

CITY
PLAN
2019 – 2040

**HOUSING NEEDS
ANALYSIS**

TECHNICAL APPENDIX

JUNE 2019

Introduction

This Technical Appendix provides more information on how the housing requirements in Westminster's Housing Needs Analysis 2019 were calculated and the sources of information used. The assessment has followed the approach set out in the National Planning Policy Framework (NPPF) and the government's Planning Practice Guidance (PPG). The housing requirements were calculated by the City Council in conjunction with Wessex Economics who were appointed as a critical friend to the project. Their letter of endorsement forms part of this Technical Appendix and is on page 24.

Section 1: The number of new homes needed across all tenures

- 1.1 The Ministry of Housing, Communities and Local Government (MHCLG) standard methodology¹ for assessing the number of new homes needed is calculated in three stages. First, a baseline level is set using household projections published by the Office for National Statistics (ONS). Recent updates to the Planning Practice Guidance (PPG) have confirmed that the government views the 2014-based household projections as the most appropriate baseline. For Westminster these projections produce growth of 14,403 households between 2019 and 2028 or 1,440 households per year.
- 1.2 The second stage is to adjust the average annual household growth figure to reflect affordability issues in the area. This is calculated using the most recent median workplace-based affordability ratio for the area. Following the formula set out in the standard methodology gives Westminster an adjusted figure of 1,837 households per year.
- 1.3 The standard methodology then states that a cap should be added to the final figure calculated, the size of which is dependent on the status of the relevant strategic policies for housing in the local authority's local plan. In Westminster, the cap operates at no higher than 40% above the previous annual target, which was 1,068 homes each year.
- 1.4 The final figure of **1,495 homes each year** has been calculated therefore on this basis:
 - $1,068 / 100 \times 40 = 427$
 - $1,068 + 427 = 1,495$.

Section 2: The number of new affordable homes required

Introduction

- 2.1 These estimates reflect the number of households whose needs cannot be met through the normal turnover of affordable housing (i.e. current homes becoming vacant) and estimate the number of new additional affordable homes needed each year. Affordable

1

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728247/How_is_a_minimum_annual_local_housing_need_figure_calculated_using_the_standard_method.pdf

housing is generally considered as being made up of two broad tenures, social housing and intermediate housing, and more information on the differences between the two are at 2.15.

- 2.2 The National Planning Policy Framework (2019) and Guidance has been used as the guiding framework for this analysis, including the methodology and inputs. However, because of Westminster's unique circumstances, described in 2.4, certain assumptions have been made which are not part of the Guidance.
- 2.3 A mix of primary and secondary data has been used. Primary evidence is produced from management information systems and reflects actual trends, pressures and behaviours whilst secondary sources such as the Office of National Statistics (ONS) and the Department for Work and Pensions (DWP) have been used to understand context.

Economic and Demographic Considerations

- 2.4 The cost of market housing in Westminster is very high, so the potential demand for affordable housing in the City could be almost limitless. However, Westminster has unique features, summarised below and discussed in more detail in 2.5, which have been taken into account in these estimates. This has resulted in potential demand for affordable housing being dampened by both 'likely to stay' and 'eligibility' factors. This means that Westminster's assessment may vary from those for more settled and predictable communities. These unique features are:
 - I) Westminster is home to a substantial number of households who for study and employment reasons only intend to stay here for a short period. These include (over 6,000) short-term migrants not included in population counts. Many of these households are in private rented stock but not actually looking to settle in the city. **This has resulted in a "propensity to stay" factor being introduced into the analysis, which reduces the number of households estimated to require affordable housing.**
 - II) Westminster has a large number of households using the City as their second home, having second homes elsewhere or without the right to remain long-term in the UK. **This has caused an "eligibility" factor to be introduced into the analysis which reduces the number of households estimated to need affordable housing.**
 - III) Westminster's outlying position as a hub for employment and migration makes it unusually sensitive to externalities such as welfare reform, economic downturn, currency fluctuations, changes in the right to remain in the UK and the attractiveness of the housing market for developers and investors. These issues are not factored into calculations but explain some of the forces that might make it difficult to make accurate projections.

Economic and Demographic Considerations in more detail

2.5 In the 2001 Census Westminster's population count, produced by the Office of National Statistics (ONS), was 60,000 short of the preceding Mid-Year Estimates. Subsequent investigations concluded that the Census had missed large numbers of residents. The process also helped the ONS to define the factors by which populations are difficult to estimate and led them to creating a "hard to count" index for the 2011 Census. Westminster was the only local authority for which 100% of the population lived in the "Hardest to Count" category. The factors for being difficult to count used in that model and augmented by analysis carried out subsequently include: high levels of churn; international migration; second home ownership; difficult to access properties; non-English speaking residents; students; houses of multiple occupation; population density; rented properties; young people not registering with GPs (especially males), and irregular migration. These factors are particularly prevalent in the private rented sector, and this creates greater uncertainty around estimates for both social and intermediate housing. They are explored in more detail below:

