devon Joint Local Plan
KWAC	Kingsbridge, West Alvington and Churchstow Neighbourhood Plan Area
LHA	Local Housing Allowance
LPA	Local Planning Authority
MHCLG	Ministry for Housing, Communities and Local Government (formerly DCLG)
NA	Neighbourhood (Plan) Area
NP	Neighbourhood Plan
NPPF	National Planning Policy Framework
OA	Output Area (Census)
ONS	Office for National Statistics
PPG	Planning Practice Guidance
RQ	Research Question
SHDC	South Hams District Council
SHMA	Strategic Housing Market Assessment
SPD	Plymouth and South West Devon Supplementary Planning Document
VOA	Valuation Office Agency

# 1. Executive Summary

## 1.1 Conclusions – tenure and affordability

### Affordability by tenure

1. KWAC has experienced a steady increase in house prices over the last ten years, with the mean home value increasing by 40.4% or £92,640 since 2011. Indicators that home ownership is becoming increasingly unaffordable align with Census data showing that growth in the rate of home ownership in KWAC stagnated between 2001 and 2011, while the number of private renting households increased by 84%.
2. There is a premium on new build housing across South Hams and in KWAC. The 11 newly built homes sold on the open market in KWAC since 2016 have only met the needs of those with considerable financial means. The cheapest example cost £310,000 and would require an annual income of £79,700 to acquire a 90% loan-to-value mortgage. The median new home sold in that timeframe cost £425,000.
3. While the historic rate of housing delivery is low in KWAC, after a period of limited activity two major sites (Belle Hill and K5) are now under construction and beginning to release considerable market and limited Affordable Housing stock.
4. Rental prices are high relative to incomes, with an average property costing £950 in rent per month, and evidence suggests rental prices are increasing. This is driven in part by the dearth of available properties in the rental stock and the speed with which they are let out.
5. AECOM has estimated the annual income required to afford various tenures of housing in KWAC. These thresholds are compared to local incomes to determine which options are the most appropriate for local people going forward. The average household income in KWAC is £35,600, and the lower quartile income (per person) for South Hams was £10,622 in 2019.
6. Home ownership through the mainstream market is not an option for a majority of local people and there is little chance of new market housing in any form widening access to home ownership to people who do not own already. A local household would need an income comfortably above the average (or a very large deposit) to qualify for a mortgage even for an entry-level home.
7. Private renting is similarly out of reach for most people. Average earning households (using a perhaps optimistic measure of local incomes) are just about able to afford entry-level rents while spending no more than 30% of their income. They can afford average rents or more bedrooms if they are able to dedicate a larger portion of their income to housing costs.
8. Households with two lower earners have far fewer options. They are only just able to afford an entry-level rental property if they dedicate nearly half of their gross income – a very challenging prospect particularly at this income level.
9. There is a group of people in KWAC who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £30,000 per year (at which point entry-level rents become affordable) and £50,000 (at which point entry-level market sale homes become affordable). This 'can rent, can't buy' cohort may benefit from the range of affordable home ownership products such as First Homes and shared ownership.
10. A discount of at least 45% would be required to make a typical First Home affordable to an average earning household in KWAC. For lower earners to be able to access home ownership – arguably the purpose of this new product – the discount would need to be higher still. It is worth noting that the JLP SPD advises that affordability should be gauged against the median in the ASHE tables, which is £20,100 and would require a discount of above 60%. Since the potential discount is capped at 50%, the evidence strongly suggests that the highest possible discount for First Homes should be sought in KWAC.
11. If First Homes can be delivered on this basis, they represent a valuable tool for widening housing access and appear to offer a more attractive prospect to people on local incomes than shared ownership or rent to buy. That said, both tenures are also feasibly affordable if delivered at appropriate prices. The thresholds at which the various products might be considered genuinely affordable to local people are listed in Figure 4-2.

12. Lower earners are in a difficult situation: they must either apply for affordable rented housing or remain in the private rented sector while relying on housing or other benefits. Households with two lower earners appear unable to even afford affordable rent, but are generally well-served by social rent (the former being targeted at 80% of private rental prices but capped with reference to Local Housing Allowance, and the latter more heavily subsidised for those in the greatest need). Households with a single lower earner appear unable to afford any of the tenures considered and will need to rely on additional subsidy or shared accommodation.
13. While the detailed benefits arrangements offered by South Hams and pricing of Live West housing units have not been interrogated here, the evidence in this chapter suggests that the affordable rented sector performs a vital function in KWAC, and that social rent is more urgently needed in KWAC than affordable rent.

#### **The need for affordable housing**

14. It is also possible to understand the broad scale of the need for Affordable Housing tenures in KWAC. This can, together with the evidence presented above, help to evidence policy around Affordable Housing in the Neighbourhood Plan.
15. With reference to the 2017 SHMA, it can be roughly estimated that KWAC will require around 8 units of affordable rented housing per year. This equates to roughly 104 units over the Neighbourhood Plan period to 2034.
16. Despite turnover in the existing stock in the region of 44 units during 2020, there remain 72 KWAC households on the waiting list for Affordable Housing. This backlog is growing because of the mismatch between some of the properties needed and those available, as well as the fact that the average annual delivery of Affordable Housing in KWAC is lower than the above estimate of annual need. There were 4 units of affordable rented housing delivered in 2012/13, 2 units in 2013/14 and 13 in 2016/17. While the 2016/17 delivery total exceeds the annual need, the annual average delivery rate from 2011/12 to 2019/20 is 2.4 units.
17. There is a clear case to maximise the delivery of affordable rented housing in KWAC wherever possible, as part of Section 106 obligations on allocated sites and any potential community-led or exception schemes.
18. The HNA calculates that around 30 (rounded) households per year may be interested in affordable home ownership (or 394 for the entirety of the Plan period). This is comfortably in excess of the total number of homes on sites expected to come forward during the Plan period overall. It is therefore not realistic to expect this demand to be met. However, this is a very clear signal of the scale of the affordability challenge in KWAC.

#### **Policy considerations**

19. On the balance of factors listed in section 4.4.3 of this report, AECOM recommends that roughly 75% of Affordable Housing units should take the form of rented tenures such as social and affordable rent, with the remaining 25% as affordable routes to home ownership, focused on First Homes in line with the recently confirmed policy requirement.
20. This recommendation is informed by two key pieces of evidence: first, the expected volume of housing delivery is not sufficient to meet the identified need for rented tenures; second, lower quartile incomes are relatively low in relation to housing costs, and the cohort of people with no other option than subsidised housing is large and expected to increase.
21. This proposal should be viewed as a starting point, based primarily on secondary evidence and professional judgment, which may be taken forward with further consideration to the views and objectives of the community.
22. The results of a life stage modelling exercise, which looks at the sizes of dwelling occupied by households at different life stages and projects the growth and decline of those household age groups over the Plan period in order to understand what should be built, suggests that new development might benefit from a relatively even balance of home sizes, aside from the 1 bedroom category which already exists at higher proportions than in South Hams and England at present. This evidence may be interpreted alongside the demonstrated need to improve affordability in market housing to devise a target dwelling size mix to meet the demographic and financial needs of the community.

## 1.2 Conclusions – Second homes

23. There is a fairly substantial quantity of second and holiday homes in the neighbourhood plan area, with minor deviations across the three parishes. The 2011 Census counted 364.
24. Uplifting this figure with reference to the rate of growth in commercial holiday lets in the component areas of KWAC from 2011-2020 suggests a current total of around 486 units. This is approximately 14% of all properties.
25. The likely growth in this indicator dovetails with a context of dramatically worsening affordability in KWAC that is evidenced in greater detail in the preceding chapter.
26. A review of the available data sources on this subject strongly suggests that the Census is the most accurate and comprehensive source for this indicator. An up-to-date snapshot is imminent, with the results of the 2021 Census to be published in the coming months.
27. There may be scope to reflect the results of the upcoming Census in any potential policy in this subject by making its provisions conditional on an established threshold of second home ownership or rate of increase.

## 2. Context

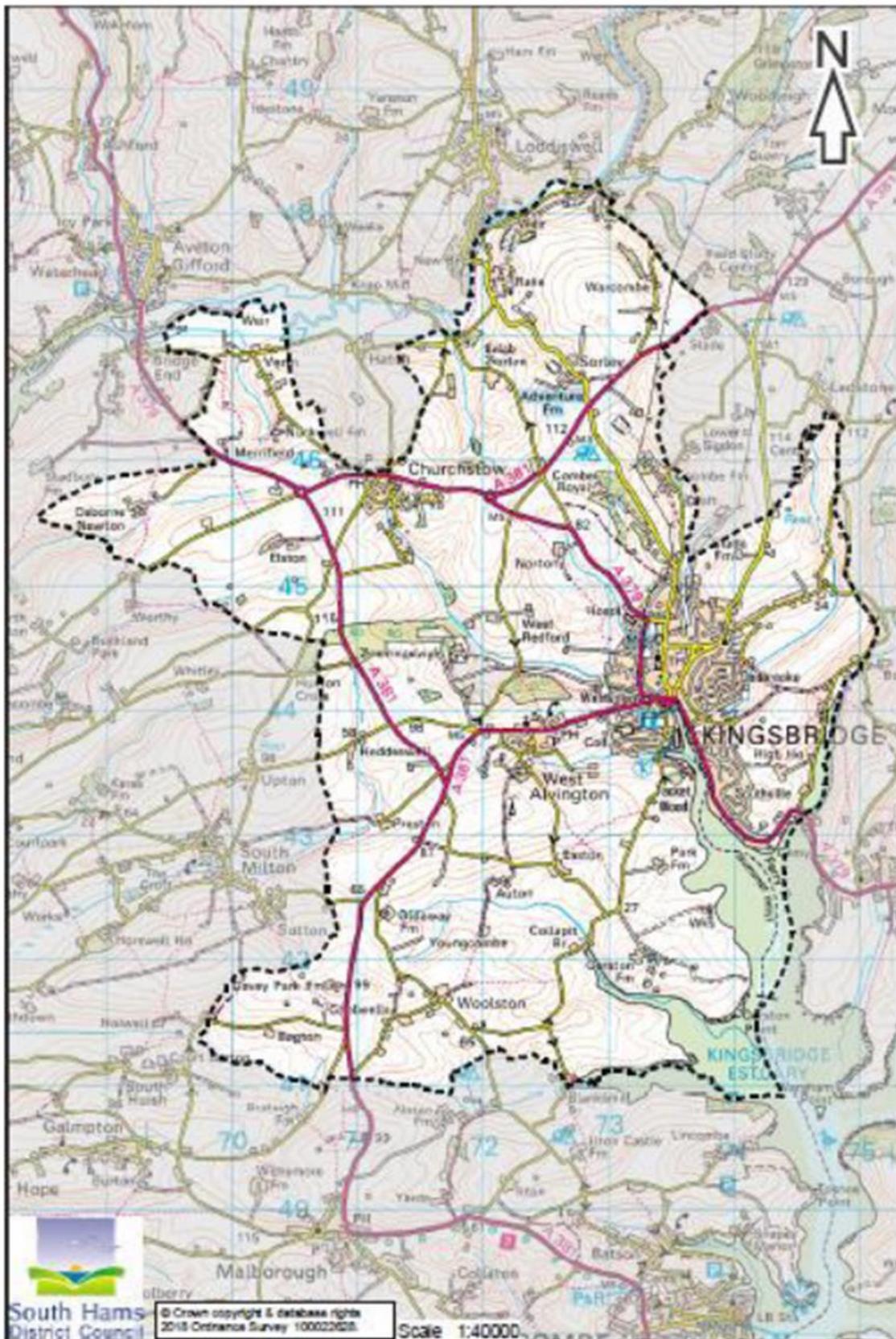
### 2.1 Local context

28. Kingsbridge, West Alvington and Churchstow (KWAC) is a Neighbourhood Plan Area (NA) located in the District of South Hams in Devon.
29. The NA consists of the civil parishes of Kingsbridge, West Alvington and Churchstow. It was formally designated by South Hams District Council (SHDC) in November 2018.
30. KWAC is located at the mouth of the Kingsbridge Estuary, around 5 miles inland from the coast. A large part of the NA is within the South Devon Area of Outstanding Natural Beauty (AONB), which acts as a strong constraint on new development. The area's transport connectivity is relatively limited, being 10-12 miles from the A38 dual carriageway from Exeter to Plymouth and having a relatively dated road network which restricts accessibility in and around Kingsbridge in particular. Plymouth is the nearest large service centre, around 20 miles to the west.
31. The market town of Kingsbridge is the third largest settlement in South Hams by population and serves as the service hub for many of the surrounding parishes. It offers a range of amenities including schools, supermarkets, independent businesses and community facilities. Tourism plays an important role in the local economy, but to a lesser extent than in comparable settlements along the South Devon coast.
32. The proposed Neighbourhood Plan period extends to 2034, in alignment with the Plymouth and South West Devon Joint Local Plan (JLP), and for the purpose of this assessment is assumed to begin in 2021, therefore comprising a planning period of 13 years.

#### **The NA boundary**

33. Data for the three KWAC parishes was captured in the 2011 Census. However, parishes were not used as units of analysis in the 2001 Census. When looking at that older data, the parish needs to be recreated using statistical units called Output Areas (OAs).
34. In the 2001 Census, the Kingsbridge and West Alvington parishes are grouped together into one Medium Super Output Area (MSOA) with the code number South Hams 010 (E02004198). Churchstow parish is a separate OA with the code number 18UGHM002. The combination of these two areas perfectly reproduces the designated NA boundary, and has been used for Census data gathering where applicable.
35. Note that larger scale MSOAs and Lower Super Output Areas (LSOAs – the next scale down from MSOAs but not as small as OAs) are also used in other datasets beyond the Census, notably by the Valuation Office Agency (VOA) which collects data from council tax receipts on dwelling types and sizes and about business premises, and by the Office for National Statistics (ONS) for income estimates.
36. When these datasets are used, it will be necessary to look at the wider LSOA to which the Churchstow parish OA belongs (with the code number E01020179). This is necessary to ensure data for Churchstow is included for analysis. The disadvantage is that the data will be diluted by information on a wider area that stretches as far as Thurlestone. As such, this data is primarily useful for an indication of the characteristics of housing in the area rather than information on the total number of properties.
37. A map of the designated NA appears overleaf in Figure 2-1. Figure 2-2 then shows three maps subtitled to show the Kingsbridge and West Alvington MSOA, the Churchstow LSOA and the Churchstow OA.

