

# Penzance

## Housing Needs Assessment (HNA)

June 2022

### Quality information

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

DLUHC	Department for Levelling Up, Housing and Communities (formerly MHCLG)
HCWG	Housing Crisis Working Group (allied to Penzance Parish Council)
HNA	Housing Needs Assessment
HRF	Housing Requirement Figure (the total number of homes the NA is expected to plan for, usually supplied by LPAs)
HLIN	Housing Learning and Improvement Network
HRP	Household Reference Person
LHN	Local Housing Need
LPA	Local Planning Authority
NA	Neighbourhood Area
NP	Neighbourhood Plan
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
PPG	Planning Practice Guidance
PRS	Private Rented Sector
RQ	Research Question
SHMA	Strategic Housing Market Assessment
VOA	Valuation Office Agency

# 1. Executive Summary

## Conclusions- Tenure and Affordability

### Tenure and affordability issues

1. Penzance's 2011 tenure mix exhibits a lower rate of home ownership (59%) than Cornwall and the country as a whole (69% and 63% respectively). Accordingly, Penzance has a larger proportion of households in private and social rented accommodation. Roughly 27% of new homes built since 2015 have been in affordable tenures, which is slightly below the Cornwall target of 30% in the Penzance area, but is still having the effect of raising the proportion of homes that are affordable overall. This is also in spite of a slight reduction in the affordable rented stock as a result of the Right to Buy scheme. Cornwall Council estimates there to be 1,959 affordable rented homes in Penzance in 2022, 18 more than in 2011 though the number of new completions was over 100.
2. The number of privately rented homes cannot be accurately known until the 2021 Census results are released. This will be an important datapoint to consider at that time for two reasons. First, private renting is growing at the expense of home ownership nationwide as a result of affordability challenges. Second, there is an increasing rate of short/holiday letting in Penzance, which is most likely to come at the expense of privately rented rather than owned tenures. Currently 407 self-contained properties are listed on Airbnb (HCWG data from Airdna), which equates to 21% of the number of privately rented homes in 2011. The loss of private rented accommodation is likely to increase competition and prices in this sector which, given the high cost of ownership, is needed to accommodate the growing number of people who have few other options if they wish to remain in the area.
3. Home values in Penzance have risen steadily over the past decade, with a sharp uptick in the most recent year, likely due to an increase in demand arising from the Covid-19 pandemic and associated stamp duty tax cut. The current median house price in Penzance is £255,000, which is 50% higher than the median in 2012. The current lower quartile house price (a good representation of entry-level homes) is £187,875, a 35% increase on 2012 levels. The average cost of a newly built home over the past three years was £300,000.
4. The sample size for rental prices in Penzance is extremely small, pointing to the fact that the availability of rental accommodation is as much a potential challenge as its cost. There are currently 40 times more properties in Penzance listed on Airbnb than listed for longer-term rent on Rightmove as of March 2022, although the Airbnb listings are not all available throughout the year.

### Tenure options

5. AECOM has estimated the annual income required to afford various tenures of housing in the NA – each of which is explained in detail in Appendix A. 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 Penzance was £32,936 in 2018, and the lower quartile income (per person) for Cornwall was £12,766 in 2020.