(i) *Churn*

2.6 One of the biggest complications of modelling requirements in Westminster is the high rate of population churn in the City. Although the data provides information about the number of people who migrate in and out of the City each year, it tells us little about whether migrants are new or recycled from previous years. As an indication of the issue, between June 2016 and 2017, over 25% of the full-time resident population moved in or out of the City. In the same period, 12 times more people moved to Westminster than were born in Westminster, and over 27 times more people left Westminster than died in Westminster. Churn between 2016 and 2017 involved the movement of 40,000 people to and from areas within the UK (creating a net loss of population) and 21,000 movements in and out overseas (with a net gain of population). (2017 Components of Change, ONS Mid Year Estimate series, 2018).

2.7 In order to help address this a "propensity to stay" factor, based on empirical migration data has been introduced into the analysis. This suppresses affordable housing requirements by assuming that these movements are largely desired, and that even with a larger and different housing mix in the future that most of these migratory movements would still happen. Whilst overall churn can be estimated by annual "components of change" which form part of the Mid-Year estimates, we know that within Westminster this varies significantly between housing tenures. The 2011 Census allows us to make an estimate of churn for each tenure. Housing migration tables suggest that 53% (or 23,000) of the 43,400 households with at least one long-term resident in the private rented sector did not live in Westminster a year previously. In addition, there were 6,000 short-term residents not even counted within households as population because they intended to stay in the UK for less than one year. Adding the short-term migrants to the migrant private rented sector households leaves just 45% of the tenure staying in the City for over year (compared to 91% for social rented properties and 81% for owner occupiers).

(ii) *Occupation of Housing Spaces*

- 2.8 Population data doesn't give a full picture of people living and working in Westminster. Over 700,000 people are employed by companies, as measured by the ONS's Business Register of Employment, the largest number of any local authority in the UK, and almost three times the standing resident population. On top of this there are estimated to be around 6,000 (Census 2011) short term migrants who live in Westminster at any one time but who are not counted as residents.
- 2.9 There are also a large number of people who are living in the City part-time. According to the 2011 Census around 14,300 housing spaces had no full-time resident, this is 12% of all household spaces which compares to 3.6% for England as a whole. Some of these spaces are empty, but the majority are occupied by households who spend most of their time elsewhere. This was a significant issue in the 2011 census and the ONS explained the difference between the previous Mid-Year Estimates of 2010 and the 2011 Census results as being as a result of the considerable number of Westminster housing that did not contain any full-time residents.
- 2.10 The 2011 Census also showed that across England some 3.7% of residents had a second home elsewhere in the UK, whilst 1.5% had a property abroad. Westminster's figures are far higher, showing full time residents (not including people occupying properties for less than 50% of the time) were 7% and 9% respectively. As a result, an 'eligibility element' is part of the damping factors introduced into affordable calculations to ensure that residents with second homes, or not fully occupied properties are removed, from prospective demand for intermediate properties.

(iii) Multiple Households

- 2.11 Westminster also has high numbers of non-related households living together, such as students and workers. The 2011 Census estimated that 13% of Westminster's housing was occupied by multiple households and this rose to 20% in the private rented sector. This causes uncertainty about:
- Household income – as the available data doesn't include the number of adults in a household
 - Individual income – as the available data is only modelled to household level and those sharing are likely to want to form separate households. This is particularly an issue for estimating those that aspire to intermediate housing.

(iv) Welfare Reforms

- 2.12 Welfare reforms since 2011, starting with the Local Housing Allowance reforms through to the lowering of the Household Benefit Cap have had an impact on the profile of private rented households living Westminster. The number of low income private tenants has reduced in some areas, especially in the central areas of the city for example. One of the core complications for forecasting future needs is that the impacts of welfare reform are still resonating, making a simple extension of trends from previous years less reliable, particularly when considering issues such as the number of households reliant on Housing Benefit (HB). The number of HB claimants in Westminster has fallen from over 40,000 to around 21,000 since Welfare Reforms were

introduced². The picture is further complicated by uncertainties around the potential impact of Universal Credit (UC) on landlord behaviour. At the time of writing, full migration to UC is subject to a “test and learn” approach involving 10,000 cases during summer 2019.

- 2.13 Finally, families with a large number of children have been disproportionately affected by the Overall Benefit Cap. This has created a need for larger housing that was previously being met in the private rented sector no longer being able to be met in that tenure and many of these families are now in Temporary Accommodation. It is as yet unclear how these changes will affect long-term demographic projections.

(v) *Homeless Households.*

- 2.14 There are currently 2,700 homeless households living in temporary accommodation (TA), of which c.50% are outside Westminster. This is common to many London boroughs but the lack of private rented accommodation which is affordable to households within benefit levels and to the council within subsidy levels is particularly acute in central London. These households, regardless of where they live, have been taken into account in the analysis as needing social housing in the city. However, the council’s policy of offering some homeless households affordable private rented sector housing in locations which could be outside Westminster, as an alternative to waiting for social housing, will mean that some homeless households will establish new lives outside Westminster.