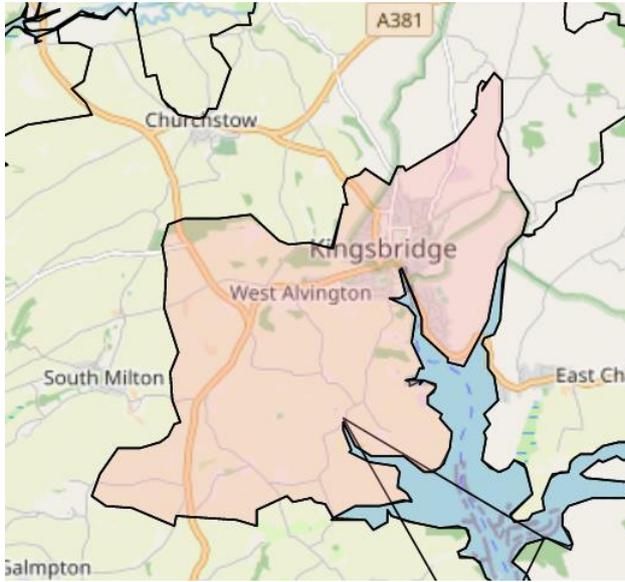
Figure 2-1: Map of the KWAC designated Neighbourhood Area



Source: South Hams District Council

**Figure 2-2: Census maps of KWAC's component output areas**

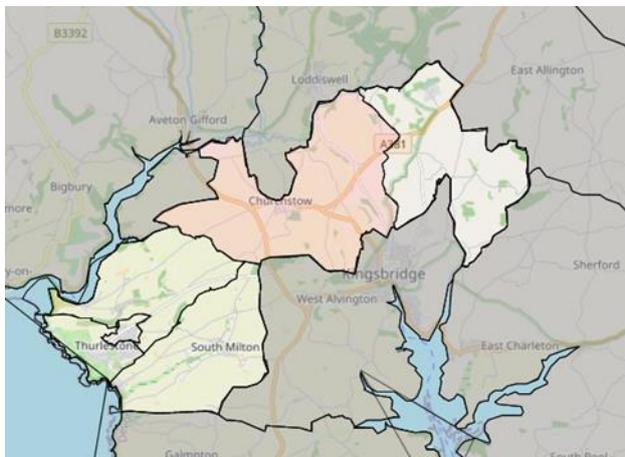
**Kingsbridge and West Alvington MSOA**



**Churchstow LSOA (extending beyond parish)**



**Churchstow OA (aligned with parish)**



Source: Nomis

### Headline population and housing statistics

38. The statistics show that at the time of the 2011 Census KWAC had a total of 6,888 residents, formed into 3,189 households, and occupying 3,553 dwellings.
39. For a fully accurate estimate of the current number of dwellings it is necessary to add net completions in the years since 2011. SHCD have advised that between the 2011/12 and 2019-20 monitoring periods, 102 homes have been built in Kingsbridge parish, 24 in Churchstow and 19 in West Alvington. (These figures are net of any demolitions taking place to facilitate the new development or happening in the same time frame. It is not possible to determine whether any of the dwellings built in 2011/12 were also counted in the Census or remained unoccupied at that time.)
40. This produces a total of 145 new dwellings. When added to the 3,553 homes existing at the time of the 2011 Census, this produces a current estimate of 3,698 dwellings in the KWAC area, and represents growth of around 4% over the nine-year period.
41. Another way to estimate the current number of dwellings and sense-check the figure above is with reference to VOA data that counts the stock of properties according to council tax banding and other measures for MSOAs and LSOAs. However, as noted above, Churchstow forms only part of an LSOA so the dwelling total for that area would incorporate homes elsewhere and distort any understanding of growth since 2011.
42. However, it remains possible to take the total number of dwellings across the MSOA and LSOA in the 2011 Census and compare this with current VOA data to understand the rate of growth for this slightly wider area. This is broken down into steps below. Note that VOA data is always rounded to the nearest 10 and is therefore not completely exact:
  - The number of dwellings in the Kingsbridge and West Alvington MSOA in 2011 was 3,314;
  - The number of dwellings in the Churchstow LSOA (wider than the parish) in 2011 was 1,269;
  - The 2011 total is therefore 4,583;
  - The number of dwellings in the Kingsbridge and West Alvington MSOA in 2020 was 3,340 – a very low increase on 2011 numbers;
  - The number of dwellings in the Churchstow LSOA in 2020 was 1,240 – a decline on 2011 figures;
  - The 2020 total is therefore 4,580 – an overall decline of roughly 3 homes.
43. This exercise suggests that there has been extremely limited development in KWAC since the 2011 Census, which is not consistent with the completions data provided by SHDC.
44. It is possible that the VOA data does not accurately reflect the number of 'dwellings' but only the number of units that are classed as residential for council tax purposes. In other words, the apparent decline may simply be the effect of a number of properties being reclassified as holiday homes or other uses rather than 'residential' in the strict sense. That said, the chapter on second homes reviews business rates VOA data for the LSOA and finds no increase over the period.
45. This discrepancy is difficult to explain, but it is recommended that the figure resulting from the Census count plus net completions in the intervening period. It does, however, remain a low increase on 2011 numbers. The key conclusion here is that there has generally been little recent development in the area.
46. It is also worth noting that after a period of limited activity two major sites (Belle Hill and K5) are now under construction and beginning to release considerable market and limited Affordable Housing stock within KWAC.
47. The Office for National Statistics (ONS) produces mid-year population estimates for parishes throughout the country. The mid-2019 population estimate for KWAC is a total of 7,069 indicating population growth of around 181 individuals since 2011. This very low level of population growth (2.6%) is broadly consistent with the low increase in the number of dwellings.
48. These more recent data sources for the population and existing housing stock will be used wherever possible in this report. However, Census datasets providing, for example, the breakdown of households (as opposed to individuals) by age and the tenure of dwellings, cannot be accurately be brought up to date. Such patterns, as expressed in 2011, are instead assumed to persist to the present day.

## 2.2 Planning policy context

49. Neighbourhood Plans are required to be in general conformity with adopted strategic local policies.<sup>1</sup>
50. For the District of South Hams in which KWAC sits, the relevant planning policy context is expressed in the following documents:
51. The **Plymouth and South West Devon Joint Local Plan (JLP)**, adopted by South Hams District Council on 21 March 2019, Plymouth City Council on 26 March 2019 and West Devon Borough Council on 26 March 2019. The JLP provides an overarching strategic framework for sustainable growth and the management of change for South Hams and the other districts. It covers the period 2014-2034.
52. The **Plymouth and South West Devon Supplementary Planning Document (SPD)**, adopted by Plymouth City Council on 22 June 2020, West Devon Borough Council on 9 June 2020 and South Hams District Council on 16 July 2020. The purpose of the SPD is to give guidance on the implementation of the strategic policies of the JLP for applicants.
53. Policies directly relevant to housing need in KWAC are reviewed below. The review is structured around the JLP, with additions taken from the SPD included and labelled as such where appropriate.

**Table 2-3: Summary of relevant policies in the JLP**

Policy	Provisions
Policy SPT2	Neighbourhoods and communities are expected to have a good balance of housing types and tenures to support a range of household sizes, ages and incomes to meet identified housing needs.
Policy SPT3 – Provision for new homes	Provision is made for at least 26,700 dwellings (net) in the Plan Area from 2014 to 2034. In the Thriving Towns and Villages Policy Area, the relevant target is at least 7,700 new homes, of which 2,050 should be affordable.
Policy TTV1 – Prioritising growth through a hierarchy of sustainable settlements	<p>A hierarchy of settlements is established:</p> <ul style="list-style-type: none"> <li>• Main towns will be prioritised for growth, enabling them to thrive and provide a broad range of services for the wider area, yet remain self-contained;</li> <li>• Smaller towns and key villages have support for growth commensurate with their roles in supporting nearby small villages and hamlets;</li> <li>• Sustainable villages have support for development to meet locally identified needs and sustain limited services; and;</li> <li>• Smaller villages, hamlets and the countryside, where development is only permitted if it can be demonstrated to support principles of sustainable development and communities.</li> </ul> <p>In the supporting text for this policy, Kingsbridge is defined as one of the six main towns, which are the most suitable locations for growth after Plymouth and support large rural hinterlands. The main towns are allocated a total of 4,417 new homes in the Plan period 2014-2034.</p> <p>Neither West Alvington nor Churchstow are listed as key or sustainable villages. They therefore fall within the category of smaller villages, hamlets and the countryside.</p>
Strategic Objective SO7 – Maintaining a strong network of main towns	The quantity and mix of new homes in main towns should respond positively to local housing needs.

<sup>1</sup> Available at <https://www.gov.uk/guidance/neighbourhood-planning--2#basic-conditions-for-neighbourhood-plan-to-referendum>

<b>Policy</b>	<b>Provisions</b>
Spatial Priority SP3 – Spatial priorities for development in Kingsbridge	<p>Mixed use development is supported to help meet local housing need and increase employment opportunities. There is a strong emphasis on long-term resilience alongside the conservation of historic assets and protection of the natural environment, with relatively less emphasis on housing issues.</p> <p>The supporting text states “It is important for the future self-sufficiency of Kingsbridge that appropriate levels of residential and employment growth are provided for within the town. It is fully recognised that the town has a close relationship with the AONB, and it is considered that the sites allocated within Kingsbridge provide the best opportunities to meet the future needs of the town whilst having the least impact on the special qualities and character of the AONB.”</p>
Policy TTV10 – The Quayside	This site is allocated for mixed-use redevelopment including 60 new homes, in addition to commercial, employment and community uses.
Policy TTV11 – West of Belle Hill	This site is allocated for residential use only, in the region of 96 new homes.
Policy TTV12 – Other site allocations at Kingsbridge	The additional site, North West of Kingsbridge, is allocated for residential development in the region of 111 homes.
Strategic Objective SO10 – Maintaining a naturally beautiful and thriving countryside	The key objective is to avoid development in unsustainable or inappropriate locations and thereby protect, conserve and enhance the natural beauty of the countryside. New homes are to be delivered only in areas where there is an identified local need.
Policy TTV26 – Development in the countryside	Isolated development in the countryside will only be permitted in certain exceptional circumstances having to do with rural employment, heritage assets and existing buildings.
Policy TTV27 – Meeting local housing needs in rural areas	Residential development sites adjoining or very near to existing settlements may be permitted if it can be demonstrated that they meet proven need for affordable housing for local people. Up to 40% market housing may be included in order to render the development viable. Dwellings will need to meet the identified need in perpetuity.
Policy DEV8 – Meeting local housing need in the thriving towns and villages policy area	<p>A wide choice of high-quality homes that widen opportunities for home ownership, meet needs for social rented housing and create sustainable mixed communities will be sought.</p> <p>A mix of housing sizes, types and tenure appropriate to the area and as supported by local housing evidence should be provided, to ensure that there is a range of housing, broadening choice and meeting specialist needs for existing and future residents. Key needs include homes that redress and imbalance in the existing housing stock, housing suitable for those with specific needs, and dwellings suited to younger people, working families and older people.</p> <p>The SPD adds further detail, highlighting the oversupply of 4+ bedroom homes, high levels of under-occupancy, and the benefit of churn in the market expected from increased provision of smaller homes.</p> <p>Across the policy area, a minimum of 30% on-site affordable housing will be sought for schemes of 11 or more dwellings.</p> <p>In rural areas with special designations, all residential developments of 6 to 10 dwellings should provide an off-site commuted sum to deliver affordable housing equivalent to 30% of the dwellings in the scheme.</p> <p>The preferred tenure mix within affordable housing is set out in the SPD. It should split between social rented homes (65%) and affordable home ownership tenures (35%), in line with housing needs evidence.</p>

Policy	Provisions
Policy DEV9 – Meeting local housing need in the Plan Area	The policy outlines further provisions for the delivery of a range and mix of housing to meet local needs: <ul style="list-style-type: none"> <li>• Affordable housing may include social and affordable rent, shared ownership, and innovative housing models that meet the local demand/need, such as rent-to-buy, starter homes and shared equity as appropriate.</li> <li>• Self and custom build housing will be generally be supported.</li> <li>• Development that increases housing choice through the private rented sector is supported</li> <li>• At least 20% of dwellings on schemes of 5 or more dwellings should meet national standards for accessibility and adaptability (Category M4(2)), and at least 2% of dwellings on schemes of 50 or more dwellings should meet national standard for wheelchair users (Category M4(3)).</li> </ul>
Policy DEV25 – Nationally protected landscapes	The highest degree of protection is given to the South Devon AONB, Tamar Valley AONB and Dartmoor National Park. Potentially damaging or inappropriate development may not be permitted within protected landscapes or their settings, unless in exceptional circumstances.

### 2.2.1 Quantity of housing to provide

54. The NPPF 2019 (paragraphs 65 and 66) requires Local Authorities to provide neighbourhood groups with a definitive or an indicative number of houses to plan for over the Neighbourhood Plan period.
55. South Hams has fulfilled this requirement by providing KWAC with a deliverable housing allocation as part of the JLP. The total number of dwellings across the three sites allocated in and around Kingsbridge in the JLP is 267.
56. This figure applies to the same period as the Neighbourhood Plan and can be understood as the likely volume of housing delivery expected during the lifetime of the Plan. It may, however, be exceeded should the Neighbourhood Plan pursue further development through community-led or other means, or through small-scale windfall development.

## 3. Approach

### 3.1 Scope

57. The HNA is intended to supplement and fill gaps in evidence already produced in some detail by the Neighbourhood Plan Steering Group. AECOM have been asked to supply additional evidence and guidance in two key policy areas: affordability and second homes. These are policy priorities in the Neighbourhood Plan, which is at an advanced stage of development.
58. As such, the HNA is not expected to review basic contextual data and will avoid replicating information already gathered by the Steering Group. Instead, it will focus on providing detailed evidence, additional modelling and discussion of policy considerations to support the two key policy areas.
59. The following research topics were agreed at the outset of the research through discussion with the Steering Group. They serve to direct the research and provide the structure for the HNA.

#### 3.1.1 Affordability

60. The Steering Group have drafted ambitious policies to influence the forms that market and affordable housing should take in KWAC during the Plan period. The HNA can add value by supplying further robust evidence that may justify or add nuance to those policy positions. Key areas of interest are the tenure mix within affordable housing, benchmarks for what can be considered genuinely affordable within various tenure categories, and the potential scale of need for affordable housing products.
61. Tangentially related to affordability issues is the size mix of new housing that may come forward in future. Modelling will therefore be included to assess what size mix may best meet local needs, given demographic trends and affordability concerns.
62. The Steering Group is interested in exploring the need for affordable housing for sale (also known as affordable home ownership) and are therefore eligible for support under the affordable housing for sale element of the Neighbourhood Planning Technical Support programme. Analysis and commentary on this issue is provided under the remit of this research question.

***RQ 1: What quantity and tenures of Affordable Housing are genuinely affordable to local people, and what might be planned for over the Neighbourhood Plan period?***

#### 3.1.2 Second homes

63. KWAC is an area where the rate of second home ownership is significantly above the national average, and where holiday lets and homes that are vacant for part of the year are perceived to have an impact on housing affordability as well as the vitality and economic resilience of the local community. A number of nearby locations have been successful in adopting policies restricting new housing to those who will use it as their primary residence.
64. This chapter of the HNA will review the evidence relating to the presence and growth of second home ownership in KWAC, and draw out any relevant connections to the affordability conclusions made in the preceding chapter and other considerations.

***RQ 2: What is the scale and potential impact of the second home sector on the KWAC housing market, and how might this be addressed through policy?***

### 3.2 Relevant Data

65. This HNA assesses a range of evidence to ensure its findings are robust for the purposes of developing policy at the Neighbourhood Plan level and is locally specific. This includes data from both Census 2011 and 2001, as well as from a wide range of other data sources, including:
  - Other Office of National Statistics (ONS) datasets providing more up-to-date demographic information;
  - ONS population and household projections for future years;
  - Valuation Office Agency (VOA) data on the current stock of housing and business premises;

- Land Registry data on prices paid for housing within the local market;
- Rental prices from Rightmove;
- Local Authority housing waiting list data;
- The Plymouth and South West Devon Strategic Housing Market Assessment 2017 (SHMA);
- A research report entitled Developing the Economic Strategy for Kingsbridge, West Alvington and Churchstow Neighbourhood Plan, published in November 2020.

## 4. RQ 1: Affordability

***RQ 1: What quantity and tenures of Affordable Housing are genuinely affordable to local people, and what might be planned for over the Neighbourhood Plan period?***

### 4.1 Introduction

66. This section approaches the question of affordability from two main perspectives. First, it examines what tenure options are currently available in KWAC and which of them might be most appropriate going forward, based on the relationship between how much they cost and local incomes. Second, it estimates the quantity of Affordable Housing that might be required during the Neighbourhood Plan period. These two pieces of evidence can help to evidence neighbourhood plan policies on Affordable Housing, for example to influence the tenure mix that may come forward.
67. It also presents a model to determine the most appropriate size mix for new housing based on demographic trends, which may be used alongside the evidence of affordability and other priorities to develop a policy influencing dwelling sizes that takes this range of inputs fully into account.
68. Tenure refers to the way a household occupies their home. Broadly speaking, there are two categories of tenure: market housing (such as homes available to purchase outright or rent from a private landlord) and Affordable Housing (including subsidised products like social rent and shared ownership). In this chapter we refer to Affordable Housing, with capital letters, to denote the specific tenures that are classified as affordable in the current NPPF. A relatively less expensive home for market sale may be affordable but it is not a form of Affordable Housing.
69. The definition of Affordable Housing set out in the 2019 NPPF makes clear the Government's commitment to home ownership by broadening the definition to include a range of low-cost housing opportunities for those aspiring to own a home. As part of this effort, the Government has recently confirmed the introduction of the new First Homes product.
70. Because the First Homes product is new and expected to be an important part of the strategy for improving access to home ownership, it is worth summarising its key features and implications:
  - First Homes should be available to buy with a minimum discount of 30% below their full market value (i.e. the value of an equivalent new home);
  - The discount level can be set higher than 30% – at 40% or 50% – where this can be suitably evidenced. The setting and justifying of discount levels can happen at neighbourhood as well as local authority scale;
  - After the discount is applied the initial sale price must not exceed £250,000 (or £420,000 in Greater London), and lower caps can be set locally;
  - Purchasers must be first-time buyers with an income less than £80,000 (or £90,000 in Greater London), and First Homes can be prioritised for local people and/or key workers;
  - They will be subject to legal restrictions ensuring the discount is retained for future occupants, and renting out or sub-letting will not normally be permitted;
  - In addition to setting the discount level, local authorities and neighbourhood planning groups can apply additional criteria, such as a lower income cap, local connection test or prioritization for key workers through adopted plans, emerging policy or Supplementary Planning Documents.
  - 25% of all homes delivered through section 106 developer contributions on sites enabled through the planning process should be sold as First Homes. In simpler terms, 25% of all subsidised Affordable Housing on mainstream housing developments should be First Homes. This is likely to mean that First Homes will take the place of shared ownership housing in many circumstances, and in some cases may also displace social or affordable rented homes.