6. It was found that a household would need an income comfortably above the average (substantial equity in another home or a very large deposit) to qualify for a mortgage even for an entry-level home in the area. The income levels noted above would not be enough to qualify for a mortgage to cover the cost of the median Penzance flat unless a larger deposit is available. Home ownership through the mainstream market is not an option for the majority of local people who do not already own. The median house price would require an annual income around double the current average.
7. Private renting is potentially affordable to average earners and households with two lower earners, both of whom appear able to afford a 1-bedroom rental property. The annual income required for a 2-bedroom home exceeds the capability of double lower earners, and larger rental homes are therefore even further out of reach – a particular challenge for large families who cannot afford to buy a house but are also not eligible for subsidised Affordable Housing.
8. There is a relatively large group of households in Penzance who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £25,000 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.
9. However, the income required to access any of the products considered (benchmarked against the equivalent open market value of a new home between 2019 and 2021) exceeds the average household income in Penzance, with the exception of shared ownership at the lowest possible equity share. Other forms of First Homes and shared ownership do bring down the threshold for home ownership from £50,000 to just over £35,000, which certainly widens access to ownership to a larger group of people. However, the benefits accrue only to above average earners, leaving lower earners reliant on relatively unaffordable private rents or subsidised Affordable Housing if eligible.
10. Neighbourhood plan qualifying bodies have discretion to increase the discount on the new First Homes product from 30% to 40% or 50% where there is evidence to suggest this is appropriate. This HNA finds that the highest possible discount level of 50% would be necessary from an affordability perspective in Penzance.
11. Affordable rented housing appears generally affordable to households with two lower earners (average earning households are unlikely to be eligible). However, households with a single lower earner are unable to afford any of the tenures considered except for smaller socially rented units. Many such individuals will, if unable to secure a social rented dwelling or additional subsidy, need to live in a room in a shared house using housing benefit. The affordable rented sector performs a vital function in Penzance as the only option for a large segment of those in the greatest need.

### **Quantity of Affordable Housing needed**

12. The annual need and potential demand for Affordable Housing products in Penzance is estimated using Homechoice register and other Cornwall Council figures as a starting point. The result is an annual need for 77 affordable rented units and annual potential demand for 123 affordable home ownership units.

13. These figures are not directly equivalent, with the former representing unmet need among those eligible for affordable rented accommodation (with the need therefore potentially higher in practice if there are additional households in need but not currently considered eligible), and the latter representing households who are adequately housed in private rented accommodation or living with family but would like to purchase if they could. They have been included in the national planning definition of those in need of Affordable Housing, but their needs are less acute than those on the waiting list for affordable rented housing.

### **Policy considerations**

14. Cornwall's adopted Policy 8 aims for 30% of all new housing to be affordable in Zone 4, where Penzance is located. As noted above, 27% of homes in recent years have been affordable, suggesting this target is usually met. However, the size of sites and viability issues mean that this is not guaranteed going forward, although the evidence gathered here suggests the minimum level of affordable provision should be secured wherever possible.
15. On the balance of factors listed in the Policy Guidance section of this chapter, AECOM recommends that roughly 75% of Affordable Housing should take the form of rented tenures such as social and affordable rent (preferably the former), with the remaining 25% as affordable routes to home ownership, fulfilling the requirements of the new First Homes product. This has been selected to prioritise social renting above the proportion suggested by the HNA estimates of need and the Local Plan baseline due to the lack of expected supply relative to the need identified, as well as the fact that affordable home ownership products are found to only widen access to ownership to above average earners.

## **Conclusions- Type and Size**

16. This study provides an indication of the likely need for different types and sizes of homes based on demographic change. It is important to remember that other factors should be considered in determining the dwelling mix that is desirable in the parish or on any particular site. These include the specific characteristics of the nearby stock of housing (such as its condition and design), the role of the NA or site within the wider housing market area (linked to any Local Authority strategies or plans) and site-specific factors which may justify a particular dwelling mix.

### **The existing stock**

17. Penzance has a relatively unbalanced mix of dwelling types, with more than two-thirds of all homes falling into the categories of flats and terraces and comparatively few detached and semi-detached homes. Bungalows are relatively common but to a lesser degree than the Cornwall average. More than half of Penzance's flats and almost no bungalows are located in Penzance town centre, indicating a clear distinction between the housing choices available in the urban and rural areas of the parish.
18. The abundance of flats and terraces suggests that relatively affordable housing options are available (although it is flats rather than terraces that are meaningfully cheaper than other types according to 2021 pricing data). But this also hints that Penzance may not be catering well to all groups in the population. While larger flats and terraces can certainly



meet the needs of growing families, a wider variety of options, including those with more flexible living space and/or access to gardens, may help to serve a broader range of people, subject to affordability.

19. In terms of size, the housing stock in Penzance is similarly skewed towards the smaller end of the size spectrum, with nearly double Cornwall's proportion of 1-bedroom homes, although 2 and 3 bedroom homes dominate the stock at all scales considered. Again, there is a clear gap in the market for larger homes (less than 10% of properties have 4 or more bedrooms) and more variety generally.