Affordable Housing Requirements: Approach Overall

- 2.15 Gross requirements for affordable housing have been considered as being made of four components:
- Two tenures: social housing (social or affordable rents) and intermediate housing (rent or low cost purchase). Social housing is for low income households and is generally only offered to those on the council’s waiting list with priority for it. Households requiring intermediate housing are likely to have higher incomes, not be eligible for social housing but nevertheless can’t afford market housing to buy, although they have more choices in the market than households requiring social housing.
 - Two time-periods – current households (“Backlog”) and future households (“Emerging”)
 - Net requirements are then calculated by taking away the estimated supply that will become available through normal turnover. The methodology is summarised in table 1 below and is consistent with the PPG 2018.

Table 1: Methodology for assessing affordable housing

A	Backlog of requirements i.e. those needing affordable housing now
B	Emerging requirements i.e. newly forming households that will require affordable housing, plus those that will require it due to a chance in circumstances
C	Gross requirement = A+ B

² Local Housing Benefit data

D	Supply created through normal turnover i.e. properties becoming vacant
E	New supply required = C minus D
For each of the above, the total annual figures are divided by 20 years to reflect the timespan of the City Plan.	

Balancing “Need” and “Aspiration” and the Relationship between Affordable Tenures

2.16 When assessing affordable housing requirements, the relationship between “need” and “demand” must be considered. Affordable housing can offer greater security and lower rents, so some households may “aspire” to it, but not necessarily “need” it, if they are living in the private rented sector in homes which are in good condition and affordable to them for example. To help resolve this issue three ranges of requirements have been assessed: Narrow, Central and Broad.

- **The Narrow estimate:** Centres around households known to require affordable housing, such as those on the council’s lists. The narrow estimate provides a minimum figure for affordable need, but we know that it inevitably undercounts actual requirements, because it assumes a 100% awareness and willingness to join housing lists.
- **The Broad estimate:** Builds on the above, but also captures less acute needs and potential demand beyond the narrow eligibility criteria of waiting lists. It is likely to overcount in two ways. For social housing it includes cohorts whose needs are significantly less acute – e.g. grown up dependents of social tenants not on any other housing list. For intermediate housing it assumes that take up can be estimated by eligibility, taking no regard of people’s disposition or desire to access that housing. It acts as a useful maximum.
- **The Central estimate:** Follows the Narrow methodology but takes a more realistic estimate where there is evidence that the Narrow range underestimates demand. The Central Estimate is considered the best estimate from the available data and is presented in the Housing Needs Analysis as the most realistic.

2.17 Clearly many households requiring social housing have no other choices in the housing market, because they are homeless for example. Intermediate housing is different in that those requiring it may be able to afford a private rent, but they may aspire to no longer share, to live independently from their parents or to buy. To help resolve these issues social requirements are expressed in the analysis as “need” and intermediate requirements as “demand”, but there is clearly overlap between the two.

Addressing Social and Economic factors

2.18 As a result of the issues described in points 2.5 – 2.13 we have applied a dampening factor which is used to account for households who have no intention of settling in the city, are unlikely to be in the market for a long-term solution because of age (propensity to stay), or are ineligible for intermediate housing. The damping factor means that the majority of potential households are not deemed in need or demand for affordable housing. It is calculated and applied as follows:

Social Housing

- It is assumed that everyone in a current state of housing need living in Westminster would like to stay here.
- Future need has been dampened to 45% of the total potential number of new households who would form each year, with inadequate incomes to afford other housing options and is called the 'propensity to stay' factor. This has been introduced, in recognition of the factors described in 2.4. Westminster is a hub for migration, students and second home owners / investors and contains a large number of people who are not looking for a housing product to meet their long-term living requirements in the City. 'Propensity to stay' has been used in calculations of demand for both social and intermediate housing. It has been used for households currently in, or estimated to form, in the private rented sector only as households in the social and owner-occupied sector are likely to have their housing needs already met. The main assumption made in this calculation is that actual historical moves are a good indicator of current propensity to move.

The calculation has been based on actual movements as measured in the 2011 Census:

- Number of households in the private rented sector in Westminster who lived outside the City a year ago – either as a wholly moving household, a partially moving household or a short-term migrant = 23,809
- No of private rented households = 44,301 (Census 2011)
- % of household who lived outside of Westminster a year ago = $23,809 / 44,301 = 55\%$
- % of households who have been in the City for over 1 year = 45%

Intermediate Housing

- This calculation is more complex and includes the 'propensity to stay' factor described above, plus it also introduces eligibility and age factors, as well as a variable to account for double counting. The dampening slightly alters with different income levels, as households with a lower income are less likely to have second homes. The table below shows the dampening for households earning £23,000 to £67,000 per year. The damping factors are slightly different for the £67,000 - £90,000 group.