## 4.2 Affordability

71. This section begins with an understanding of local incomes, before reviewing current statistics and trends in the costs of various forms of housing and estimating the annual income that would be required to afford each tenure. The estimates of what income levels are needed can then be compared to one another and actual income levels to get a sense of what is and is not realistically affordable in KWAC.

### 4.2.1 Incomes

72. Household incomes determine the ability of households to exercise choice in the housing market, and consequently the level of need for affordable housing products. Two sources of data are used to examine household incomes in KWAC:
- The first source is ONS's estimates of incomes in small areas. This is locally specific to MSOAs but limited to the overall average income (i.e. it does not provide the average income of lower earners).
    - The average total household income before housing costs for the Kingsbridge / West Alvington MSOA was £35,600 in 2019. This total (gross) income figure is typically used by mortgage lenders to assess a household's ability to afford to borrow.<sup>2</sup>
  - The second source is ONS's annual estimates of UK employee earnings (ASHE tables). This provides both median and lower quartile average earnings (i.e. the income of the lowest 25% of earners). However, it is only available at the Local Authority level. It also relates to individual earnings. While this is an accurate representation of household incomes where there is only one earner, it does not represent household income where there are two or more people earning.
  - South Hams' gross median earnings per person in 2019 was £20,110, which is significantly lower than the MSOA average. While this may be due to real differences between incomes at the two scales, the two data sources are also calculated differently and frequently show discrepancies.
  - The lower quartile annual earnings for South Hams were £10,662 in 2019. To estimate the income of households with two lower quartile earners, this figure is doubled to £21,324. Since this is very similar to the South Hams median from this dataset, it can serve as an indicator of a household with two lower earners and also a more conservative indicator of an average household income.
73. It is immediately clear from this data that there is a large gap between the spending power of average earning households and those earning the lowest 25% of incomes, particularly where the household in question has one earner only.

### 4.2.2 Market home ownership

74. Figure 4-1 below presents selected measures of house prices in KWAC over time. Each measure – the mean, median and lower quartile (lowest 25% of prices) – represents Land Registry data for all transactions in the given calendar year for any address with a postcode falling within one of the three parishes.
75. It shows a steady increase in house prices over the last ten years, broken only by a very slight decline in 2014 and more substantial dip in 2016. The mean house price has increased by 40.4% or £92,640 over the past ten years.
76. The gap between the average home and the lower quartile (cheapest 25% of properties – a good proxy for entry-level homes) has widened slightly in recent years, suggesting that affordability is worsening more in the higher value end of the market than the lower end. While this appears to be modest good news for those on lower incomes, the average entry-level home has still increased in price by nearly £36,250 (or 23%) since 2011.
77. The current 2020 average prices for each measure are as follows:
- Lower quartile: £195,500;

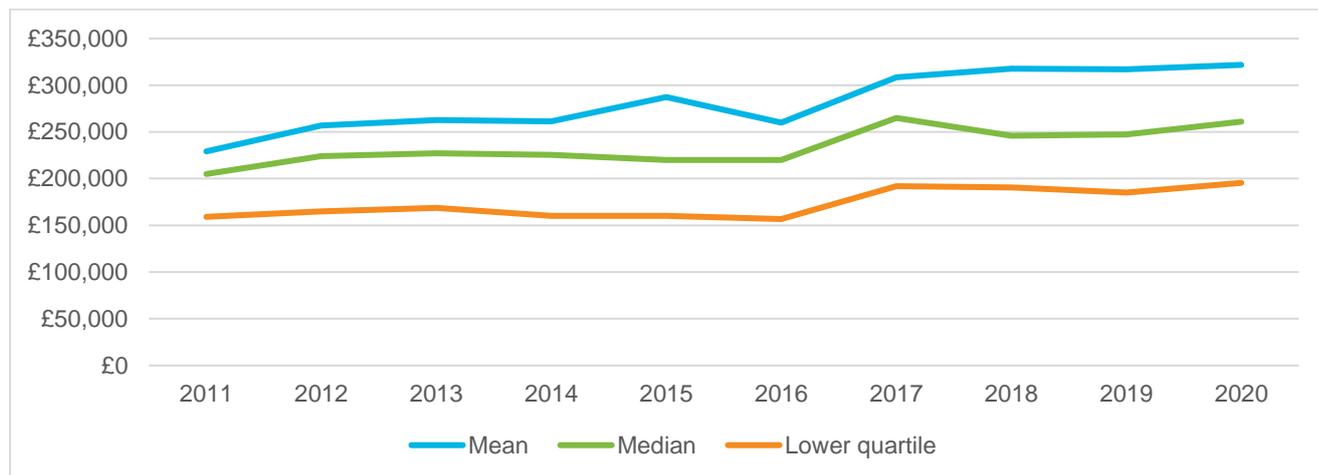
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<sup>2</sup> Total annual household income is the sum of the gross income of every member of the household plus any income from benefits such as Working Families Tax Credit.

- Median: £261,000;
- Mean: £321,816.

78. It is worth comparing the 2020 median house price in KWAC to that of wider South Hams. The South Hams median was £419,787, meaning that KWAC market housing can be roughly thought of as 23.3% less expensive than housing across the district as a whole. This is not surprising as South Hams is largely rural (i.e. characterised by large historic properties) and contains a number of very high-value markets that serve demand for second homes to an even greater degree than KWAC.

Figure 4-1: House prices in KWAC, 2011-2020



Source: Land Registry Price Paid Data (PPD)

79. Table 4-1 below breaks down house prices by type, which is the only way that the Land Registry differentiates the stock of housing (it does not indicate number of bedrooms). It shows that all house types have appreciated strongly over the last ten years, with detached homes showing the most aggressive growth.
80. All house types have seen relatively volatile changes in the average price year-on-year because there is wide variation in the value characteristics (such as condition and location) of the stock locally and because the sample size of each is relatively small.
81. KWAC has an unusually balanced housing stock by type, as can be seen in Table 4-2 below. At the time of the 2011 Census, which used the same type categories as the Land Registry, each of the four key types were within 2 percentage points of 25%.
82. VOA data accurate to 2020 is also provided, although it cannot be used for comparison because bungalows are counted separately without reference to whether they are detached, terraced, etc. It can be deduced however that there are almost no terraced bungalows – with the vast majority being detached or semi-detached.
83. Besides serving as context for the price growth data, it is worth paying attention to this dwelling type mix as JLP Policy DEV8 provides justification to influence the size and type of new dwellings in order to redress existing imbalances in the stock. It would appear that KWAC has little justification to influence the type mix on these grounds. That said, it is not clear what constitutes an imbalance for South Hams. Though KWAC’s type mix is balanced on its own terms, it does deviate from the South Hams average where detached housing is more common and flatted accommodation less so.
84. (The current and potential future size mix is considered in a separate section of this chapter.)

**Table 4-1: House prices by type, KWAC, 2011-2020**

Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Growth
Detached	£311,727	£377,345	£411,648	£448,528	£459,204	£379,225	£412,714	£401,721	£474,500	£460,224	47.6%
Semi-detached	£270,506	£252,573	£224,533	£307,519	£319,912	£237,735	£307,905	£257,054	£286,435	£340,517	25.9%
Terraced	£184,998	£187,444	£204,621	£202,124	£206,545	£217,290	£239,376	£225,430	£232,694	£265,093	43.3%
Flats	£176,227	£213,589	£159,846	£152,037	£169,575	£157,553	£196,663	£193,424	£220,950	£172,891	-1.9%
<b>All Types</b>	<b>£229,175</b>	<b>£256,734</b>	<b>£262,717</b>	<b>£261,474</b>	<b>£287,365</b>	<b>£259,926</b>	<b>£308,619</b>	<b>£317,789</b>	<b>£317,165</b>	<b>£321,816</b>	<b>40.4%</b>

Source: Land Registry PPD

**Table 4-2: Accommodation type, KWAC, 2011 and 2020**

Dwelling type	2011 (Census)	2020 (VOA)
Bungalow	-	15.7%
Flat	25.7%	22.5%
Terrace	24.5%	24.9%
Semi-detached	23.2%	15.9%
Detached	26.3%	19.9%
Unknown/other	-	1.7%

Source: ONS 2011, VOA 2020, AECOM Calculations

85. This snapshot of house prices suggests that home ownership is becoming increasingly unaffordable in KWAC. This aligns with Census data showing that growth in the rate of home ownership in KWAC stagnated (less than a 1% increase) between 2001 and 2011, while the number of private renting households increased by 84% - a higher increase than seen across South Hams (65.1%). Similarly, the quantity of shared ownership increased by 85% in the same period, well above South Hams and national levels. While this does demonstrate clear demand for affordable routes to ownership, the growth rate also indicates the readiness of local providers to offer this relatively new tenure.
86. This analysis is not able to include robust information on the costs of newly built housing because Land Registry data shows that only 19 newly built properties have been sold in KWAC since 2011, only one of which was sold since 2017. This makes drawing conclusions about current pricing difficult. However, it is important to have an understanding of the costs of new build housing because it is primarily new build housing that neighbourhood plan policies can have control over.
87. The 11 newly built homes sold on the open market in KWAC since 2016 have only met the needs of those with considerable financial means. The cheapest example cost £310,000, with the median costing £425,000.
88. The costs of new build housing that can be expected in KWAC in the near future can be roughly estimated by taking the average cost of various types of new build housing across South Hams in 2020 and adjusting for the difference in the overall average price for that type between KWAC and South Hams. This is shown in Table 4-3 below. Note that there was only one new build flat sold in South Hams in 2020 (with a value of £160,000) so the 2019 average was used instead, with a sample size of 23.
89. The potential scale of the premium on new build housing can be seen by comparing these estimates with the 2020 existing housing averages in Table 4-1 above. The new build premium on new housing is a potentially serious impediment to the potential to resolve the housing challenges in KWAC through the construction of new market housing.
90. There appears to be no premium on detached housing, but this is because detached housing in the existing stock is more likely to include a large number of historic and high-value properties on large and prominent plots, so the existing stock average is not equivalent to an average new build detached home as part of a typical modern development.

**Table 4-3: New build accommodation pricing, South Hams and KWAC (estimated), 2020**

Dwelling type	2020 South Hams new build average	% difference between South Hams and KWAC 2020 average by type	Estimate for KWAC
Detached	£398,118	KWAC 16.4% lower	£332,937
Semi-detached	£273,788	KWAC 4.3% higher	£285,625
Terrace	£270,918	KWAC 7.5% lower	£250,722
Flat	£340,495 (2019 average)	KWAC 45.3% lower	£186,257

Source: Land Registry PPD, AECOM Calculations

91. The above data can be used to estimate the annual costs of home ownership, which is termed the 'purchase threshold'.
92. The starting point for calculating the affordability of a dwelling for sale is the loan to income ratio which most mortgage companies are prepared to agree. This ratio is conservatively estimated to be 3.5.
93. To produce a more accurate assessment of affordability, the savings required for a deposit should be taken into account in addition to the costs of servicing a mortgage. However, unlike for incomes, data is not available for the savings available to households in KWAC, and the precise deposit a mortgage provider will require of any buyer will be determined by their individual circumstances and the state of the mortgage market. For the purposes of these calculations, an assumption is therefore made that a 10% purchase deposit is required and that this is available to a prospective buyer who can afford to service the mortgage.
94. The calculation for the purchase threshold for a median market home is as follows:
  - Value of median KWAC house price (2020) = £261,000;
  - Purchase deposit at 10% of value = £26,100;
  - Value of dwelling for mortgage purposes = £234,900;
  - Divided by loan to income ratio of 3.5 = purchase threshold of £67,114.
95. The purchase threshold for an entry-level dwelling is a better representation of affordability to those with lower incomes or savings, such as first-time buyers. To determine this threshold, the same calculation is repeated but with reference to the lower quartile rather than the median house price. The lower quartile average in 2020 was £195,500, and the purchase threshold is therefore £50,271.
96. Finally, it is worth assessing the purchase threshold for new build homes, since this most closely represents the cost of the new housing that will come forward in future. The same calculation is repeated for the estimated current new build price of each dwelling type for KWAC as presented in Figure 4-3 above. The purchase thresholds are as follows:
  - Detached: £85,612;
  - Semi-detached: £73,446;
  - Terraced: £64,484;
  - Flat: £47,895.
97. These thresholds will be compared along with local incomes the other tenures considered below in a subsequent section.

### 4.2.3 Private renting

98. Income thresholds are used to calculate the affordability of rented and affordable housing tenures. It is generally assumed that rented housing is affordable if the annual rent does not exceed 30% of a household's gross annual income. However, this is increasingly unrealistic in practice. It is not possible to determine what proportion of their incomes KWAC households will be willing or able to dedicate to rental costs, and this will differ household to household.

99. Therefore the approach taken here is to determine a second income threshold that assumes households will be able (or perhaps more realistically, be forced) to dedicate 50% of their gross incomes to rental costs. This is an arbitrary upper bound in order to provide a range, and should not be interpreted as a suggestion that spending 50% of gross income on rents is acceptable or feasible. Most households will fall somewhere in the middle of this range.
100. The property website Rightmove can be interrogated for rental listing data. There was only one rental listing in KWAC at the time of writing in April 2021. Note that a custom drawn boundary was used to replicate the NA, however this prevents 'let agreed' listings from being counted. Therefore the area of search was widened to Kingsbridge plus a one mile radius. This produced 17 listings.
101. It is important to highlight that only one of these 17 listings remained available. This is a strong indication of intense competition for rental properties in KWAC. The speed at which new lettings are taken up, being a signal of demand outstripping supply, is closely associated with price increases. However, it also presents a broader problem: even if rents were to be affordable, there may simply not be enough rented housing to meet local needs.
102. Though this is purely a snapshot in time, it is interesting to note that there was a particular absence of 1 bedroom and 4+ bedroom properties on the market, with only two 1 bedroom listings (both agreed) and one 4 bedroom listing (also agreed). 6 of the 17 listings had 2 bedrooms, and a further 6 had 3 bedrooms.
103. For the purpose of estimating the costs of renting, two thresholds are taken. The first is for the overall median rental price which in this case is at the lower end of the 3 bedroom price range at £950. The second is for the 2 bed median at £810, which is the best available proxy for an entry-level home.
104. It is also worth noting that new build rented properties in the Fore Street, Loddiswell development are currently listed and give a limited indication of the costs of new build to rent accommodation. A 2 bedroom property is listed for £950 per month, and a 3 bedroom property for £1,100 per month. These rent levels are around 15-20% above the average on the second hand market.
105. The calculation for the private renting income thresholds (overall median) is as follows:
  - Annual rent = £950 x 12 = £11,400;
  - Multiplied by 3.33 (so that no more than 30% of income is spent on rent) = income threshold of £38,000;
  - Multiplied by 2 (so that no more than 50% of income is spent on rent) = income threshold of £22,800.
106. The income thresholds for the median entry-level rent produces a result of £32,400 if 30% of income is spent on rent and £19,440 if 50% of income is spend on rent.

#### 4.2.4 Affordable Housing

107. There are a range of tenures that constitute the definition of Affordable Housing within the 2019 NPPF: social rent and affordable rent, discounted market sales housing, and other affordable routes to home ownership. More recently, a new product called First Homes has been introduced to replace Starter Homes. Each of the affordable housing tenures are considered below.

##### Social rent

108. Rents in socially rented properties reflect a formula based on property values and average earnings in each area, resulting in substantial discounts to market rents. As such, this tenure is suitable for the needs of those on the lowest incomes and is subject to strict eligibility criteria.
109. To determine social rent levels, a statistical data return from Homes England is used. This data is only available at the Local Authority level, so South Hams must act as a proxy for KWAC. This data provides information about rents and the size and type of stock owned and managed by private registered providers and is presented for South Hams in the table below.
110. To determine the income needed, it is assumed that no more than 30% of household income should be spent on rent. Because those eligible for social rent are by definition on lower incomes than those seeking housing in the private rented sector, and because they may be in receipt of other benefit arrangements, it is not considered realistic that such households will be able to spend up to 50% of their incomes on rent.

111. This is an assumption only for what might generally make housing affordable or unaffordable – it is unrelated to the eligibility criteria of Affordable Housing policy at Local Authority level.

**Table 4-4: Social rent levels, South Hams, 2019**

Size	1 bed	2 beds	3 beds	4 beds	All
Average social rent per week	£85.16	£92.78	£102.84	£113.70	£95.07
Annual average	£4,428	£4,825	£5,348	£5,912	£4,944
Income needed	£17,713	£19,298	£21,391	£23,650	£19,775

Source: Homes England, AECOM Calculations

### Affordable rent

112. Affordable rent is controlled at no more than 80% of the local market rent. However, even a 20% discount on the market rent may not be sufficient to ensure that households can afford this tenure, particularly when they are dependent on benefits. Registered providers who own and manage affordable rented housing may therefore also apply a cap to the rent to ensure that it is affordable to those on housing benefit (where under Universal Credit the total received in all benefits to working age households is £20,000). This may mean that the rents are actually 50-60% of market levels rather than 80%.