### **Demographics**

20. The age structure of the population is a key indicator of the future need for housing. Penzance had an older population profile than Cornwall and England at the time of the 2011 Census. The older age brackets have grown the fastest between that time and the latest estimates in 2020, with the 65-84 cohort projected to have expanded by 24% in that time. Younger age groups are estimated to have declined in number, and it can be speculated that a lack of affordable and adequate housing options may be a factor behind this trend. In the coming years, to 2030, this shift is expected to continue, with the 65+ cohort projected to expand by 52% to reach nearly half of all households, while other age groups increase marginally if at all.
21. A higher proportion of households in Penzance are composed of a single individual than is the case across Cornwall and England. Of the family households, a higher proportion have dependent children than do not. The number of households containing non-dependent (adult) children or multiple families (HMOs and house shares) rose by 16% between the last Censuses.
22. A combined 66% of households in Penzance live in homes with more bedrooms than they might be expected to need, with the remaining third generally having the expected number of bedrooms and a small number having too few. Households aged over 65 and those under 65 with no children are most likely to have more bedrooms than they are expected to need, suggesting that the largest homes are not necessarily occupied by those with the largest families but by those with the financial capacity to do so, irrespective of their household size.

### **The future dwelling mix**

23. 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, suggests that new development should be restricted to homes with 3 or more bedrooms because these size categories are so underrepresented at present compared with what the future population might be expected to need (given the existing preferences of different age groups across Cornwall). An injection of larger homes would improve the offering for larger families who have few options for their next step on the property ladder, and would also widen choice in general.

24. However, it is never advisable to restrict future housing delivery to specific size categories only. There are two key arguments against weighting the dwelling mix on future developments too strongly towards larger homes.
25. First, the preceding chapter found that affordability is a serious and worsening challenge in the area. While the provision of Affordable Housing (subsidised tenure products) is one way to combat this, another is to ensure that homes come forward which are of an appropriate size, type and density for local residents' budgets. Continuing to provide smaller homes with fewer bedrooms would help to address this situation.
26. Second, this analysis has established a clear direction of travel toward the ageing of the population. This suggests that suitable options for downsizing older households would form a valuable contribution to the housing mix. Some additional 2-bedroom homes could help to achieve this, where a narrow focus on 3+ bedroom homes may not.
27. Furthermore, variety should be sought within the mid-sized homes that come forward in future to attract both newly forming households on lower budgets and older households with substantial equity from their existing larger homes. Facilitating downsizing among older households may release some larger homes for use by families who need more bedrooms if they can afford it.
28. Finally, and more generally, it would be unwise for new housing to be delivered in an unbalanced way, particularly on one individual site. Those wishing to move within or relocate to Penzance will have a range of circumstances and preferences, and they should be offered a range of choices. As such, it is recommended that priority is given to larger and mid-sized homes if this can be accommodated within the limitations of site density and viability, and the competing imperative of affordability, but that this is done to a degree that aligns with the wider objectives of the community and does not overly limit choice.

## 2. Context

### Local context

#### The Neighbourhood Area

29. Penzance is a Neighbourhood Area (NA) located in Cornwall, in the south-west of England. The NA boundary aligns with that of the civil parish of Penzance.
30. The proposed Neighbourhood Plan period extends to 2030 with a current start date of 2020, therefore comprising a planning period of 10 years. The evidence supplied in this report will look forward to the end date of 2030, but where possible will also provide annualised figures which can be extrapolated to a different term if the plan period changes.
31. Penzance parish encompasses a number of settlements, including Penzance town, the fishing ports of Newlyn and Mousehole, the villages of Paul, Gulval and Heamoor, and a handful of smaller communities. Each of these named areas plus Eastern Green are seen as having distinct identities and are to be treated individually to some degree in the Neighbourhood Plan. The unit of analysis of this study is, however, the entirety of the NA.
32. The area extending from Newlyn to Long Rock (the latter just outside of the parish) is Cornwall's fifth largest conurbation, and Penzance is the main town on the south of the peninsula. Accordingly, the parish acts as an economic, cultural and tourist hub for the surrounding area, with a wide range of businesses and amenities. Penzance is accessible via the A30, Cornwall's main trunk road, and is the terminus for the mainline railway link with London and the rest of the UK. Public transport and digital connectivity are seen to be strong
33. For Census purposes, the Neighbourhood Area is made up, like the rest of England, of statistical units called Output Areas (OAs). These make up Lower Layer Super Output Areas (LSOAs), which in turn make up Middle Layer Super Output Areas (MSOAs). The parish aligns precisely with a combination of three MSOAs, which has been used throughout as a statistical proxy for the NA and which can be interrogated for data from both the 2001 and the 2011 Censuses:
  - E02003948
  - E02003949
  - E02003951
34. A map of the NA appears overleaf in Figure 2-1.