Factor	Income Levels of £23 – 67k	Income Levels of £67 – 90k	Overall	Rationale
1. % of private rented households with a head over 25	91%	91%	91%	This is effectively a filter to remove people who are unlikely to need long-term affordable housing yet. Source Census 2011, Age of HRP
2. % of private rented households who are of working age	86%	86%	86%	This is effectively a filter to remove people beyond working age who are unlikely to need a long-term affordable housing product. Source Census 2011, Age of HRP
3. % of private rented households who do Not own second homes occupy their home full-time	88%	61%	83%	This is a filter to remove households with second homes and/or using their WCC property as a part-time base. These households are excluded from intermediate options. Source Census 2011, Occupied Households Spaces/ Second Properties – double counting removed
4. The % of private rented households who would want to stay in Westminster long-term	45%	45%	45%	See Propensity to stay - As per social housing source
5. Total Dampening double count removal applied	69%	79%	71%	This is overall % of households removed by age, 'eligibility' and 'propensity to stay' factors

Assessment of social housing need**2.19 Step 1: Assessing the Backlog (Social Housing)****Table 2: Social Backlog - Narrow Range**

	Social Backlog (Narrow)	Annual No	Source	More information
1.	Homeless households in Temporary Accommodation	135	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Includes those assessed as being homeless and those awaiting assessment 2,700 households / 20 year plan period
2.	Households on the Housing List	18	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Excludes homeless households above and those registered for a transfer Only includes those that have priority for housing 360 / 20
3.	Households in private rented sector due to poor conditions	26	<ul style="list-style-type: none"> Westminster City Survey 2017 & 2018 results combined 	<ul style="list-style-type: none"> Poor conditions have been measured from self-declarations by households from Westminster's own City Survey across two years from 2017 to 2018. The findings were cross checked against the council's older stock condition surveys results, which arrived at the same percentage 1,160 x 45% "likely to stay" factor / 20
4.	Households in private rented sector that are chronically overcrowded - 2 or more bedrooms short	41	<ul style="list-style-type: none"> Census 2011 	<ul style="list-style-type: none"> 1,813 x 45% "propensity to stay" factor / 20
5.	Hidden Need - Households who approached the Council for assistance but not accepted as homeless	15	<ul style="list-style-type: none"> Local data source 	<ul style="list-style-type: none"> 313 minus 6% estimated to be under 25 / 20
6.	Groups not currently captured by the Housing List	67	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Made up of: 25 Looked After Children (driven largely by Unaccompanied Asylum-Seeking Children), 42 from women's refuges, ex-offenders, those with mental health needs not captured by the Housing List (in 1 and 2 above) people

7.	Double count removals (Households in PRS overcrowded and in poor condition)	-21		<ul style="list-style-type: none"> Removal of double counts, where households are likely to be in multiple situations which could give rise to need
	Total	281		

2.20 The Broad Range estimate of the Backlog also takes into account the following additional groups:

Table 3: Social Backlog – Broad Range Additions

	A: Social Backlog (Broad)	Annual No	Source	More information/source
8.	Hidden households - adult dependants of tenants who want to form own households (not on intermediate list)	36	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Households formed from adult dependants of families in social housing. This group used to form a discrete list, which was closed in 2011. Households then either dropped off the list or joined intermediate housing list. The numbers used are from households in council homes in 2011 and pro-rata'd to assume the same rate in registered provider stock 713 minus 3% estimated to be under 25 / 20
9.	Households on housing benefit in private rented sector (not already accounted for)	72	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Households that may aspire to social rented housing 3,190 x 45% 'propensity to stay' factor, minus 2% estimated to be students / 20
10	Double Count Removals (Housing List and Social Sector hidden households)	-2		<ul style="list-style-type: none"> Households likely to appear in multiple data sources have been removed
	Total	387		<ul style="list-style-type: none"> 281 from table 3 above plus 106 (8 + 9 – 10)

2.21 *Step 2: Assessing Emerging requirements (Social Housing)*

Table 4: Social Emerging – Narrow Range

B: Social Emerging (Narrow)	Annual Figures	Source	More information
1. No of new households who move into Westminster and will need social housing	39	<ul style="list-style-type: none"> ONS population projections HB claimant rates, StatExplore Dec 2018 Age of HRP, Census 2011 	<ul style="list-style-type: none"> Residents who do not currently live in Westminster, but who will move to the area over the lifetime of the plan (1,189) and subsequently have incomes low enough to only be able to afford a social rent The % with low incomes is estimated at 7%, the current % of the private rented sector working age resident population claiming housing benefit 45% dampening factor is applied – those who want to stay in Westminster long term $39 = 1189 * 45% * 7% * 98%$ (households where household reference person is over 25)
2. Annual growth in the Temporary Accommodation (TA) list of homeless households	25	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> An estimate of households becoming homeless, evidenced by the increases in the TA list It should be noted the TA list had fluctuated in the past few years, but it has grown since the Homelessness Reduction Act took effect in April 2018. It is not clear however if this will become a long-term trend or a short-term “spike”.
3. Number of households currently living in Westminster, not currently in social need but who will fall into social need through unemployment or changes in circumstances	266	<ul style="list-style-type: none"> Flow rate of ESA, NOMIS, ONS 	<ul style="list-style-type: none"> See Technical Note 1
4. Looked after children who do not appear on the Housing List (an annual number)	25	<ul style="list-style-type: none"> WCC Children’s Services, Dec 2018 	
5. Other households who do not generally appear on the Housing List i.e. those with mental health needs, ex-	42	<ul style="list-style-type: none"> Local data 	