113. In South Hams, affordable rents should be set at least 20% below the equivalent private rents but also not exceed Local Housing Allowance (LHA) rates – the maximum benefit that might be paid for tenants renting accommodation from a private landlord.<sup>3</sup> LHA rates are set at the level of the broad rental market area (BRMA). South Hams straddles two BRMAS: South Devon and Plymouth. Kingsbridge is located within the South Devon BRMA. The relevant weekly LHA rates effective from April 2021 are provided in Table 4-5 below.

114. The private rent for a 2 bedroom dwelling in KWAC (£810, as above) reduced by 20% would result in an affordable rent of £648 per month. The weekly LHA rate for a 2 bedroom property (£138.08) multiplied by 4 to produce an equivalent monthly rate is £552.32. This is around 68% of private rents. It is therefore reasonable to assume that, to ensure policy compliance, the maximum LHA rent will be used to set affordable rents in KWAC. There may however be circumstances where this is not achieved, for example due to viability negotiations between the registered provider (likely Live West) and the Council.

115. The LHA rates can be used as a basis to understand the likely costs of this tenure, and are converted to annual figures and income thresholds (again assuming that 30% of earnings is the feasible maximum for eligible households) in Table 4-5 below.

**Table 4-5: Affordable rent levels, South Devon BRMA, 2021**

Size	1 bed (shared facilities)	1 bed (self-contained)	2 beds	3 beds	4 beds
Average affordable rent per week	£65.00	£103.56	£138.08	£168.00	£207.12
Annual average	£3,380	£5,385	£7,180	£8,736	£10,770
Income needed	£13,520	£21,540	£28,721	£34,944	£43,081

Source: VOA, AECOM Calculations

### Affordable home ownership

116. Affordable home ownership tenures include products for sale and rent provided at a cost above social rent, but below market levels. The three most widely available are discounted market housing (a subset of which is the new First Homes product), shared ownership, and rent to buy. These are considered in turn below.

<sup>3</sup> SPD paragraphs 4.83, 4.88

117. In paragraph 64 of the NPPF 2019, the Government introduces a recommendation that “where major housing development is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership.” The recently adopted proposals for ‘Changes to the current planning system’ suggest that 25% of all Affordable Housing should be First Homes – the Government’s new flagship discounted market sale product. When the NPPF is next updated, it is expected that the 10% affordable home ownership requirement referenced above may be replaced by the First Homes requirement.

### **Discounted market housing**

118. Whether to treat discounted market housing as affordable or not depends on whether discounting the asking price of new build homes of a size and type suitable to first time buyers would bring them within reach of people currently unable to buy market housing. It is therefore appropriate to focus on terraced and flatted housing – the two types offering this market segment the best chance of accessing home ownership.

119. As noted above, an average new build terraced house in KWAC can be expected to cost £250,722. For a flat the estimated price is £186,257.

120. For a discount of 30% – as in the Government’s new First Homes product – the purchase threshold for a terraced house can be calculated as follows:

- Estimated value = £250,722;
- Discounted by 30% = £175,505;
- Purchase deposit at 10% of value = £17,551;
- Value of dwelling for mortgage purposes = £157,955;
- Divided by loan to income ratio of 3.5 = purchase threshold of £45,130.

121. 30% is the minimum discount for the First Home product, but this could be increased up to 50% where necessary and viable. It is therefore useful to repeat this calculation for discount levels of 40% and 50%. This would require an income threshold of £38,683 and £32,236 respectively.

122. The same calculations are repeated for the estimated cost of a flat, with the following income thresholds required:

- 30% discount: £33,526 annual income required;
- 40% discount: £28,737 annual income required;
- 50% discount: £23,947 annual income required.

123. Note that discounted market sale homes may be unviable to develop if the discounted price is close to (or below) build costs. Build costs vary across the country but as an illustration, the build cost for a 2 bedroom home (assuming 70 sq m and a build cost of £1,500 per sq m) would be around £105,000. This cost excludes any land value or developer profit. This would not in itself appear to be an issue in KWAC, however high land values and abnormal build costs (for topographical and other reasons) do make viability challenging locally.

### **Shared ownership**

124. Shared ownership involves the purchaser buying an initial share in a property, typically of between 25% and 75% (but recently set at a minimum of 10%), and paying rent on the share retained by the provider. Shared ownership is flexible in two respects, in the share which can be purchased and in the rental payable on the share retained by the provider. Both of these are variable. The share owned by the occupant can be increased over time through a process known as ‘staircasing’.

125. In exceptional circumstances (for example, as a result of financial difficulties, and where the alternative is repossession), and at the discretion of the provider, shared owners may staircase down, thereby reducing the share they own. Shared equity is available to first-time buyers, people who have owned a home previously and council and housing association tenants with a good credit rating whose annual household income does not exceed £80,000.

126. To determine the affordability of shared ownership, calculations are again based on the estimated value of a new build terrace and a new build flat. The deposit available to the prospective purchaser is assumed to be 10% of the value of the dwelling, and the standard loan to income ratio of 3.5 is used to calculate the income

required to obtain a mortgage. The rental component is estimated at 2.5% of the value of the remaining (unsold) portion of the price, though this will also be linked to the LHA rate for an equivalent property in practice.

127. The income required to cover the rental component of the dwelling is based on the assumption that a household can spend no more than 30% of their income on rent. In this case it is considered appropriate to use this lower bound of the 30-50% range used for private renting because occupiers of shared ownership accommodation may have higher or variable mortgage costs (in addition to the need to use savings for a deposit) that may make it more difficult to dedicate a higher proportion of their income to the rented portion, although this will of course be an option for some households. The affordability threshold for a terraced home is calculated as follows:

- A 25% equity share of £250,722 is £62,680;
- A 10% deposit of £6,628 is deducted, leaving a mortgage value of £56,412;
- This is divided by the loan to value ratio of 3.5 to give a purchase threshold of £16,118;
- Rent is charged on the remaining 75% shared ownership equity, i.e. the unsold value of £188,041;
- The estimated annual rent at 2.5% of the unsold value is £4,701;
- This requires an income of £15,670 (annual rent multiplied by 3.33 so that no more than 30% of income is spent on rent).
- The total income required is £31,788 (£16,118 plus £15,670).

128. The same calculation is repeated for equity shares of 50% and 75%, producing affordability thresholds of £42,682 and £53,577 respectively.

129. Again the process is replicated for the estimated cost of a flat, producing the following affordability thresholds:

- 25% equity share: £23,615 annual income required;
- 50% equity share: £31,708 annual income required;
- 75% equity share: £39,801 annual income required.

130. It has recently been announced that the minimum equity share for shared ownership may fall to just 10% of the property value. If this can be delivered, the income required would be lower still. However, it is worth emphasising that the transition from 10% to 100% ownership would be long, and during this period the rent on the 90% unsold value would not be subsidised. This product would therefore only be a realistic route to full ownership for households prepared to take a very long-term view.

#### **Rent to buy**

131. Rent to buy is a relatively new and less common tenure, which through subsidy allows the occupant to save a portion of their rent to build up a deposit to eventually purchase the home. It is therefore estimated to cost the same as private rents – the difference being that the occupant builds up equity.

### **4.2.5 Affordability Thresholds**

132. Having reviewed and estimated the annual costs of various forms of housing, these can now be compared to the measures of local incomes set out at the start of this chapter. Table 4-6 overleaf summarises the estimated cost of each tenure and sub-category, the annual income required to support these costs within KWAC, and indicates whether local incomes are sufficient.

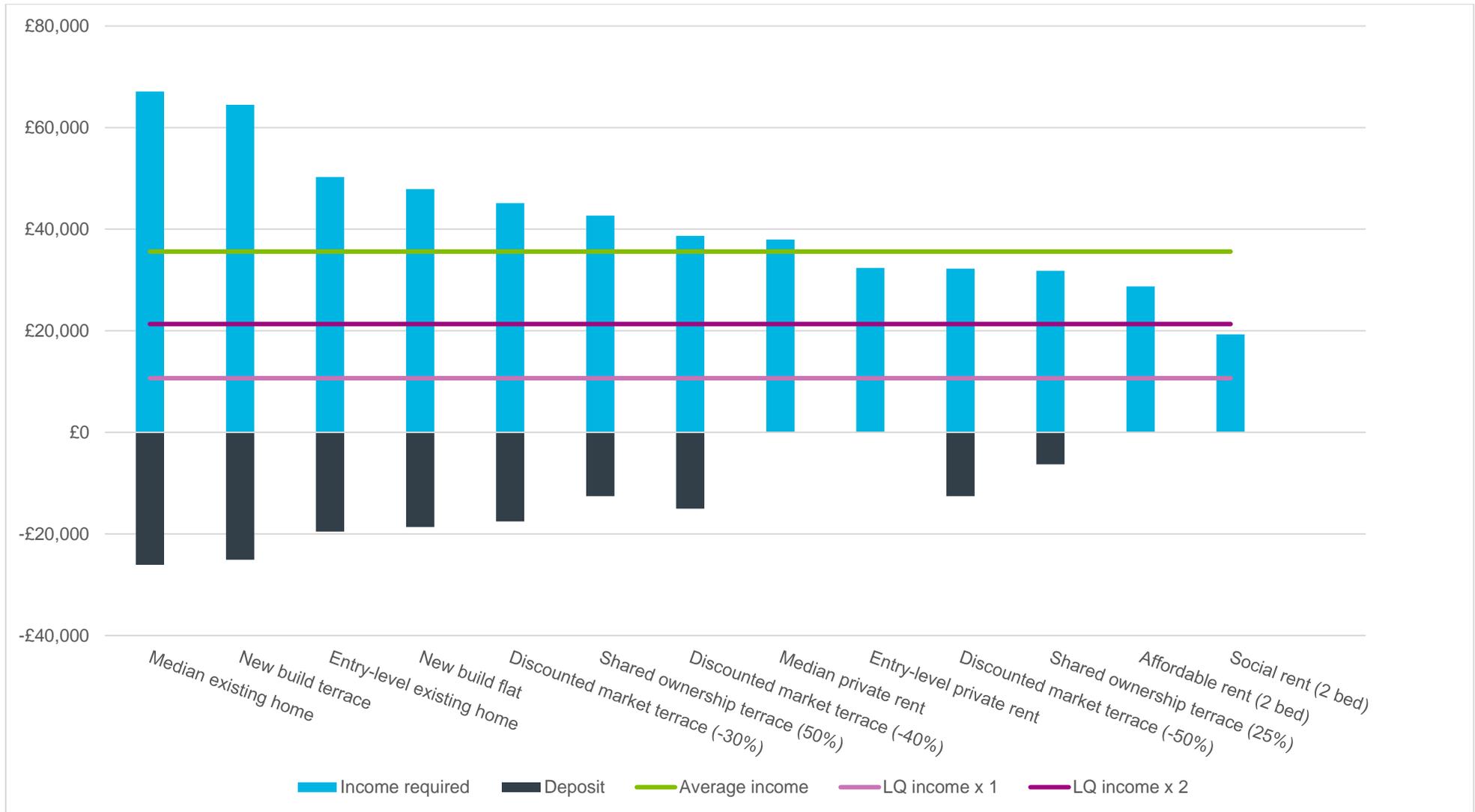
133. The income required column does not reflect the cost of a deposit (which we have assumed to be 10% of the value to be purchased) or the possibility that households may already hold equity from an existing property. The same information is simplified as a graph covering selected categories and displaying the one-off additional cost of the deposit in Figure 4-2 on the subsequent page. For clarity of comparison, where the table gives a threshold for every type within a category only terraced houses are displayed on the graph. Analysis follows the two charts.

**Table 4-6: Affordability thresholds, KWAC**

Tenure	Mortgage Value (90% of price)	Rent	Income required	Affordable on average incomes? £35,600	Affordable on LQ earnings (single earner)? £10,662	Affordable on LQ earnings (2 earners)? £21,324
<b>Market home ownership</b>						
Median existing home	£234,900	-	£67,114	No	No	No
Entry-level existing home	£175,950	-	£50,271	No	No	No
New build detached house	£299,643	-	£85,612	No	No	No
New build semi-detached house	£257,063	-	£73,446	No	No	No
New build terraced house	£225,650	-	£64,484	No	No	No
New build flat	£167,631	-	£47,895	No	No	No
<b>Private renting</b>						
Median rent (30% of income)	-	£11,400	£38,000	No	No	No
Entry-level rent (30% of income)	-	£9,720	£32,400	Yes	No	No
Median rent (50% of income)	-	£11,400	£22,800	Yes	No	No
Entry-level rent (50% of income)	-	£9,720	£19,440	Yes	No	Yes
<b>Affordable home ownership</b>						
Discounted market terrace (30%)	£157,955	-	£45,130	No	No	No
Discounted market terrace (40%)	£135,390	-	£38,683	No	No	No
Discounted market terrace (50%)	£112,825	-	£32,236	Yes	No	No
Discounted market flat (30%)	£117,342	-	£33,526	Yes	No	No
Discounted market flat (40%)	£100,579	-	£28,737	Yes	No	No
Discounted market flat (50%)	£83,816	-	£23,947	Yes	No	No
Shared ownership terrace (75%)	£169,237	£1,567	£53,577	No	No	No
Shared ownership terrace (50%)	£112,825	£3,134	£42,682	No	No	No
Shared ownership terrace (25%)	£56,412	£4,701	£31,788	Yes	No	No
Shared ownership flat (75%)	£125,724	£1,164	£39,801	No	No	No
Shared ownership flat (50%)	£83,616	£2,328	£31,708	Yes	No	No
Shared ownership flat (25%)	£41,908	£3,492	£23,615	Yes	No	No
<b>Affordable rented housing</b>						
4 bedroom affordable rent	-	£10,770	£43,081	Yes	No	No
3 bedroom affordable rent	-	£8,736	£34,944	Yes	No	No
2 bedroom affordable rent	-	£7,180	£28,721	Yes	No	No
1 bedroom (self-contained) affordable rent	-	£5,385	£21,540	Yes	No	Marginal
4 bedroom social rent	-	£5,912	£23,650	Yes	No	No
3 bedroom social rent	-	£5,348	£21,391	Yes	No	Marginal
2 bedroom social rent	-	£4,825	£19,298	Yes	No	Yes
1 bedroom social rent	-	£4,428	£17,713	Yes	No	Yes

Source: AECOM Calculations

Figure 4-2: Affordability thresholds, KWAC, annual income required (additional one-off cost of deposit in black)



Source: AECOM Calculations

### **Market home ownership**

134. Thinking first about housing for purchase on the open market, it is apparent that a local household would need an income comfortably above the average (or a very large deposit) to qualify for a mortgage even for an entry-level home.
135. New build homes command a significant premium, with the cost of a new build flat only just cheaper than the most affordable 25% of existing second-hand homes. Home ownership through the mainstream market is therefore not an option for a majority of local people and there is little chance of new market housing in any form widening access to home ownership to people who do not own already.

### **Private renting**

136. Private renting is similarly out of reach for most people. Average earning households (using a perhaps optimistic measure of local incomes) are just about able to afford entry-level rents while spending no more than 30% of their income. They can afford average rents or more bedrooms if they are able to dedicate a larger portion of their income to housing costs.
137. Households with two lower earners have far fewer options. They are only just able to afford an entry-level rental property if they dedicate nearly half of their gross income – a very challenging prospect particularly at this income level. They may, however, be able to afford a 1 bedroom rental if this is sufficient to their requirements and one becomes available in what is a very tight market.
138. It can therefore be concluded that private renting really only serves those earning around the local average. That income group need this tenure because home ownership is not a possibility for them on the whole.
139. Lower earners are in a more difficult situation: they must either apply for affordable rented housing or remain in the private rented sector while relying on housing or other benefits.
140. There is little planning policy can do to surmount KWAC's affordability challenge in the private rented sector, other than to encourage modestly sized homes to come forward and encourage helpful features of the sector such as long, secure tenancies. There are no products designed specifically for making renting more affordable, without this being a means to the end of eventual ownership. However, providing more affordable and social rent can help to protect the people who are unable to afford private renting altogether.