**Figure 2-1: Map of the Penzance Neighbourhood Area<sup>1</sup>**



Source: Penzance Town Council

<sup>1</sup> Available at <https://map.cornwall.gov.uk/website/ccmap/?zoomlevel=5&xcoord=145734&ycoord=28859&wsName=ccmap&layerName=Parish%20wards:Parishes> – Ordnance Survey 100049047

## **Headline population and housing statistics**

35. The statistics show that at the time of the 2011 Census the NA had a total of 21,045 residents, formed into 10,077 households and occupying 11,236 dwellings. Note that the difference of 1,159 between the number of household and dwellings (roughly 10% of all dwellings) indicates the prevalence of homes with no usual resident – i.e. homes that are either vacant or used as second homes or holiday lets.
36. The Office for National Statistics also produces mid-year population estimates for parishes and wards throughout the country. The mid-2020 population estimate for Penzance is 20,808 – indicating population decline of around 237 individuals since 2011. It is worth noting that this figure is an estimate only, based on data which is mostly available at local authority level such as administrative registers of births and deaths, data on moves between local authorities, small-area population estimates and official population projections, and not based on a survey count.
37. Indeed, statistics relating to new housing development since the time of the 2011 Census suggest that the population is likely to have grown, notwithstanding the valid possibility that fewer people now live in the houses existing in 2011 due to ageing.
38. The first of two ways to update the total count of dwellings is to sum together the completions recorded by Cornwall Council and the 2011 Census baseline. Cornwall Council data indicates that 588 new homes have been constructed in the parish in the ten monitoring years 2011/12-2020/21 inclusive. This brings the total to 11,824. Cornwall Council have also provided an estimate at February 2020 of 12,048 total dwellings in the parish.
39. The second method is to refer to Valuation Office Agency (VOA) data on the current housing stock, which is informed by council tax reporting. Because the Cornwall Council completions data does not provide a breakdown by the type and size of dwelling, VOA data will be used as the most up-to-date source for these aspects in subsequent sections of this study. VOA currently counts 11,580 homes existing in the parish (September 2021 data). A reason that this figure is lower than the method described above is that some of the homes in Penzance are registered as businesses, notably holiday lets, and therefore pay business rates instead of council tax.
40. Discrepancies in these data sources aside, it is clear that the number of homes has risen in the region of 600-800 units since the 2011 Census. If the average number of people per household from 2011 (2.09) still holds, the recent volume of development might be expected to accommodate around 1,250-1,700 additional people. While that is likely an over-estimate due to changes in occupation patterns over time and the possibility, raised above, that ageing is producing a decline in the existing population, the scale of new development suggests that the population decline indicated in the ONS population estimate is likely to be inaccurate.

## Planning policy context

41. Neighbourhood Plans are required to be in general conformity with adopted strategic local policies.<sup>2</sup> In the case of Penzance, the relevant policy context for Cornwall is outlined below.
42. The adopted Local Plan for Cornwall is the Cornwall Local Plan Strategic Policies document<sup>3</sup>, adopted in November 2016. This covers the time period 2010-2030. It is supported by the Cornwall Site Allocations Development Plan Document (DPD)<sup>4</sup> which outlines key sites for residential development. A Housing Supplementary Planning Document (SPD) published in February 2020<sup>5</sup> provides further detail on Affordable Housing in the Cornwall Council area including the following points:
- In suitable locations where there is need, a minimum of 10% of affordable units may be appropriate to be delivered as either single storey dwellings or ground floor flats.
  - Generally, it is advised that no more than 15% of the affordable housing mix should be provided as flats in order to provide a balanced community and be viable for transfer to a Registered Provider.
43. The Cornwall Local Plan Strategic Policies were reviewed and accepted by Cabinet in September 2021 as remaining up to date. They therefore continue to carry full weight in decision-making. There is no current emerging Local Plan.