	offenders, from women's refuges etc.			
6.	Demand from older people needing sheltered housing	8	<ul style="list-style-type: none"> Housing LIN and Archadia Architects Research for the council 2017 	<ul style="list-style-type: none"> The research estimated that through population growth alone, a further 100 units would be needed by 2030 $100/12 = 8$
	Total	405		

2.23 For the Broad range the following groups have been added:

Table 5: Social Emerging: Broad Range Additions

	Social Emerging	Annual Figures	Source	More information
7.	Number of households not currently in social need who will fall into same categories as defined in the social backlog (as defined in the backlog)	An extra 82 (from 266)		<ul style="list-style-type: none"> This is the same as the Narrow range (no 3), but is increased by the inclusion of households only requiring housing benefit
8.	Annual no of households in Westminster likely to be claiming Housing Benefit in the private rented sector in future	374	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> Number of households each year that claim HB each year currently
9.	Increased demand from increasing needs from older people	An extra 9 (from 8)	<ul style="list-style-type: none"> Housing LIN and Archadia Architects Research for the council 2017 	<ul style="list-style-type: none"> The research also estimated that if current increases to the Waiting List continued, an extra 225 units would be needed by 2030 225 in 13 the years from 2017 to 2030, or 17 a year
10.	Double Count Removal – To remove people who fall into needing Housing Benefit are likely to also be captured in 2ii - so only the excess claimant numbers are counted	-374		<ul style="list-style-type: none"> Households likely to appear in multiple data sources have been removed
	Total	496		

2.24 Step 3: Estimating Social Supply

Once the Backlog and Emerging requirements have been estimated, the proportion of these that can be met through social supply through normal turnover is estimated. This comes from social supply becoming vacant as households leave the tenure or pass

away and is based on historic trends. Transfers are not included in the calculations as it is assumed that a switch from one social sector property to another makes no difference to the overall supply figure. New units are not included in the calculation as the aim is to assess how many are needed each year.

2.25 Step 4: Bringing the Narrow and Broad Social Housing ranges together

Table 6: Narrow and Broad Social Housing Requirements

		Narrow	Broad
A	Backlog	281	387
B	Emerging	405	496
C	Total Gross demand	686	883
D	Supply from turnover	443	443
C-D	Net new supply needed each year	243	440

Assessment of intermediate housing demand

2.26 When considering demand for intermediate housing, it is worth noting that the council runs an intermediate list that households can ask to join, but this may not capture all demand for intermediate housing. It is less well established than the social list and also households may not join it as the number of actual intermediate homes available each year is small, so applicants may not believe it is worth it. Numbers on the list can fluctuate depending on marketing activity and exercises to ensure it is up to date.

2.27 Step 1: Assessing the Backlog (intermediate housing)

Table 7: Backlog - Narrow Range for intermediate housing

Intermediate Backlog	Annual Figures	Source	More information
1. Households who registered for the intermediate list (at list peak)	224	<ul style="list-style-type: none"> Local data 	<ul style="list-style-type: none"> The peak number has been used as this reflects demand following significant marketing activity, so is thought to be the most realistic assessment of demand 4,480 / 20

Table 8: Backlog – Broad Range for intermediate housing

Intermediate Backlog	Annual Figures	Source	More information
1. Potential demand for intermediate housing using income i.e. those with the right income levels	524	<ul style="list-style-type: none"> CACI Income Data, 2018 	<ul style="list-style-type: none"> 10,471 households in the private rented sector, with appropriate income and damping factors applied / 20

- 2.28 Given the intermediate list may under estimate demand, the Broad Backlog includes households that have income levels that would qualify them for intermediate housing. Households are considered as potentially eligible for two intermediate products: i) intermediate rent and ii) intermediate purchase. It is assumed that households in social housing would not be interested in the intermediate rental market.
- 2.29 The income data used is unequivalised commercial data from CACI, which supplies the number of households in the City in 5k income bands. Income by tenure is then estimated by isolating a number of different parts of the City which are almost entirely social or private rented housing, and by then applying this data to each of the tenures as a whole. This produces a gross number of households in different income bands in different tenures.
- 2.30 A further exercise was then undertaken to consider, based on the assumption that housing costs should be no more than 40% of net income, the amount of annual gross income required by households in Westminster to be able to afford intermediate rent, intermediate purchase and market housing. The model covers all households in social housing and private rented housing. This creates a market for intermediate housing.