### **Affordable home ownership**

141. It has been established that there is a group of people in KWAC who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £30,000 per year (at which point entry-level rents become affordable) and £50,000 (at which point entry-level market sale homes become affordable).
142. This 'can rent, can't buy' cohort may benefit from the range of affordable home ownership products such as First Homes and shared ownership.
143. First Homes are to be offered at a discount of at least 30% on equivalent market prices (i.e. new build, entry-level properties). Local authorities and neighbourhood plans will have discretion to increase the discount on First Homes to 40% or 50% where there is evidence to suggest this is appropriate.
144. We have estimated the income required to afford new build terraces and flats at 30%, 40% and 50% discount levels. It is appropriate to base the required discount on the income required for terraced homes or larger flats that would enable first-time buyers to grow into their homes as their family expands without facing the challenge of entering the open market without further assistance. Because data on the price of flats at each size is not captured by Land Registry, the income threshold for First Homes terraces is used here. The discount required to make a new build terraced house affordable to the various income groups is as follows:
  - Average earning households: 45%;
  - Households with two lower quartile earners: 67%;
  - Households with one lower quartile earner: 83%.
145. On this basis it is considered that a discount of at least 45% would be required to make a typical First Home affordable to an average earning household in KWAC. For lower earners to be able to access home ownership – arguably the purpose of this new product – the discount would need to be higher still. It is worth noting that the JLP SPD advises that affordability should be gauged against the median in the ASHE

tables, which is £20,100 and would require a discount of above 60%. Since the potential discount is capped at 50%, the evidence strongly suggests that the highest possible discount should be sought in KWAC.

146. A further supporting argument for this requirement, assuming it is viable, is the comparatively high cost of private renting in KWAC, which means that affordable home ownership could actually provide an appropriate housing solution to people unable to afford private rents in addition to those who 'can rent, can't buy'. A First Homes flat discounted at the same rate of 50% could help a household get a footing on the housing ladder when their best current option is to spend nearly 50% of their income on rental costs.
147. Shared ownership appears to be generally less attractive than First Homes in KWAC. A shared ownership terrace with a 25% equity share is only just more affordable than a 50% discounted First Home, but is less beneficial for the household in the long-term as far less equity is built up and a sizeable part of the cost goes to rent.
148. It is clear that 75% equity shared ownership is only helpful for above-average earners, so where provided it should ideally be offered at a lower than 50% equity share.
149. The income required to access rent to buy is assumed to be the same as that required to afford market rents. At around £32,400 for an entry-level home (though the new build premium might result in higher rents in practice), this is fairly similar to the offering of a 50% discounted First Home. It is again less attractive due to the lower equity gain but may be useful to households with less certain long-term plans.

#### **Affordable rented housing**

150. Affordable rented housing in KWAC is not particularly affordable to households with one or two lower earners (average earning households are unlikely to be eligible).
151. Households with two lower earners appear unable to afford affordable rent, but are generally well-served by social rent. Households with a single lower earner appear unable to afford any of the tenures considered.
152. Many such individuals will, if unable to secure a small social rented dwelling or additional subsidy, need to live in a room in a shared house using housing benefit.
153. While the detailed benefits arrangements offered by South Hams and pricing of specific Live West housing units have not been interrogated here, the evidence in this chapter suggests that the affordable rented sector performs a vital function in KWAC, and that social rent is more urgently needed in KWAC than affordable rent.

### **4.3 Affordable housing- quantity needed**

154. It is also possible to understand the broad scale of the need for Affordable Housing tenures in KWAC. This can, together with the evidence presented above, help to evidence policy around Affordable Housing in the Neighbourhood Plan.

#### **4.3.1 Affordable rent**

155. Because of the detail of its model and the strength of the underlying data provided by the councils, the 2017 SHMA provides the best indication of the scale of need for affordable rented housing across South Hams, which can be prorated to KWAC.
156. The SHMA finds in Table 5.10b that 98 units of affordable rented housing are required per year across South Hams. While this total is described as the need for Affordable Housing in general, affordable home ownership was not formally part of the definition of Affordable Housing at the time the SHMA was produced, so this should be understood as the need for affordable rented housing.
157. KWAC was home to 8.3% of the population of South Hams at the time of the 2011 Census. On this basis, it can be roughly estimated that KWAC will require around 8 units of affordable rented housing per year (8.3% of 98). This equates to roughly 104 units over the Neighbourhood Plan period to 2034.
158. SHDC have also provided detailed data on the current waiting list of applicants to the Devon HomeChoice register who reside in KWAC. This has been analysed as part of the existing evidence base for the Neighbourhood Plan but it is worth noting the total of 72 households. While this appears to suggest annual need is well in excess of 8 units, it is important to remember that much of the newly arising need in any given

year is satisfied by turnover in the existing stock. SHDC also report 44 re-lets in the existing stock in the course of 2020.

159. The backlog of need is able to grow, however, for a number of reasons. First, because the average annual delivery of Affordable Housing in KWAC is lower than the above estimate of annual need. There were 4 units of affordable rented housing delivered in 2012/13, 2 units in 2013/14 and 13 in 2016/17. While the 2016/17 delivery total exceeds the annual need, the annual average delivery rate from 2011/12 to 2019/20 is 2.4 units.
160. Second, the backlog continues to grow because the vacancies from turnover in the existing stock tend not to be perfectly aligned with the need at that time. Certain categories are undersupplied and households in need cannot be housed on other more plentiful categories.
161. If, hypothetically, the total need for the Plan period of 104 units (arguably plus the difference between supply and need over the years previous to the Plan period) were to be delivered instantly and with reference to imbalances in the types existing at present and the backlog of need on the waiting list, it is plausible that newly arising need in future years could be satisfied through vacancies in the (now larger) existing stock. This is, however, extremely unlikely to happen – particularly given the expected delivery rates of Affordable Housing in the JLP site allocations for Kingsbridge.
162. There is therefore a clear case to maximise the delivery of affordable rented housing in KWAC wherever possible, as part of Section 106 obligations on allocated sites and any potential community-led or exception schemes.

#### 4.3.2 Affordable home ownership

163. Turning now to Affordable Housing providing a route to home ownership, this category is not estimated in the SHMA. Table 4-7 below is therefore used to estimate the potential demand for such tenures in KWAC.
164. This model aims to estimate the number of households might wish to own their own home but cannot afford to. In most locations, this would be the 'can rent, can't buy' group, which is certainly present in KWAC. However, it is important to remember that those who can afford to rent may be earning above the average, and that there is a group of below-average earners in KWAC who may be able to benefit from affordable home ownership products despite the fact that renting is a financial challenge.
165. Nevertheless, the model is consistent with methods used at Local Authority scale in taking as its starting point households currently living in or expected to enter the private rented sector who are not on housing benefits.
166. There may be other barriers to these households accessing home ownership on the open market, including being unable to save for a deposit, or being unable to afford a home of the right type/size or in the right location. The model discounts a relatively arbitrary 25% of these households, assuming a proportion will be renting out of choice. The result of the calculation is around 30 (rounded) households per year who may be interested in affordable home ownership (or 394 for the entirety of the Plan period).
167. The potential current and future demand is fairly large. It is in fact comfortably in excess of the total number of homes on sites expected to come forward during the Plan period overall. It is therefore not realistic to expect this demand to be met. However, this is a very clear signal of the scale of the affordability challenge in KWAC.
168. It is important to keep in mind that the households identified in this estimate are, by and large, adequately housed in the private rented sector, Affordable Housing, or living in other circumstances. They do not necessarily lack their own housing but would prefer to buy rather than rent. They have been included in the national planning definition of those in need of Affordable Housing, but their needs are generally less acute than those on the waiting list for affordable rented housing.
169. That said, we have observed the high cost of renting in KWAC and it is likely that private renting will become less accessible over time, leading to a larger potential market for affordable home ownership if this can be delivered at price points that are genuinely affordable to local people.

**Table 4-7: Estimate of the potential demand for affordable housing for sale in KWAC**

Stage and Step in Calculation	Total	Description
<b>STAGE 1: CURRENT NEED</b>		
1.1 Current number of renters in parish	659.5	Census 2011 number of renters x national % increase to 2018
1.2 Percentage renters on housing benefit in LA	23.9%	% of renters in 2018 on housing benefit
1.3 Number of renters on housing benefits in parish	158	Step 1.1 x Step 1.2
1.4 Current need (households)	376.3	Current renters minus those on HB and minus 25% assumed to rent by choice
1.5 Per annum	28.9	Step 1.4 divided by plan period
<b>STAGE 2: NEWLY ARISING NEED</b>		
2.1 New household formation	414.6	LA household projections for plan period (2018 based) pro rated to NA
2.2 % of households unable to buy but able to rent	12.3%	(Step 1.4 + Step 3.1) divided by number of households in NA estimated in 2020
2.3 Total newly arising need	51.1	Step 2.1 x Step 2.2
2.4 Total newly arising need per annum	3.9	Step 2.3 divided by plan period
<b>STAGE 3: SUPPLY OF AFFORDABLE HOUSING</b>		
3.1 Supply of affordable housing	51	Number of shared ownership homes in NA (Census 2011 + LA new build to 2018/19 pro rated to NA)
3.2 Supply - intermediate resales	2.5	Step 3.1 x 5% (assumed rate of re-sale)
<b>NET SHORTFALL (OR SURPLUS) PER ANNUM</b>		
Overall shortfall (or surplus) per annum	30.3	(Step 1.5 + Step 2.4) - Step 3.2

Source: AECOM model, using Census 2011, English Housing Survey 2018, MHCLG 2018 based household projections and net additions to affordable housing stock. 2018 is the latest reliable data for some datasets so is used throughout for consistency. Figures may not sum due to rounding.

170. Note that there is no policy or legal obligation on the part either of the Local Authority or Neighbourhood Plan to meet affordable housing needs in full, though there are tools available to the Steering Group that can help ensure that it is met to a greater extent if resources permit (e.g. the ability to allocate sites for affordable housing).
171. It is also important to remember that even after the KWAC, or indeed any other, Neighbourhood Plan is adopted, the assessment of need for Affordable Housing, the allocation of affordable rented housing to those in need, and the management of the housing waiting list all remain the responsibility of the Local Authority rather than the Neighbourhood Plan Group.

#### 4.3.3 Affordable Housing tenure mix

172. South Hams's adopted policy on this subject (JLP DEV8) requires 30% of housing on large sites (11 or more dwellings) to be affordable. It is understood that this target is not usually met on sites in and around KWAC, with developer negotiations and viability statements seeking to reduce the proportion of homes that will be affordable.
173. This is not an area of policy that a Neighbourhood Plan can usually influence, but it is worth emphasizing that the HNA finds there to be robust evidence of need for Affordable Housing in KWAC, and every effort should be made to maximise delivery where viable.
174. How the Affordable Housing that comes forward through mainstream development sites should be broken down into specific tenures is proposed in the SPD, which calls for 65% rented tenures and 35% routes to home ownership. There is potential, however, for more recent or specific evidence to influence a different mix. The Neighbourhood Plan may wish to specify a mix that is suitable for KWAC specifically. This section summarises the factors that might be taken into account is that route is taken.
175. The following evidence and considerations may be used as a starting point in the development of policy concerning the Affordable Housing mix:
  - A. **Evidence of need for Affordable Housing:** The SHMA suggests that KWAC needs around 8 units of affordable rented housing per year, and this HNA suggests that a further 30 units of affordable home ownership tenures per year would be absorbed by growing demand.

These figures are not equivalent: one is based on need from households with no other options, the other on potential demand from households who are generally adequately housed. The relationship between them should therefore not dictate the tenure mix within Affordable Housing.

- B. **Can Affordable Housing needs be met in full?** If 267 is taken as the expected scale of new housing delivery in KWAC to 2034, this should deliver around 80 units of Affordable Housing (if 30% of the new homes are provided as affordable according to JLP DEV8). In practice, it is understood that this may be lower as viability negotiations reduce the affordable portion of upcoming sites.

In any case, this is insufficient to meet the need for 104 units of affordable rented housing, let alone a further 394 units of affordable home ownership. Given that the expected scale of delivery is not enough to meet identified needs, it is advisable to prioritise the more urgently and acutely needed affordable rented housing as far as possible.

- C. **Government policy (NPPF) requirements:** current NPPF policy requires 10% of all homes to be delivered for affordable home ownership – a stipulation repeated in the SPD. There can be exceptions to this requirement if it would prevent the delivery of other forms of Affordable Housing. Based on the findings of this HNA there is potentially strong evidence that KWAC would meet the requirement for this exception. However, it is likely that this decision will need to be taken by SHDC, and despite low delivery across the district this was not the approach taken in the JLP.
- D. **Emerging policy:** the Government recently concluded a consultation on the introduction of First Homes (to provide at least 30% discount on new build home prices). The proposals have now been confirmed and will be enacted through a ministerial statement in due course. A minimum of 25% of all Affordable Housing secured through developer contributions should be First Homes. This may have the effect of displacing other products in any established tenure mix, and will reduce the amount of social or affordable rent if this was proposed to be more than 75% of Affordable Housing.

After the 25% First Homes requirement has been met, the remaining 75% of Affordable Housing units should as a first priority protect the provision for social rent set out in the Local Plan. The remaining units should then be allocated to other tenure products in the relative proportions set out in the Local Plan.

First Homes appear to be an appropriate product in the parish, so the introduction of this requirement will only have adverse affects insofar as it displaces affordable rented housing. There are in fact good reasons to promote First Homes as an alternative to the existing menu of affordable home ownership products such as shared ownership.

- E. **Local Plan policy:** As noted above, the adopted Local Plan broadly seeks a tenure split of 65% rented and 35% ownership tenures.
- F. **Viability:** HNAs cannot take into consideration the factors which affect viability in the neighbourhood area or at the site-specific level. Viability issues are recognised in the JLP and it is acknowledged that this may affect the provision of affordable housing and/or the mix of tenures provided.
- G. **Funding:** the availability of funding to support the delivery of different forms of Affordable Housing may also influence what it is appropriate to provide at a particular point in time or on any one site. The Steering Group may wish to keep this in mind so that it can take up any opportunities to secure funding if they become available.
- H. **Existing tenure mix in KWAC:** KWAC had higher rates of social rent and shared ownership than South Hams and England at the time of the 2011 Census. This in itself does not support maximizing Affordable Housing delivery, and does not call attention to any particular gaps in the stock.
- I. **Wider policy objectives:** the Steering Group may wish to take account of broader policy objectives for KWAC and/or wider South Hams. These could include policies to attract younger households, enhance the vitality and economic resilience of Kingsbridge as a service hub, or to restrict second home ownership. These wider considerations may influence the mix of Affordable Housing provided.
176. On the basis of the considerations above, Table 4-9 below proposes an indicative Affordable Housing tenure mix that might be sought through Neighbourhood Plan policy. This mix is recommended whether or not the Neighbourhood Plan is adopted before the implementation period for First Homes ends, since First Homes or equivalent discounted market housing represents a valuable addition to the mix in KWAC.

177. This indicative mix deviates slightly from the tenure mix suggested in the SPD in order to prioritise badly needed affordable rented housing to a greater degree over opportunities for affordable home ownership. This recommendation is informed by two key pieces of evidence: first, the expected volume of housing delivery is not sufficient to meet the identified need for rented tenures; second, lower quartile incomes are relatively low in relation to housing costs, and the cohort of people with no other option than subsidised housing is large and expected to increase.
178. That said, there is a valuable role to be played by First Homes in particular, so opportunities to provide this should also be sought. The mix of 75% rented tenures and 25% ownership allows this to happen while also remaining compliant with the requirement to provide at least 25% of Affordable Housing as First Homes. It would therefore mean relying entirely on First Homes rather than providing more choice. This may be a reason to default back to the SPD tenure mix. However, it is considered that the benefit of an additional 10% of affordable rented housing may be worth sacrificing diversity in the affordable home ownership options.
179. This proposal should be viewed as a starting point, based primarily on secondary evidence and professional judgment, which should be reconsidered in light of considerations F to J above, and in particular the views and objectives of the community. It is also worth emphasizing that there is no obligation to include a policy on this subject, or at this level of detail, within a Neighbourhood Plan.
180. Given that this proposal deviates from the JLP and also assumes that KWAC meets the criteria for an exception to the requirement that 10% of all housing offer an affordable route to ownership, is important that the Steering Group with SHDC to gather more detailed income and viability information, and to ensure that such a policy would have their support. Another option when developing Neighbourhood Plan policies on tenure splits is to add caveats to the policy in question, to the effect that the precise mix of affordable housing will be considered on the basis of site-by-site circumstances in addition to this evidence.