## Policies in the adopted local plan

44. Table 2-1 below summarises adopted Local Plan policies that are relevant to housing need and delivery in Penzance.

**Table 2-1: Summary of relevant adopted policies in the Cornwall Local Plan (Strategic Policies)**

Policy	Provisions
Policy 2a: Key targets	<p>The Local Plan will provide homes in a proportional manner where they can best meet need and sustain the role and function of local communities and that of their catchment.</p> <p>Development proposals in the period to 2030 should help to deliver a minimum of 52,500 homes at an average rate of about 2,625 per year to help deliver sufficient new housing of appropriate types to meet future requirements – in particular meeting affordable housing needs.</p>

<sup>2</sup> A description of the Basic Conditions of Neighbourhood Planning is available at <https://www.gov.uk/guidance/neighbourhood-planning--2#basic-conditions-for-neighbourhood-plan-to-referendum>

<sup>3</sup> Available at: <https://www.cornwall.gov.uk/media/ozhj5k0z/adopted-local-plan-strategic-policies-2016.pdf>

<sup>4</sup> Available at: <https://www.cornwall.gov.uk/media/p0Ucvkw0/cornwall-site-allocations-development-plan-document.pdf>

<sup>5</sup> Available at: <https://www.cornwall.gov.uk/media/qiyhrvpo/final-housing-spd-feb-2020.pdf>

<b>Policy</b>	<b>Provisions</b>
Policy 3: Role and function of places	<p>The scale and mix of uses of development and investment in services and facilities should be based on the role and function of places.</p> <p>Delivery of housing, community, cultural, leisure, retail, utility, and employment provision will be managed through a Site Allocations DPD or Neighbourhood Plans for Penzance with Newlyn, Heamoor, Gulval, and Long Rock. Development at or well related to these named towns will provide an appropriate level of affordable housing in accordance with the requirements of Policy 8.</p>
Policy 6: Housing mix	<p>New housing developments of 10 dwellings or more should include an appropriate mix of house size, type, price, and tenure to address identified needs and market demand and to support mixed communities. Proposals should seek to:</p> <ul style="list-style-type: none"> <li>• Address need and demand for affordable, market housing, and starter homes including self-build and custom-build housing;</li> <li>• Use local evidence of the need and demand for specific types, tenures, and sizes of housing to contribute to the diversity of housing in the local area and help to redress any housing imbalance that exists; and</li> <li>• Respond to the requirements of a changing population and of particular groups in the community, by increasing the supply of accessible and specialist housing (including ground floor flats, flats with lifts, and bungalow accommodation) which is able to meet people’s needs throughout their lifetimes based on locally derived evidence of need and demand.</li> </ul> <p>On sites of 200 dwellings or more, additional specialised housing (including extra care housing) should be considered where demand exists, to meet defined specialist needs.</p>
Policy 8: Affordable housing	<p>All new housing schemes within the NA on sites where there is a net increase of more than 10 dwellings (or combined gross floorspace of more than 1,000 sq. m) must contribute towards meeting affordable housing need.</p> <p>Developments classified as within Zone 4 (including Penzance with Newlyn, Heamoor, Gulval, and Long Rock) should provide 30% affordable housing.</p> <p>The target provision for affordable housing (other than starter homes) is typically in the following tenure proportions:</p> <ul style="list-style-type: none"> <li>• 70% rented homes owned or managed as affordable housing, provided that the initial rent level does not exceed the local housing allowance; and</li> </ul>