Table 9: Estimate of household incomes of those with a potential interest in intermediate housing to buy or rent

	Cohort	Tenure	Defined by Income	Intermediate	No of households after eligibility and propensity to stay filters have been applied per annum
Highest	Households who earn enough to enter the market without help	Private Rented	Earning over £90k – as this enables purchase of a lower quartile market property with housing costs of 40% of net income	No	66
	Households who can only afford an intermediate purchase (discrete from those who could afford in intermediate rent)	Private or Social	Households who earn more than £67k but less than £90k	Yes	92
Lowest Income	Households who can only afford an intermediate rent	Private or Social	Households who earn more than £23k but less than £67k	Yes	432
	Households who do not earn enough to afford an intermediate rent	Private or Social	Households earning under £23k	No	333

2.31 It should be noted for table 9 above that some 35,000 households are deemed to have the appropriate income for intermediate property, but filters have been applied (to address the factors described above in 2.18) to create a more realistic cohort of households likely to be eligible and interested in intermediate housing in Westminster. These are:

- Households must have an HRP³ (Households Reference Person) who is over 25.
- Households must have an HRP of working age
- The propensity of households wanting to stay in Westminster long-term
- Households are not using rented properties in Westminster as second homes or who are likely to have a second home elsewhere.

2.32 *Step 2: Assessing Emerging Demand (intermediate housing)*

Table 10: Emerging demand - Narrow Range

Intermediate Emerging	Annual Figures	Source	More information
Newly forming households with a suitable tenure and income + propensity to join the list based on current rates (based on narrow backlog)	64	<ul style="list-style-type: none"> • CACI income data 2018 • Census 2011 	<ul style="list-style-type: none"> • This is the number of households who would newly form in the borough in the private rented sector AND with an eligible income AND with propensity to join the intermediate list, and with damping factors applied. This assumes that the future demand for intermediate market is sufficiently estimated by numbers of people on the current list. • New households with a suitable income forming each year in PRS = 347. • No of households with a propensity to stay and be eligible = 150. (This is calculated by applying dampening factor to the 347 total. In effect this is $347 \times \%$ of households with an HRP over 25 and under 65 \times % of households with no second home (elsewhere)/ using Westminster property as a second home) • No of households likely to join list = $150 \times 43\%$ (43% represents households on

³ HRP - Households Reference Person, a concept used in the Census to derive the profile of the “head of household”

			the list at its peak as a % of those households deemed to be eligible post income and dampening factors= 4,484 / 10,471)
--	--	--	--

Table 11: Emerging Demand - Broad Range

Intermediate Emerging	Annual Figures	Source	More information
Newly Forming Households with a suitable tenure and income (based on broad - eligibility)	150	<ul style="list-style-type: none"> CACI income data 2018 Census 2011 	<ul style="list-style-type: none"> This is the number of households who would newly form in the City in the private rented sector AND with an eligible income AND with propensity to join the intermediate list, and with damping factors applied. New households with a suitable income forming each year in PRS = 347 No of households with a propensity to stay and be eligible = 150

2.33 Step 3: Estimating Intermediate Supply

Once the Backlog and Emerging requirements have been estimated, the proportion of these that can be met through intermediate supply through normal turnover is estimated. This comes from rented supply becoming vacant as households leave or pass away, or from low cost home ownership resales and is based on historic local trends. New units are not included in the calculation as the aim is to assess how many are needed each year.

2.34 Step 4: Bringing the Narrow and Broad Intermediate Housing Ranges together

Table 12: Narrow and Broad Intermediate Housing Requirements

		Narrow	Broad
A	Backlog	224	524
B	Emerging	64	150
C	Total Gross demand	288	673
D	Supply from turnover	58	58
C-D	Net new supply needed each year	231	616

2.35 Step 5: Establishing a Central Estimate

The following tables show a Central estimate, taking elements from the Narrow and Broad ranges. This Central requirement is considered the most realistic for Westminster.

2.36 The Central requirement for social housing is in table 13. For the backlog of need it follows the Narrow estimate and doesn't include the households in the Broad range that

may aspire to social housing, but do not necessarily need it i.e. households in the private rented sector receiving housing benefit. This is because national policy is predicated upon the private rented sector being a suitable tenure for low income households. The Localism Act 2011 enables councils to discharge their housing duty to homeless households for example through an offer of private rented housing.

2.37 Emerging need also largely follows the Narrow estimate, but also includes a higher proportion of older people that may need sheltered housing in future.