**Table 4-8: Indicative Affordable Housing tenure mix for KWAC**

Tenure	Indicative mix	Considerations and uncertainties
<b>Routes to home ownership, of which</b>	<b>25%</b>	
First Homes <sup>4</sup>	25%	Product untested so uncertainties around viability, developer, lenders and buyer appetite etc.
Shared ownership	0%	Proposed changes to the model to allow purchases of 10% share <sup>5</sup> - impact on viability unknown Registered Providers' business plans currently reliant on shared ownership model. Impact of displacement by First Homes unknown.
Rent to buy	0%	Emerging product with popularity and effectiveness as yet unproven. Impact of displacement by First Homes unknown.
<b>Affordable Housing for rent, of which</b>	<b>75%</b>	
Social rent	To be set by Registered Providers	Uncertain how much funding available to support this tenure in local area, and which sub-tenure (social or affordable rent) is prioritised by the LPA.
Affordable rent	To be set by Registered Providers	

Source: AECOM calculations

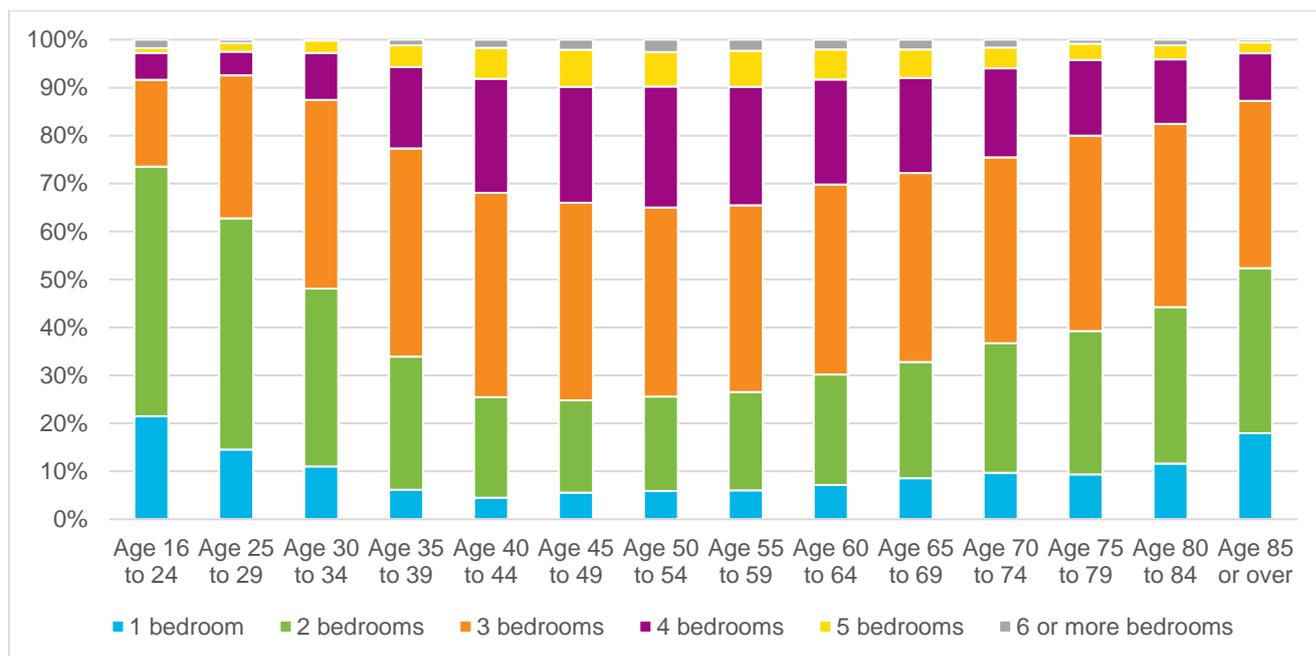
<sup>4</sup> In the event that the Neighbourhood Plan is adopted before the end of the implementation period for First Homes, or if the First Homes product does not go forward, the proportion of Affordable Housing allotted to First Homes in Mix 1 could be re-allocated to discounted market sales housing if this is available at broadly equivalent discounts, or to other forms of affordable home ownership also recommended in the table. In the case of the former (the neighbourhood plan being adopted before the implementation period ends), it is always advisable to reflect the direction of travel in emerging policy where possible.

<sup>5</sup> <https://www.gov.uk/government/news/jenrick-unveils-huge-12-billion-boost-for-affordable-homes>

## 4.4 Size mix

181. Another factor in the affordability of new housing is the size of homes that will come forward in future. While promoting smaller homes can be generally said to improve affordability, there are other factors that should be taken into account. For example, there is a strong link between the life stage of a household and the size of dwelling that household can be expected to need. It may not necessarily be appropriate to provide smaller homes in an area where young families struggle to afford housing if it does not meet their other requirements.
182. The model below aims to estimate the dwelling size needs of KWAC at the end of the Neighbourhood Plan period based on the life stages of the population as it is projected to evolve over the Plan period. The steps involved in this model are not presented in full, but can be summarised – along with the underpinning assumptions and some limitations – as follows:
- The starting point is the age distribution of KWAC households in 2011.
    - The life stage of a household is determined by the age of the household reference person (HRP), a more modern term for the head of household.
    - Household life stages are not estimated annually, so the older Census data must be used.
  - This life stage data is then projected forward to the end of the Plan period by applying the growth rates for each household age group as suggested by the latest household projections. This allows for an estimate of how the parish population might evolve in future.
    - ONS household projections are produced every two years but are only available at Local Authority level, so South Hams rates of growth are applied to the KWAC starting population.
  - Next, we turn to a Census dataset that shows the occupation patterns or preferences of each household life stage (e.g. what proportion of households aged under 24 tend to live in 1 bedroom homes as opposed to 2, 3 or 4 bedroom homes). This data is mapped to the distribution of the parish population for each life stage and each dwelling size category to form a picture of what mix of homes might be appropriate in future.
    - This occupation data is again only available at Local Authority scale, so it does risk embedding any unusual characteristics present in the area.
    - The model also assumes that today's occupation patterns persist into the future, which is not a given. However, there is no better indication of what those patterns might look like.
  - Finally, this 'ideal' future mix of dwelling sizes can be compared to the current stock of housing in the parish. From this we can identify how future development might best fill the gaps.
    - Because of the limited growth in new housing between 2011 and today and the relatively more accurate data offered by the Census than more recent estimates, the 2011 dwelling stock is used as the current state in this model.
183. It is important to keep in mind that this exercise provides an estimate based on demographic trends and occupancy patterns alone. It does not take into account income and wealth, other than in an indirect way through the tendency of households to occupy more or less space than they 'need'. This approach also embeds existing patterns of occupancy which may or may not be desirable. It is therefore appropriate for this to be taken as a baseline scenario – what would occur if current trends continued. It may well be the intention of the community to intervene to produce a different outcome more in line with their place- and community-shaping objectives, balancing the demographic needs expressed here and the affordability needs demonstrated in previous section.
184. Before presenting the results of this exercise, it may be interesting to review two of the inputs described above.
185. The first, given as Figur below, sets out the relationship between household life stage and dwelling size for South Hams in 2011. This shows how the youngest households occupy the smallest dwellings, before quickly taking up larger homes as their families expand, and then more gradually downsizing to smaller homes as they age.

Figure 4-3: Age of household reference person by dwelling size, South Hams, 2011



Source: ONS 2011, AECOM Calculations

186. The second dataset of note is the result of applying Local Authority level household projections to the age profile of KWAC households (only available for 2011). Table 4-8 below makes clear that population growth can be expected to be driven by the oldest households, with the 65 and over category nearly increasing by nearly 60% on 2011 levels to become by far the dominant group at 49% of the projected total, while all other groups experience stagnation or decline.

Table 4-8: Projected distribution of household life stages, KWAC, 2011-2034

Year	Age of HRP 24 and under	Age of HRP 25 to 34	Age of HRP 35 to 54	Age of HRP 55 to 64	Age of HRP 65 and over
2011	66	266	1,045	638	1,174
2018	59	266	970	641	1,432
2034	55	272	981	664	1,871
% change 2011-2034	-17%	2%	-6%	4%	59%

Source: AECOM Calculations

187. The final result of this exercise is presented in Table 4-9. The model suggests that new development should be relatively evenly balanced aside from a complete absence of the 1 bedroom homes that can be considered oversupplied at present.

Table 4-9: Suggested dwelling size mix to 2034

Number of bedrooms	Current (2011) distribution	Target (2034) distribution	Balance of new housing to reach target mix
1	14.2%	9.1%	0.0%
2	28.5%	26.9%	16.5%
3	39.4%	38.9%	31.1%
4	13.4%	18.5%	37.1%
5+	4.3%	6.6%	15.3%

Source: Census 2011, AECOM Calculations

188. The result of this model is a relatively blunt measure of what sizes could be beneficial given population change and existing imbalances in housing options. It is not able to address the more nuanced needs of the future population. For example, the young starter families and downsizing older households may both need 'smaller' homes, but are likely to have extremely different requirements and degrees of purchasing power. There is limited scope for Neighbourhood Planning policy to influence the more detailed characteristics of new housing, but additional guidance and prioritisation could be informed by further primary research.
189. This evidence also does not reflect other constraints and issues that might have a bearing on the demographic makeup and housing needs of KWAC residents going forward, such as the capacity of infrastructure and public transport or the availability of employment that might attract young people to remain in the parish or not. These wider factors and any other priorities of the community can be layered on top of the above starting point to reach a dwelling mix that best meets local needs.

## 4.5 Conclusions- Affordability

### **Affordability by tenure**

190. KWAC has experienced a steady increase in house prices over the last ten years, with the mean home value increasing by 40.4% or £92,640 since 2011. Indicators that home ownership is becoming increasingly unaffordable align with Census data showing that growth in the rate of home ownership in KWAC stagnated between 2001 and 2011, while the number of private renting households increased by 84%.
191. There is a premium on new build housing across South Hams and in KWAC. The 11 newly built homes sold on the open market in KWAC since 2016 have only met the needs of those with considerable financial means. The cheapest example cost £310,000 and would require an annual income of £79,700 to acquire a 90% loan-to-value mortgage. The median new home sold in that timeframe cost £425,000.
192. Rental prices are also high relative to incomes, with an average property costing £950 in rent per month. This is driven in part by the dearth of available properties in the rental stock and the speed with which they are let out.
193. AECOM has estimated the annual income required to afford various tenures of housing in KWAC. These thresholds are compared to local incomes to determine which options are the most appropriate for local people going forward. The average household income in KWAC is £35,600, and the lower quartile income (per person) for South Hams was £10,622 in 2019.
194. Home ownership through the mainstream market is not an option for a majority of local people and there is little chance of new market housing in any form widening access to home ownership to people who do not own already. A local household would need an income comfortably above the average (or a very large deposit) to qualify for a mortgage even for an entry-level home.
195. Private renting is similarly out of reach for most people. Average earning households (using a perhaps optimistic measure of local incomes) are just about able to afford entry-level rents while spending no more than 30% of their income. They can afford average rents or more bedrooms if they are able to dedicate a larger portion of their income to housing costs.
196. Households with two lower earners have far fewer options. They are only just able to afford an entry-level rental property if they dedicate nearly half of their gross income – a very challenging prospect particularly at this income level.
197. There is a group of people in KWAC who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £30,000 per year (at which point entry-level rents become affordable) and £50,000 (at which point entry-level market sale homes become affordable). This 'can rent, can't buy' cohort may benefit from the range of affordable home ownership products such as First Homes and shared ownership.
198. A discount of at least 45% would be required to make a typical First Home affordable to an average earning household in KWAC. For lower earners to be able to access home ownership – arguably the purpose of this new product – the discount would need to be higher still. It is worth noting that the JLP SPD advises that affordability should be gauged against the median in the ASHE tables, which is £20,100 and would require a discount of above 60%. Since the potential discount is capped at 50%, the evidence strongly suggests that the highest possible discount for First Homes should be sought in KWAC.

199. If First Homes can be delivered on this basis, they represent a valuable tool for widening housing access and appear to offer a more attractive prospect to people on local incomes than shared ownership or rent to buy. That said, both tenures are also feasibly affordable if delivered at appropriate prices. The thresholds at which the various products might be considered genuinely affordable to local people are listed in Figure 4-2.
200. Lower earners are in a difficult situation: they must either apply for affordable rented housing or remain in the private rented sector while relying on housing or other benefits. Households with two lower earners appear unable to even afford affordable rent, but are generally well-served by social rent. Households with a single lower earner appear unable to afford any of the tenures considered and will need to rely on additional subsidy or shared accommodation.
201. While the detailed benefits arrangements offered by South Hams and pricing of Live West housing units have not been interrogated here, the evidence in this chapter suggests that the affordable rented sector performs a vital function in KWAC, and that social rent is more urgently needed in KWAC than affordable rent.

#### **The need for affordable housing**

202. It is also possible to understand the broad scale of the need for Affordable Housing tenures in KWAC. This can, together with the evidence presented above, help to evidence policy around Affordable Housing in the Neighbourhood Plan.
203. With reference to the 2017 SHMA, it can be roughly estimated that KWAC will require around 8 units of affordable rented housing per year. This equates to roughly 104 units over the Neighbourhood Plan period to 2034.
204. Despite turnover in the existing stock in the region of 44 units during 2020, there remain 72 KWAC households on the waiting list for Affordable Housing. This backlog is growing because of the mismatch between some of the properties needed and those available, as well as the fact that the average annual delivery of Affordable Housing in KWAC is lower than the above estimate of annual need. There were 4 units of affordable rented housing delivered in 2012/13, 2 units in 2013/14 and 13 in 2016/17. While the 2016/17 delivery total exceeds the annual need, the annual average delivery rate from 2011/12 to 2019/20 is 2.4 units.
205. There is a clear case to maximise the delivery of affordable rented housing in KWAC wherever possible, as part of Section 106 obligations on allocated sites and any potential community-led or exception schemes.
206. The HNA calculates that around 30 (rounded) households per year may be interested in affordable home ownership (or 394 for the entirety of the Plan period). This is comfortably in excess of the total number of homes on sites expected to come forward during the Plan period overall. It is therefore not realistic to expect this demand to be met. However, this is a very clear signal of the scale of the affordability challenge in KWAC.

#### **Policy considerations**

207. On the balance of factors listed in section 4.4.3 of this report, AECOM recommends that roughly 75% of Affordable Housing units should take the form of rented tenures such as social and affordable rent, with the remaining 25% as affordable routes to home ownership, focused on First Homes in line with the recently confirmed policy requirement.
208. This recommendation is informed by two key pieces of evidence: first, the expected volume of housing delivery is not sufficient to meet the identified need for rented tenures; second, lower quartile incomes are relatively low in relation to housing costs, and the cohort of people with no other option than subsidised housing is large and expected to increase.
209. This proposal should be viewed as a starting point, based primarily on secondary evidence and professional judgment, which may be taken forward with further consideration to the views and objectives of the community.
210. The results of a life stage modelling exercise, which looks at the sizes of dwelling occupied by households at different life stages and projects the growth and decline of those household age groups over the Plan period in order to understand what should be built, suggests that new development might benefit from a relatively even balance of home sizes, aside from the 1 bedroom category which appears to be

oversupplied at present. This evidence may be interpreted alongside the demonstrated need to improve affordability in market housing to devise a target dwelling size mix to meet the demographic and financial needs of the community.

**Delivery expectations**

211. Table 4-10 below summarises KWAC’s position with regards to the expected delivery of Affordable Housing, and how this might ideally be apportioned among sub-categories of tenure to meet local needs over the Plan period. This exercise simply applies the housing delivery expectation for the area to the Local Plan policy requirement, and shows the quantities of affordable housing for rent and sale that would be delivered if the tenure mix proposed in this HNA were rigidly enforced.

212. In this sense it is hypothetical, and the outcomes in practice may differ, either as a result of measures taken in the neighborhood plan (e.g. if the Neighbourhood Plan Group plan for more housing (and therefore more affordable housing) than the local plan, or decide to influence the tenure mix in other ways), or as a result of site-specific constraints.

**Table 4-10: Estimated delivery of Affordable Housing in KWAC over the Plan period**

	<b>Step in Estimation</b>	<b>Delivery expectation</b>
A	Delivery expectation	267
B	Affordable housing quota (%) in the JLP	30%
C	Potential total Affordable Housing in NA (A x B)	80
D	Rented % (e.g. social/ affordable rented)	75%
E	Rented number (C x D)	60
F	Affordable home ownership % (e.g. First Homes, shared ownership)	25%
G	Affordable home ownership number (C x F)	20

*Source: AECOM estimate based on LPA’s affordable housing policies, AECOM’s indicative tenure mix*

## 5. RQ 2: Second Homes

**RQ 2: What is the scale and potential impact of the second home sector on the KWAC housing market, and how might this be addressed through policy?**

### 5.1 Introduction

213. Neighbourhood Plan policies controlling second home ownership are typically evidenced by demonstrating a high or rapidly increasing rate of second home ownership within a context of acute affordability challenges and/or serious constraints on the availability of housing overall.
214. The existence of second or holiday homes is not necessarily a problem in and of itself. It becomes a problem when it creates intense competition for local home buyers (or renters), inflates prices, or reduces the resident population to the extent that local services, employment and community vitality are impacted.
215. KWAC clearly exhibits these wider challenges, with fairly extreme affordability issues as demonstrated in the preceding chapter, a limited amount of suitable sites and upcoming development, high land values with topographical constraints, and an attractive second home / tourism offering – with all of the infrastructure and other impacts the latter entails.
216. The recently published South Hams and West Devon Housing Strategy 2021-2026 gives prominence to this theme, noting that “8.2% of the total dwellings in the South Hams are second homes with up to 50% in some areas”, and recognising that the popularity of the area as a place to live and visit has “had an impact on the affordability levels of housing for local people. Average house prices have continued to rise well beyond the rise in the average local wage, making home ownership an unrealistic aspiration for many people living and working the area today”.
217. This section of the HNA gathers the limited available data on the rate of second home ownership in KWAC that may be used to support policy decisions in this area.