<b>Policy</b>	<b>Provisions</b>
Policy 9: Rural Exception Sites	<hr/> <ul style="list-style-type: none"><li data-bbox="435 264 1439 421">• 30% intermediate housing for rent or sale, provided that the homes are available at first and subsequent occupation at a price which is affordable to a typical local household, taking into account the estimated purchasing power in such households.</li></ul> <hr/> <p data-bbox="435 450 1439 696">Development proposals on sites outside of but adjacent to the existing built-up area of smaller towns, villages, and hamlets, whose primary purpose is to provide affordable housing to meet local needs will be supported where they are clearly affordable housing led and would be well related to the physical form of the settlement and appropriate in scale, character, and appearance.</p> <p data-bbox="435 719 1439 792">Market housing must not represent more than 50% of the homes of 50% of the land take.</p> <p data-bbox="435 815 1439 936">The Council will secure the first and future occupation of the affordable homes to those with a housing need and local connection to the settlement or parish.</p> <hr/>

*Source: Cornwall Council*



## Quantity of housing to provide

45. The NPPF 2021 (paragraphs 66 and 67) requires Local Authorities to provide neighbourhood groups upon request with a definitive or an indicative number of houses to plan for over the Neighbourhood Plan period.
46. Cornwall Council has fulfilled that requirement in principle by providing the “Penzance with Newlyn, Heamoor, Gulval and Longrock” area with a housing apportionment of 2,150 for the period 2010-2030, in the Local Plan Strategic Policies Document. However, this area extends beyond the parish, notably in the inclusion of Longrock. The Local Plan also sets out an apportionment of 1,000 for the “West Penwith CNA residual” area that includes Mousehole and Paul as well as a much wider area outside of the parish. There is therefore no specific figure for the parish itself, but Penzance NA can be expected to deliver slightly less than 2,150 dwellings plus a small proportion of 1,000 dwellings, or roughly 2,000 dwellings in all.
47. The Cornwall housing trajectory data accompanying the 2021 annual monitoring report provides the most recent snapshot of delivery and commitments against these targets. The Penzance area has seen 592 new homes built between 2010-11 and 2020/21, but has a combined pipeline of 1,579 units (across committed permissions, Local Plan allocations, and windfall expectations), resulting in total expected delivery of 2,171 that exceeds its target of 2,000 homes. The West Penwith rural area has seen 750 new homes built and has a pipeline of 549 units, resulting in a total expected delivery of 1,299, again exceeding its target. In this context, Penzance does not have an outstanding housing target to be met through Neighbourhood Plan allocations or other sources.
48. Cornwall Council have confirmed, for Penzance parish specifically, that there are currently 474 new homes on sites with planning permission as of February 2022 (largely counted within the above figures). The nine site allocations within the parish in the Local Plan are expected to deliver approximately 1,100 dwellings in total. Cornwall’s housing trajectory suggests that 990 of these are anticipated within the Local Plan period to 2030, and that none have yet been built, with the first completions expected in 2023/24. It is assumed that there is no overlap between the 474 commitments and 990 allocations, though this is not certain.
49. When thinking about the volume of development of housing expected in Penzance by 2030, a rough total of 1,500 additional homes is taken forward. This is based on 990 homes on allocated sites within the plan period plus 474 commitments, rounded up slightly to account for windfall delivery (which is considered separately in Cornwall’s trajectory but for a wider area than the parish). This figure is used in the HNA simply to attain a sense of the broad scale of development that is likely by 2030. It is not endorsed here as any kind of target.

## 3. Approach

### Research Questions

50. The following research questions were formulated at the outset of the research through discussion with the Penzance Town Council's Community Link Group. They serve to direct the research and provide the structure for the HNA.

### Tenure and Affordability

51. The community perceive affordability of housing to be a key and worsening issue locally. The Town Council would therefore like to understand the needs of the community for housing of varying tenures, as well as the relative affordability of those tenures that should be provided to meet local need now and into the future.
52. This evidence will allow Penzance to establish the right conditions for new development to come forward that is affordable, both in the broader sense of market housing attainable for first-time buyers, and as Affordable Housing for those who may be currently priced out of the market.
53. The Town Council 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 has been provided where relevant and possible in the HNA.