Table 13: Social homes required each year in Westminster

	Social housing (Central Estimate)	Annual figure	Source	More information
A	Backlog of need These figures are based on the Narrow Estimates in table 2	281	<ul style="list-style-type: none"> The Council's City Survey results 2017/18 Council homelessness records The council's Housing and Social Services records 	<ul style="list-style-type: none"> Households on the council's social housing waiting list, including homeless households in temporary accommodation (153) Households estimated to be living in unsuitable housing in the private rented sector (67). 'Propensity to stay' factor of 45% applied 'Hidden need' i.e. hidden homeless households that the council hasn't traditionally had a rehousing duty towards (15) Other specialist groups that are not currently on the council's housing waiting list, such as 'looked after children' (67) Double counting has been removed (-21)
B	Emerging need These figures are based on the Narrow Estimate in table 2, plus increased demand from older people in table 5, line 9	410	<ul style="list-style-type: none"> ONS population projections/council records Council homelessness records Employment Support Allowance flow data (NOMIS, DWP) Council Housing/Social Services records 	<ul style="list-style-type: none"> The number of new households that will move into Westminster and are estimated to need social housing (39). 'propensity to stay' factor of 45% applied Estimated growth in homeless households needing temporary accommodation (25) The estimated number of households will need social housing in future (but do not need it now i.e. due to a change in their circumstances (266) Specific groups of people that will need social housing i.e. those with mental health

			<ul style="list-style-type: none"> Independent research into demand for sheltered housing 2017 	<ul style="list-style-type: none"> needs, care leavers, , ex-offenders, women moving from refuges (67) Future demand from older people (13)
C	Gross demand A + B	691		
D	Supply	443	<ul style="list-style-type: none"> Council records 	<ul style="list-style-type: none"> The total number of social homes that are estimated to become available annually through normal turnover (443)
E	Net need C - D	247		

2.38 The Central requirement for intermediate housing is in table 14. The backlog of demand follows the same methodology as the narrow range and assumes that an estimate of current appetite for intermediate products can be derived more accurately from the current take up (as measured by peak list numbers), than solely through potential demand based on income. However, we accept this may result in a marginal undercount and some people will be unaware of the list. The emerging demand however follows the Broad estimate, on the basis that intermediate housing options in the city would become more common and new arrivals are less likely to be linked into renting from relatives and other informal arrangements that may suppress demand. This might create a marginal over-estimate. Given the level of uncertainty around this estimate, the 'Central' estimate provides the most realistic position, taking into account the conservative 'narrow' estimate and the more ambitious 'broad' estimate.

Table 14: Intermediate housing demand each year in Westminster (Central Estimate)

	Intermediate housing	Annual figure	Source	More information
A	Backlog of need This follows the Narrow estimate	224	<ul style="list-style-type: none"> Council intermediate housing data 	<ul style="list-style-type: none"> Households on the council's intermediate housing list at its peak
B	Emerging need	150	<ul style="list-style-type: none"> CACI Income Data 2018 Census 2011 (age of HRP, second home ownership, propensity to stay in the City) 	<ul style="list-style-type: none"> Newly forming households in the private rented sector that are likely to be eligible for intermediate housing due to their income profile 'Eligibility factor' of 45% applied
C	Gross demand A + B	374		
D	Supply	58	<ul style="list-style-type: none"> Council housing records 	<ul style="list-style-type: none"> The total number of intermediate homes that are estimated to

				become available annually through normal turnover
E	Net need C - D	316		

Technical Note 1

The estimate of the need for social housing includes an estimate of the number of households who will need it in the future. This is termed 'newly arising need'.

Newly arising need contains two components:

1. New households forming each year who are unable to afford to rent and need social housing
2. **Existing** households whose circumstances change and need social housing

The first component is calculated using official household projections and the proportion of these households who are unable to afford to rent in the market on the basis of their income. This is the approach used in the majority of affordable housing need assessments in other authority areas.

The second component has been more challenging to estimate in Westminster. The number of existing households who will fall into need each year is typically estimated using either the net growth in the Waiting List over a period of time (annualised) or the net growth in the number of households in receipt of housing benefit. However, due to changes in legislation which affect the Waiting List (Homelessness Reduction Act) and changes to the welfare system in recent years, both of these data sets are unreliable indicators within Westminster and increasingly in most other local authorities.

To estimate the number of existing households falling into social housing need, it has been necessary to develop a proxy indicator. This indicator represents the 'flow' of existing households onto the Westminster City Council backlog for social housing.

To estimate the flow, it has been assumed that the proportion of people falling into likely long-term unemployment each year (flow), as a percentage of all people claiming unemployment benefits (stock), is a reasonable indicator of the proportion of households falling into housing need each year as a percentage of all households in the current backlog (stock).

The calculation is as follows.

- a) Calculating a flow rate – this is a proxy for how long it would take for the size of the current backlog of households needing social housing to be replicated by households not currently in need. This is achieved by estimating the % of households in need in the backlog, that are new each year.

This part of the calculation uses known flows of people falling out of work through unemployment and/or poor health. This is applied to the known proportion of people already out of work because of unemployment and/or poor health. The assumption made is that around 75% of this flow will be long term.