### 5.2 Second and Holiday Homes Data

218. KWAC as a whole contained 3,189 households and 3,553 dwellings in 2011, implying that there were 364 dwellings (or ‘household spaces’) with no usually resident household. 10.2% of dwellings therefore had no usual residents. The rate of non-occupied dwellings is similar across the three parishes, as can be seen in Table 5-1 below.
219. For comparison, the rate across South Hams as a whole was 14.8%. For England, the rate was 4.3%.

**Table 5-1: Households with no usual residents, KWAC, 2011**

Parish	Total dwellings	Household spaces with no usual residents	Proportion of dwellings with no usual residents
West Alvington	293	40	13.7%
Kingsbridge	3,021	294	9.7%
Churchstow	239	30	12.6%
Total	3,553	364	10.2%

Source: 2011 Census

220. Another way of gauging the number of holiday homes is to look at the number of properties paying business rates (instead of council tax) in that category. This data is correct to the time of writing but has a number of limitations:
- Most importantly, it only gives an indication of the number of commercially rented holiday homes. A holiday let needs to be available for rent 140 days of the year to reach the thresholds for business rates. So only the third subcategory of second / holiday homes below would be captured:
    - Second homes that are never rented and only used by the owner;

- Holiday homes used by the owner primarily, but also available to rent for part of the year (under 140 days) or rented out informally;
  - Holiday homes with a stronger commercial purpose, available to rent more than 140 days per year.
- It is likely that the holiday homes counted in the business rates data would also be captured as dwellings with no usual residents in the Census, since owners of second homes including those rented out for holiday lets are obliged to fill out a census return.<sup>6</sup> This indicator is therefore only useful for context and for any indication it may give of growth over time.
- This data is only provided for medium and lower super output areas. (As noted in the Context chapter and illustrated with maps in Figure 2-2, the neighbourhood plan area is composed of 1 MSOA and one output area, that in turn forms part of an LSOA). The data discussed below therefore refers to the MSOA covering Kingsbridge and West Alvington only, plus the LSOA that covers Churchstow as well as a wider rural area beyond the neighbourhood plan boundary.
221. There are 270 premises with an ‘other’ business use in 2020, which indicates any premises not used as retail, office or industry. 150 of these are located in the Kingsbridge / West Alvington MSOA, and 120 in the LSOA that includes Churchstow.
222. The ‘other’ sector covers a variety of business uses and its makeup will vary according to the nature of the location. In coastal Devon, it is likely that the dominant use in this category is tourism and hospitality.
223. Across South Hams in 2020, there were 2,890 rateable premises in the ‘other’ sector, of which 1,600 were category 131 holiday homes (self-catering). That is 55.4% of ‘other’ premises.
224. It might therefore be estimated that 55% of the 270 ‘other’ units in the neighbourhood area are holiday homes, equating to 149 properties.
225. Note also that the 150 figure for the Kingsbridge / West Alvington MSOA represents significant growth on the figure of 110 in 2014. The 110 for the Churchstow LSOA has not changed since 2011.

**Figure 5-1: ONS definitions of ‘other’ business use categories**

**Table 1: Sector and sub-sector categories**

Sector	Sub-sector
Retail	Financial and Professional Services
	Shops
Office	Offices
Industry	General Industrial
	Storage & Distribution
	Other
Other	Assembly and Leisure
	Education
	Health
	Hotels, Guest & Boarding, Self-Catering etc.
	Non Residential Institutions
	Offices*
	Other
	Retail
	Residential Institutions
	Storage & Distribution
	Transport
	Utilities

\* These are offices that are part of a specialist property, and so have been attributed to “Other” sector rather than the “Office” sector.

Source: ONS

226. The second and holiday home market is likely to have changed significantly between 2011 and today.
227. On the approximate and limited basis that the number of holiday homes liable for business rates in the Kingsbridge / West Alvington MSOA has grown by 36.4% since 2011 (from 110 to 150), and the figure for

<sup>6</sup> See current guidance for the 2011 Census at <https://census.gov.uk/help/types-of-household-or-accommodation/second-homes-holiday-lets-and-empty-properties/i-have-a-second-property>.

the Churchstow LSOA has remained the same, we can estimate the current number of second and holiday homes as follows:

- Churchstow 2011 properties with no usual residents = 30
  - This figure remains the same as there was no / minimal growth in business rates holiday homes in Churchstow LSOA from 2011 to 2020
- Kingsbridge and West Alvington 2011 properties with no usual residents = 334
  - This figure uplifted by 36.4% (rate of growth in business rates holiday homes 2011-2020 in the MSOA) = 456 (rounded)
- 30 + 456 = 486

228. A current estimate of the total number of properties in KWAC in 2020 is not currently available for reasons explained in the Context chapter of this report. However, looking at the VOA council tax data reviewed in that section suggests that there was very little new development in KWAC since 2011, or that this was offset by the conversion of residential premises into other uses (notably holiday homes).

229. It is therefore considered appropriate to refer to the 3,553 dwellings existing in KWAC in 2011 as a proxy for the current total. On this basis, 486 dwellings with no usual residents represents 13.7% of all homes in KWAC.

230. This estimate requires a caveat. The rate of change in the number of holiday home properties liable for business rates likely expresses the degree of growth in the number of holiday homes overall to some extent, but it might equally express a change in the intensity with which the current holiday homes are let throughout the year (for instance as a result of the introduction of sites like Airbnb). It is highly limited on that front, but is entirely silent on any trends in the number of second homes that are not let out or not enough to meet the business rates threshold.

### 5.3 Policy considerations

231. It is worth further emphasising that any principal residence policy explored in the Neighbourhood Plan should be justified with reference to the evidence supplied in the Affordable Housing Policies Supporting Evidence paper and the Affordability chapter of this HNA in addition to the limited information reviewed directly above.

232. The affordability evidence establishes a clear context of poor and worsening affordability in KWAC that prevents local people from moving to homes better suited to their needs within the neighbourhood, blocks younger households without significant financial help from accessing suitable housing, and constrains the labour pool for employment on which the community depends.

233. It is not possible to establish a clear causal link between second home ownership and the affordability issues demonstrated elsewhere without up-to-date information on the recent growth of second home ownership. However, the circumstantial evidence may be sufficient to justify a preventative policy response that takes newer data into account.

234. One option to make any potential policy as evidence-led as possible might be to make it conditional on the forthcoming 2021 Census data. Census data is currently the most accurate indicator of second home ownership, and extremely up-to-date Census information is forthcoming.

235. It is possible to apply principal residence restrictions to development in the parishes (or neighbourhood area as a whole) if, in the 2021 or 'latest' Census, a certain proportion of housing that is not usually occupied is exceeded, or if a certain rate of increase is observed on the 2011 figures. What those thresholds might be should be determined with reference to the evidence underpinning adopted policies in nearby or similar neighbourhood plans.

236. It might also be helpful to create further flexibility by referring to other up-to-date information in addition to the latest Census in case council tax reporting data starts providing second homes information or any other useful source appears in the meantime.

## 5.4 Conclusion- Second homes

237. This section of the HNA considers the current extent of second home ownership in KWAC and related trends. It finds that:

- There is a fairly substantial quantity of second and holiday homes in the neighbourhood plan area, with minor deviations across the three parishes. The 2011 Census counted 364.
- Uplifting this figure with reference to the rate of growth in commercial holiday lets in the component areas of KWAC from 2011-2020 suggests a current total of around 486 units. This is approximately 14% of all properties.
- The likely growth in this indicator dovetails with a context of dramatically worsening affordability in KWAC that is evidenced in greater detail in the preceding chapter.
- A review of the available data sources on this subject strongly suggests that the Census is the most accurate and comprehensive source for this indicator. An up-to-date snapshot is imminent, with the results of the 2021 Census to be published in the coming months.
- There may be scope to reflect the results of the upcoming Census in any potential policy in this subject by making its provisions conditional on an established threshold of second home ownership or rate of increase.

## 6. Conclusions

### 6.1 Overview

239. Table 6-1 below sets out in full the conclusions and recommendations of this Neighbourhood Plan housing needs assessment, based on the evidence reviewed and analysed.

**Table 6-1: Summary of study findings with a potential impact on Neighbourhood Plan housing policies**

Issue	Summary of evidence and data	Conclusions and recommendations
Affordability	<p>KWAC has experienced a steady increase in house prices over the last ten years, with the mean home value increasing by 40.4% or £92,640 since 2011. Indicators that home ownership is becoming increasingly unaffordable align with Census data showing that growth in the rate of home ownership in KWAC stagnated between 2001 and 2011, while the number of private renting households increased by 84%.</p> <p>There is a premium on new build housing across South Hams and in KWAC. The 11 newly built homes sold on the open market in KWAC since 2016 have only met the needs of those with considerable financial means.</p> <p>Rental prices are also high relative to incomes, with an average property costing £950 in rent per month. This is driven in part by the dearth of available properties in the rental stock and the speed with which they are let out.</p> <p>The average household income in KWAC is £35,600, and the lower quartile income (per person) for South Hams was £10,622 in 2019.</p> <p>With reference to the 2017 SHMA, it can be roughly estimated that KWAC will require around 8 units of affordable rented housing per year. This equates to roughly 104 units over the Neighbourhood Plan period to 2034.</p> <p>Despite turnover in the existing stock in the region of 44 units during 2020, there remains 72 KWAC households on the waiting list for Affordable Housing. This backlog is growing because of the mismatch between some of the properties needed and those available, as well as the fact that KWAC (like South Hams as a whole) is not meeting its annual need for new Affordable Housing delivery. The annual average delivery rate from 2011/12 to 2019/20 is just 2.4 units.</p> <p>The HNA calculates that around 30 (rounded) households per year may be interested in affordable home ownership (or 394 for the entirety of the Plan period). This is comfortably in excess of the total number of homes on sites expected to come forward during the Plan period overall. It is therefore not realistic to expect this demand to be met. However, this is a very clear signal of the scale of the affordability challenge in KWAC.</p>	<p>Home ownership through the mainstream market is not an option for a majority of local people and there is little chance of new market housing in any form widening access to home ownership to people who do not own already.</p> <p>Private renting is similarly out of reach for most people. Average earning households are just about able to afford entry-level rents while spending no more than 30% of their income. Households with two lower earners are only just able to afford an entry-level rental property if they dedicate nearly half of their gross income – a very challenging prospect particularly at this income level.</p> <p>There is a group of people in KWAC who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £30,000 per year (at which point entry-level rents become affordable) and £50,000 (at which point entry-level market sale homes become affordable).</p> <p>A discount of at least 45% would be required to make a typical First Home affordable to an average earning household in KWAC. The evidence strongly suggests that the highest possible discount of 50% should be sought for First Homes in KWAC.</p> <p>If First Homes can be delivered on this basis, they represent a valuable tool for widening housing access and appear to offer a more attractive prospect to people on local incomes than shared ownership or rent to buy. That said, both tenures are also feasibly affordable if delivered at appropriate prices. The thresholds at which the various products might be considered genuinely affordable to local people are listed in Figure 4-2.</p> <p>Lower earners must either apply for affordable rented housing or remain in the private rented sector while relying on housing or other benefits. Households with two lower earners appear unable to even afford affordable rent, but are generally well-served by social rent. Households with a single lower earner will need to rely on additional subsidy.</p> <p>There is a clear case to maximise the delivery of affordable rented housing in KWAC wherever possible, as part of Section 106 obligations on allocated sites and any potential community-led or exception schemes.</p> <p>AECOM recommends that roughly 75% of Affordable Housing units should take the form of rented tenures such as social and affordable rent, with the remaining 25% as affordable routes to home ownership, focused on First Homes in line with the recently confirmed policy requirement.</p> <p>New development might benefit from a relatively even balance of home sizes, aside from the 1 bedroom category which appears to be oversupplied at present.</p>

Issue	Summary of evidence and data	Conclusions and recommendations
Second homes	<p>There is a fairly substantial quantity of second and holiday homes in the neighbourhood plan area, with minor deviations across the three parishes. The 2011 Census counted 364.</p>	<p>Uplifting this figure with reference to the rate of growth in commercial holiday lets in the component areas of KWAC from 2011-2020 suggests a current total of around 486 units. This is approximately 14% of all properties.</p> <p>The likely growth in this indicator dovetails with a context of dramatically worsening affordability in KWAC that is evidenced in greater detail in the Affordability chapter.</p> <p>A review of the available data sources on this subject strongly suggests that the Census is the most accurate and comprehensive source for this indicator. An up-to-date snapshot is imminent, with the results of the 2021 Census to be published in the coming months.</p> <p>There may be scope to reflect the results of the upcoming Census in any potential policy in this subject by making its provisions conditional on an established threshold of second home ownership or rate of increase.</p>

## 6.2 Recommendations for next steps

240. This Neighbourhood Plan housing needs assessment aims to provide KWAC with evidence on a range of housing trends and issues from a range of relevant sources. We recommend that the Steering Group should, as a next step, discuss the contents and conclusions with SHDC with a view to agreeing and formulating draft housing policies, bearing the following in mind:

- All Neighbourhood Planning Basic Conditions, but in particular Condition E, which is the need for the Neighbourhood Plan to be in general conformity with the strategic policies of the adopted development plan;
- The views of SHDC;
- The views of local residents;
- The views of other relevant local stakeholders, including housing developers and estate agents; and
- The numerous supply-side considerations, including local environmental constraints, the location and characteristics of suitable land, and any capacity work carried out by SHDC.

241. This assessment has been provided in good faith by AECOM consultants on the basis of housing data, national guidance and other relevant and available information current at the time of writing.

242. Bearing this in mind, it is recommended that the Steering Group should monitor carefully strategies and documents with an impact on housing policy produced by the Government, SHDC or any other relevant party and review the Neighbourhood Plan accordingly to ensure that general conformity is maintained.

243. At the same time, monitoring on-going demographic or other trends over the Neighbourhood Plan period will help ensure the continued relevance and credibility of its policies.

## Appendix A : Housing Needs Assessment Glossary

### Adoption

This refers to the final confirmation of a local plan by a local planning authority.

### Affordability

The terms 'affordability' and 'affordable housing' have different meanings. 'Affordability' is a measure of whether housing may be afforded by certain groups of households. 'Affordable housing' refers to particular products outside the main housing market.

### Affordability Ratio

Assessing affordability involves comparing housing costs against the ability to pay. The ratio between lower quartile house prices and the lower quartile income or earnings can be used to assess the relative affordability of housing. The Ministry for Housing, Community and Local Governments publishes quarterly the ratio of lower quartile house price to lower quartile earnings by local authority (LQAR) as well as median house price to median earnings by local authority (MAR) e.g. income = £25,000, house price = £200,000. House price: income ratio = £200,000/£25,000 = 8, (the house price is 8 times income).

### Affordable Housing (NPPF Definition)

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

a) Affordable housing for rent: meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).

b) Discounted market sales housing: is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.

c) Other affordable routes to home ownership: is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low-cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.

### Affordable rented housing

Rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime but is subject to other rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable). The national rent regime is the regime under which the social rents of tenants of social housing are set, with particular reference to the Guide to Social Rent Reforms (March 2001) and the Rent Influencing Regime Guidance (October 2001). Local market rents are calculated using the Royal Institution for Chartered Surveyors (RICS) approved valuation methods<sup>7</sup>.

### Age-Restricted General Market Housing

A type of housing which is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens but does not include support or care services.

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<sup>7</sup> The Tenant Services Authority has issued an explanatory note on these methods at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf>

## **Annual Monitoring Report**

A report submitted to the Government by local planning authorities assessing progress with and the effectiveness of a Local Development Framework.

## **Basic Conditions**

The Basic Conditions are the legal tests that are considered at the examination stage of neighbourhood development plans. They need to be met before a plan can progress to referendum.

## **Backlog need**

The backlog need constitutes those households who are eligible for Affordable Housing, on account of homelessness, overcrowding, concealment or affordability, but who are yet to be offered a home suited to their needs.