Employment Support Allowance (ESA) benefits data has been used because this benefit is given to people with significant mental or physical health issues, who are likely to have a long-term need. Data has been applied for May 2018, as this provides us with

the last figures available before Universal Credit started rolling out to parts of Westminster.

Number of people claiming ESA = 8,940 (stock)

Number of people claiming ESA for less than 12 months = 1,360

% of new ESA claimants likely to have long term employment / health issues = 75%

% of ESA claimants who are new and likely to have a long-term need = (1360)/(8940)

**75% = 11.41%*

b) Applying the flow rate to the social backlog total.

The total number of households in the social backlog has been calculated as follows:

Number of Households in PRS in unsuitable housing - due to poor conditions = 1,160

Number of Households in PRS who are chronically overcrowded - 2 or more bedrooms short= 1,813

Number of households approached but not accepted as homeless = 313

Removal of double counting of households both overcrowded and in poor condition = - 952

Total number of households in social housing backlog = 1160+1813+313-952 = **2,335**

Note – certain vulnerable groups such as Looked After Children, people with Mental Health issues have been excluded from this calculation as they are added on separately.

c) Number of existing households likely to fall into need each year

a) Rate of falling into same needs as households in the social housing backlog = 11.41%

b) Total number of households in social housing backlog = 2,335

Number of households likely to fall into need each year = 2,335 * 11.41% = 266.

This indicator produces an estimate which is subject to a number of assumptions and, in practice, will be affected by a range of future unknown socio-economic factors. However, it is believed to be a reasonable estimate of the likely level of existing households falling into need each year in the City. It is of similar scale to figures estimated in other local authority areas (where different approaches have been used). In absolute terms, it is around one fifth of the level of new claimants of ESA (unemployment benefit) each year (1,360 people).



Westminster City Council 17th Floor 64, Victoria Street London SW1E 6QP	Wessex Economics Ltd Brewery House High Street Twyford Winchester SO21 1RF
---	---

10th June 2019

To whom it may concern,

Re: Housing Needs Analysis and Technical Appendix

Wessex Economics, led by Kerry Parr (Associate), acted as a 'critical friend' to Westminster City Council (WCC) in the preparation of its Housing Needs Analysis report to support the Westminster City Plan.

Wessex Economics were appointed in December 2018 and worked with Westminster City Council officers over a 4 month period to:

- Review and develop the approach to affordable housing need assessment in Westminster
- Test assumptions in the analysis
- Check WCC's spreadsheets and modelling
- Provide suggestions and alternatives in relation to the data and assumptions
- Review the draft Housing Needs Analysis report which contains the affordable housing need assessment.

Wessex Economics can confirm that the Westminster City Council Housing Needs Analysis and the affordable housing needs assessment it contains is consistent with the National Planning Policy Framework (2019) and Planning Practice Guidance (PPG). It is also consistent in approach with other affordable housing need assessments undertaken by Wessex Economics in other local authority areas and builds on the work undertaken by Wessex Economics for Westminster City Council in 2014.

The approach, data sources and assumptions are set out transparently in the Housing Needs Analysis and Technical Appendix. The data sets used are broadly common with those used in other local authorities; though it is normal for these to vary as different local authorities record and collate data differently. Where common data sets are available, for example national population projections produced by ONS, these have been used.

The assumptions made in the modelling are reasonable and consistent with the evidence in Westminster. Some of the data sets and assumptions are different from other local authorities (especially those outside London) but are necessary in Westminster because of the nature of the market and, in particular, the high levels of population

churn and international in-migration. Particular care has been taken by WCC officers to cross check (or triangulate) data sources with other sources in order to reduce the risk of relying on one data set as a key input in the assessment.

As with all affordable housing need assessments, the outputs are estimates. Wessex Economics thoroughly endorse WCC's use of a range of estimates ('narrow' and 'broad') and the presentation of the central estimate as the best estimate of affordable housing need.

Wessex Economics' Expertise

Kerry Parr has over 15 years' experience in housing policy, research and consultancy and specialises in affordable housing need assessments. Kerry has undertaken numerous Strategic Housing Market Assessments, leading on the affordable housing need assessment, including in Hart, Rushmoor and Surrey Heath which has recently been tested at the Examination in Public of Hart's Local Plan.

Kerry has spent many years developing and refining affordable housing need assessments in response to changes in national policy and the housing market. She has been a key champion of using real data, available in-house in local authorities, to produce need assessments so that local authorities can undertake analysis in-house and update assessments more frequently rather than relying on infrequent and costly surveys. In recent years she has been developing the approach to examining the need for older persons housing and the policies to support the delivery of specialist and mainstream housing suitable for older people.

Kerry has a background in central government policy development having previously worked in the planning policies team (housing) at the Department for Communities and Local Government (DCLG) and was a member of the Barker Review of Housing Supply team (2003-04).

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Kerry Parr', with a checkmark below it.

Founder and Director of Wessex Economics Ltd

**CITY
PLAN
2019 – 2040**



City of Westminster