## **Bedroom Standard<sup>8</sup>**

The bedroom standard is a measure of occupancy (whether a property is overcrowded or under-occupied, based on the number of bedrooms in a property and the type of household in residence). The Census overcrowding data is based on occupancy rating (overcrowding by number of rooms not including bathrooms and hallways). This tends to produce higher levels of overcrowding/ under occupation. A detailed definition of the standard is given in the Glossary of the EHS Household Report.

## **Co-living**

Co-living denotes people who do not have family ties sharing either a self-contained dwelling (i.e., a 'house share') or new development akin to student housing in which people have a bedroom and bathroom to themselves, but share living and kitchen space with others. In co-living schemes each individual represents a separate 'household'.

## **Community Led Housing/Community Land Trusts**

Housing development, provision and management that is led by the community is very often driven by a need to secure affordable housing for local people in the belief that housing that comes through the planning system may be neither the right tenure or price-point to be attractive or affordable to local people. The principle forms of community-led models include cooperatives, co-housing communities, self-help housing, community self-build housing, collective custom-build housing, and community land trusts. By bringing forward development which is owned by the community, the community is able to set rents and/or mortgage payments at a rate that it feels is appropriate. The Government has a range of support programmes for people interested in bringing forward community led housing.

## **Community Right to Build Order<sup>9</sup>**

A community right to build order is a special kind of neighbourhood development order, granting planning permission for small community development schemes, such as housing or new community facilities. Local community organisations that meet certain requirements or parish/town councils are able to prepare community right to build orders.

## **Concealed Families (Census definition)<sup>10</sup>**

The 2011 Census defined a concealed family as one with young adults living with a partner and/or child/children in the same household as their parents, older couples living with an adult child and their family or unrelated families sharing a household. A single person cannot be a concealed family; therefore one elderly parent living with their adult child and family or an adult child returning to the parental home is not a concealed family; the latter are reported in an ONS analysis on increasing numbers of young adults living with parents.

## **Equity Loans/Shared Equity**

An equity loan which acts as a second charge on a property. For example, a household buys a £200,000 property with a 10% equity loan (£20,000). They pay a small amount for the loan and when the property is sold e.g. for £250,000 the lender

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<sup>8</sup> See <https://www.gov.uk/government/statistics/english-housing-survey-2011-to-2012-household-report>

<sup>9</sup> See <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

<sup>10</sup> See [http://webarchive.nationalarchives.gov.uk/20160107160832/http://www.ons.gov.uk/ons/dcp171776\\_350282.pdf](http://webarchive.nationalarchives.gov.uk/20160107160832/http://www.ons.gov.uk/ons/dcp171776_350282.pdf)

receives 10% of the sale cost (£25,000). Some equity loans were available for the purchase of existing stock. The current scheme is to assist people to buy new build.

### **Extra Care Housing or Housing-With-Care**

Housing which usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are included in retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

### **Fair Share**

'Fair share' is an approach to determining housing need within a given geographical area based on a proportional split according to the size of the area, the number of homes in it, or its population.

### **First Homes**

The Government has recently confirmed the introduction of First Homes as a new form of discounted market housing which will provide a discount of at least 30% on the price of new homes. These homes are available to first time buyers as a priority but other households will be eligible depending on agreed criteria. New developments will be required to provide 25% of Affordable Housing as First Homes. A more detailed explanation of First Homes and its implications is provided in the main body of the HNA.

### **Habitable Rooms**

The number of habitable rooms in a home is the total number of rooms, excluding bathrooms, toilets and halls.

### **Household Reference Person (HRP)**

The concept of a Household Reference Person (HRP) was introduced in the 2001 Census (in common with other government surveys in 2001/2) to replace the traditional concept of the head of the household. HRPs provide an individual person within a household to act as a reference point for producing further derived statistics and for characterising a whole household according to characteristics of the chosen reference person.

### **Housing Market Area**

A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap.

The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate.

### **Housing Needs**

There is no official definition of housing need in either the National Planning Policy Framework or the National Planning Practice Guidance. Clearly, individuals have their own housing needs. The process of understanding housing needs at a population scale is undertaken via the preparation of a Strategic Housing Market Assessment (see below).

### **Housing Needs Assessment**

A Housing Needs Assessment (HNA) is an assessment of housing needs at the Neighbourhood Area level.

### **Housing Products**

Housing products simply refers to different types of housing as they are produced by developers of various kinds (including councils and housing associations). Housing products usually refers to specific tenures and types of new build housing.

### **Housing Size (Census Definition)**

Housing size can be referred to either in terms of the number of bedrooms in a home (a bedroom is defined as any room that was intended to be used as a bedroom when the property was built, any rooms permanently converted for use as bedrooms); or in terms of the number of rooms, excluding bathrooms, toilets halls or landings, or rooms that can only be used for storage. All other rooms, for example, kitchens, living rooms, bedrooms, utility rooms, studies and conservatories are counted. If two rooms have been converted into one they are counted as one room. Rooms shared between more than one household, for example a shared kitchen, are not counted.

### **Housing Type (Census Definition)**

This refers to the type of accommodation used or available for use by an individual household (i.e. detached, semi-detached, terraced including end of terraced, and flats). Flats are broken down into those in a purpose-built block of flats, in parts of a converted or shared house, or in a commercial building.

### **Housing Tenure (Census Definition)**

Tenure provides information about whether a household rents or owns the accommodation that it occupies and, if rented, combines this with information about the type of landlord who owns or manages the accommodation.

### **Income Threshold**

Income thresholds are derived as a result of the annualisation of the monthly rental cost and then asserting this cost should not exceed 35% of annual household income.

### **Intercensal Period**

This means the period between the last two Censuses, i.e. between years 2001 and 2011.

### **Intermediate Housing**

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rented housing. Homes that do not meet the above definition of affordable housing, such as 'low-cost market' housing, may not be considered as affordable housing for planning purposes.

### **Life Stage modelling**

Life Stage modelling is forecasting need for dwellings of different sizes by the end of the Plan period on the basis of changes in the distribution of household types and key age brackets (life stages) within the NA. Given the shared behavioural patterns associated with these metrics, they provide a helpful way of understanding and predicting future community need. This data is not available at neighbourhood level so LPA level data is employed on the basis of the NA falling within its defined Housing Market Area.

### **Life-time Homes**

Dwellings constructed to make them more flexible, convenient adaptable and accessible than most 'normal' houses, usually according to the Lifetime Homes Standard, 16 design criteria that can be applied to new homes at minimal cost: <http://www.lifetimehomes.org.uk/>.

### **Life-time Neighbourhoods**

Lifetime neighbourhoods extend the principles of Lifetime Homes into the wider neighbourhood to ensure the public realm is designed in such a way to be as inclusive as possible and designed to address the needs of older people, for example providing more greenery and more walkable, better connected places.

### **Local Development Order**

An Order made by a local planning authority (under the Town and Country Planning Act 1990) that grants planning permission for a specific development proposal or classes of development.

### **Local Enterprise Partnership**

A body, designated by the Secretary of State for Communities and Local Government, established for the purpose of creating or improving the conditions for economic growth in an area.

### **Local housing need (NPPF definition)**

The number of homes identified as being needed through the application of the standard method set out in national planning guidance (or, in the context of preparing strategic policies only, this may be calculated using a justified alternative approach as provided for in paragraph 60 of this Framework).

### **Local Planning Authority**

The public authority whose duty it is to carry out specific planning functions for a particular area. All references to local planning authority apply to the District Council, London Borough Council, County Council, Broads Authority, National Park Authority or the Greater London Authority, to the extent appropriate to their responsibilities.

### **Local Plan**

This is the plan for the future development of the local area, drawn up by the local planning authority in consultation with the community. In law this is described as the development plan documents adopted under the Planning and Compulsory Purchase Act 2004. Current core strategies or other planning policies form part of the Local Plan and are known as 'Development Plan Documents' (DPDs).

### **Lower Quartile**

The bottom 25% value, i.e. of all the properties sold, 25% were cheaper than this value and 75% were more expensive. The lower quartile price is used as an entry level price and is the recommended level used to evaluate affordability; for example for first time buyers.

### **Lower Quartile Affordability Ratio**

The Lower Quartile Affordability Ratio reflects the relationship between Lower Quartile Household Incomes and Lower Quartile House Prices, and is a key indicator of affordability of market housing for people on relatively low incomes.

### **Market Housing**

Market housing is housing which is built by developers (which may be private companies or housing associations, or Private Registered Providers), for the purposes of sale (or rent) on the open market.

### **Mean (Average)**

The mean or the average is, mathematically, the sum of all values divided by the total number of values. This is the more commonly used "average" measure as it includes all values, unlike the median.

### **Median**

The middle value, i.e. of all the properties sold, half were cheaper and half were more expensive. This is sometimes used instead of the mean average as it is not subject to skew by very large or very small statistical outliers.

### **Median Affordability Ratio**

The Lower Quartile Affordability Ratio reflects the relationship between Median Household Incomes and Median House Prices, and is a key indicator of affordability of market housing for people on middle-range incomes.

### **Mortgage Ratio**

The mortgage ratio is the ratio of mortgage value to income which is typically deemed acceptable by banks. Approximately 75% of all mortgage lending ratios fell below 4 in recent years<sup>11</sup>, i.e. the total value of the mortgage was less than 4 times the annual income of the person who was granted the mortgage.

### **Neighbourhood Development Order (NDO)**

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<sup>11</sup> See <https://www.which.co.uk/news/2017/08/how-your-income-affects-your-mortgage-chances/>

An NDO will grant planning permission for a particular type of development in a particular area. This could be either a particular development, or a particular class of development (for example retail or housing). A number of types of development will be excluded from NDOs, however. These are minerals and waste development, types of development that, regardless of scale, always need Environmental Impact Assessment, and Nationally Significant Infrastructure Projects.

### **Neighbourhood plan**

A plan prepared by a Parish or Town Council or Neighbourhood Forum for a particular neighbourhood area (made under the Planning and Compulsory Purchase Act 2004).

### **Older People**

People over retirement age, including the active, newly-retired through to the very frail elderly, whose housing needs can encompass accessible, adaptable general needs housing for those looking to downsize from family housing and the full range of retirement and specialised housing for those with support or care needs.

### **Output Area/Lower Super Output Area/Middle Super Output Area**

An output area is the lowest level of geography for publishing statistics, and is the core geography from which statistics for other geographies are built. Output areas were created for England and Wales from the 2001 Census data, by grouping a number of households and populations together so that each output area's population is roughly the same. 175,434 output areas were created from the 2001 Census data, each containing a minimum of 100 persons with an average of 300 persons. Lower Super Output Areas consist of higher geographies of between 1,000-1,500 persons (made up of a number of individual Output Areas) and Middle Super Output Areas are higher than this, containing between 5,000 and 7,200 people, and made up of individual Lower Layer Super Output Areas. Some statistics are only available down to Middle Layer Super Output Area level, meaning that they are not available for individual Output Areas or parishes.

### **Overcrowding**

There is no single agreed definition of overcrowding, however, utilising the Government's bedroom standard, overcrowding is deemed to be in households where there is more than one person in the household per room (excluding kitchens, bathrooms, halls and storage areas). As such, a home with one bedroom and one living room and one kitchen would be deemed overcrowded if three adults were living there.

### **Planning Condition**

A condition imposed on a grant of planning permission (in accordance with the Town and Country Planning Act 1990) or a condition included in a Local Development Order or Neighbourhood Development Order.

### **Planning Obligation**

A legally enforceable obligation entered into under section 106 of the Town and Country Planning Act 1990 to mitigate the impacts of a development proposal.

### **Purchase Threshold**

Purchase thresholds are calculated by netting 10% off the entry house price to reflect purchase deposit. The resulting cost is divided by 4 to reflect the standard household income requirement to access mortgage products.

### **Proportionate and Robust Evidence**

Proportionate and robust evidence is evidence which is deemed appropriate in scale, scope and depth for the purposes of neighbourhood planning, sufficient so as to meet the Basic Conditions, as well as robust enough to withstand legal challenge. It is referred to a number of times in the PPG and its definition and interpretation relies on the judgement of professionals such as Neighbourhood Plan Examiners.

### **Private Rented**

The Census tenure private rented includes a range of different living situations in practice, such as private rented/ other including households living "rent free". Around 20% of the private rented sector are in this category, which will have included some benefit claimants whose housing benefit at the time was paid directly to their landlord. This could mean people whose

rent is paid by their employer, including some people in the armed forces. Some housing association tenants may also have been counted as living in the private rented sector because of confusion about what a housing association is.

### **Retirement Living or Sheltered Housing**

Housing for older people which usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24 hour on-site assistance (alarm) and a warden or house manager.

### **Residential Care Homes and Nursing Homes**

Housing for older people comprising of individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

### **Rightsizing**

Households who wish to move into a property that is a more appropriate size for their needs can be said to be rightsizing. This is often used to refer to older households who may be living in large family homes but whose children have left, and who intend to rightsize to a smaller dwelling. The popularity of this trend is debatable as ties to existing communities and the home itself may outweigh issues of space. Other factors, including wealth, health, status and family circumstance also need to be taken into consideration, and it should not be assumed that all older households in large dwellings wish to rightsize.

### **Rural Exception Sites**

Small sites used for affordable housing in perpetuity where sites would not normally be used for housing. Rural exception sites seek to address the needs of the local community by accommodating households who are either current residents or have an existing family or employment connection. Small numbers of market homes may be allowed at the local authority's discretion, for example where essential to enable the delivery of affordable dwellings without grant funding.

### **Shared Ownership**

Housing where a purchaser part buys and part rents from a housing association or local authority. Typical purchase share is between 25% and 75%, and buyers are encouraged to buy the largest share they can afford. Generally applies to new build properties, but re-sales occasionally become available. There may be an opportunity to rent at intermediate rent level before purchasing a share in order to save/increase the deposit level

### **Sheltered Housing<sup>12</sup>**

Sheltered housing (also known as retirement housing) means having your own flat or bungalow in a block, or on a small estate, where all the other residents are older people (usually over 55). With a few exceptions, all developments (or 'schemes') provide independent, self-contained homes with their own front doors. There are many different types of scheme, both to rent and to buy. They usually contain between 15 and 40 properties, and range in size from studio flats (or 'bedsits') through to 2 and 3 bedroomed. Properties in most schemes are designed to make life a little easier for older people - with features like raised electric sockets, lowered worktops, walk-in showers, and so on. Some will usually be designed to accommodate wheelchair users. And they are usually linked to an emergency alarm service (sometimes called 'community alarm service') to call help if needed. Many schemes also have their own 'manager' or 'warden', either living on-site or nearby, whose job is to manage the scheme and help arrange any services residents need. Managed schemes will also usually have some shared or communal facilities such as a lounge for residents to meet, a laundry, a guest flat and a garden.

### **Strategic Housing Land Availability Assessment**

A Strategic Housing Land Availability Assessment (SHLAA) is a document prepared by one or more local planning authorities to establish realistic assumptions about the availability, suitability and the likely economic viability of land to meet the identified need for housing over the Plan period. SHLAAs are sometimes also called LAAs (Land Availability Assessments) or HELAAs (Housing and Economic Land Availability Assessments) so as to integrate the need to balance assessed housing and economic needs as described below.

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<sup>12</sup> See <http://www.housingcare.org/jargon-sheltered-housing.aspx>

### **Strategic Housing Market Assessment (NPPF Definition)**

A Strategic Housing Market Assessment (SHMA) is a document prepared by one or more local planning authorities to assess their housing needs under the 2012 version of the NPPF, usually across administrative boundaries to encompass the whole housing market area. The NPPF makes clear that SHMAs should identify the scale and mix of housing and the range of tenures the local population is likely to need over the Plan period. Sometimes SHMAs are combined with Economic Development Needs Assessments to create documents known as HEDNAs (Housing and Economic Development Needs Assessments).

### **Specialist Housing for the Elderly**

Specialist housing for the elderly, sometimes known as specialist accommodation for the elderly, encompasses a wide range of housing types specifically aimed at older people, which may often be restricted to those in certain older age groups (usually 55+ or 65+). This could include residential institutions, sometimes known as care homes, sheltered housing, extra care housing, retirement housing and a range of other potential types of housing which has been designed and built to serve the needs of older people, including often providing care or other additional services. This housing can be provided in a range of tenures (often on a rented or leasehold basis).

### **Social Rented Housing**

Social rented housing is owned by local authorities and private registered providers (as defined in Section 80 of the Housing and Regeneration Act 2008.). Guideline target rents for this tenure are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with Homes England.<sup>13</sup>

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<sup>13</sup> See <http://www.communities.gov.uk/documents/planningandbuilding/doc/1980960.doc#Housing>