***RQ 1: What quantity and tenures of Affordable Housing should be planned for over the Neighbourhood Plan period?***

### Type and Size

54. The Town Council is seeking to determine what size and type of housing would be best suited to the local community, particularly given its ageing population and the need to retain a mixed demographic and serve the needs of younger residents.
55. The aim of this research question is to provide neighbourhood planners with evidence on the types and sizes needed by the local community. This will help to shape future development so that it better reflects what residents need.
56. While this study is not able to advise on space standards or home configurations, it may reveal imbalances between the available stock and demographic trends.
57. Note, however, that the evidence gathered here takes the current population as its starting point and projects forward trends that exist today. It therefore risks embedding features of the housing stock and occupation patterns that the community may actually wish to change. In that sense, the findings in this report might be viewed as the baseline scenario on top of which the community's objectives and primary evidence should be layered to create a more complete picture and vision for the future.

***RQ 2: What type (terrace, semi, bungalows, flats and detached) and size (number of bedrooms) of housing is appropriate for the Neighbourhood Area over the Neighbourhood Plan period?***

## **Relevant Data**

58. 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 the 2011 Census and a 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;
- Land Registry data on prices paid for housing within the local market;
- Rental prices from Rightmove.co.uk;
- Local Authority housing waiting list data;
- The relevant housing evidence base of the local authority. In this case the evidence base consists of the 2012 Strategic Housing Market Needs Assessment (SHMNA), and a number of separate papers published in 2015, notably BN13: Housing Mix, Types and Tenures. Due to the age of this work it will only be drawn upon to a limited degree; and
- “Trapped”: a report on the housing crisis in the Penzance area prepared by the Penzance Council Housing Crisis Working Group (HCWG). This provides a number of bottom-up data points gathered locally that are helpful context and additions to the top-down view provided by the HNA.

## 4. RQ 1: Tenure, Affordability and the Need for Affordable Housing

***RQ 1: What Affordable Housing (eg social housing, affordable rented, shared ownership, discounted market sale, intermediate rented) and other market tenures should be planned for in the housing mix over the Neighbourhood Plan period?***

### Introduction

59. This section approaches the question of affordability from two perspectives. First, it examines what tenure options are currently available in the parish 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. The scale of need for these homes can justify planning policies to guide new development.
60. 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). 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.
61. The definition of Affordable Housing set out in the NPPF 2021 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 introduced a product called First Homes.<sup>6</sup>
62. Because the First Homes product is more recent 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;

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<sup>6</sup> The shape that the new First Homes product will take is set out in a Ministerial Statement issued in May 2021, available here: <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>. The relevant update to PPG is available here: <https://www.gov.uk/guidance/first-homes#contents>.

- 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 prioritisation 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.

## Current tenure profile

63. The current tenure profile is a key feature of the Neighbourhood Area (NA). Patterns of home ownership, private renting and affordable/social renting reflect demographic characteristics including age (with older households more likely to own their own homes), and patterns of income and wealth which influence whether households can afford to rent or buy and whether they need subsidy to access housing.
64. Table 4-1 presents data on tenure in Penzance compared with Cornwall and England from the 2011 Census, which is the most recent available source of this information. It suggests that home ownership is slightly less common in Penzance than Cornwall and England, with a healthy social rented stock and fairly large private rented sector making up the shortfall in ownership.
65. While it is not possible to bring this information fully up to date, Cornwall Council indicate that since 2014-15 (the earliest that a tenure breakdown is available) there have been 103 Affordable Housing Completions and 282 market housing completions in Penzance. In that recent period, 27% of new homes have been delivered in affordable tenures. This suggests that the proportion of affordable housing has increased from the 2011 baseline. That said, it is possible that the number of affordable rented dwellings has also dwindled as a result of occupants converting to ownership through the Right to Buy scheme. Cornwall Council's 2021 estimate of the number of social and affordable rented homes is 1,959 – the vast majority of which (1,903) are managed by Livewest. This is an increase of 18 on the 2011 figure of 1,941, suggesting that some affordable rented stock has been lost at the same time as new affordable accommodation has been built. 1,959 is 17% of the 11,581 homes paying council tax as of December 2021. This compares favourably with the current estimate of 11% for Cornwall as a whole. That said, further historic data analysis conducted by HCWG suggests that the proportion of Affordable Housing on new developments is generally falling over time locally.

66. There is no current data on the proportion of housing that is rented because the choice to let out a property does not require planning permission or other changes that would be recorded centrally. The 2021 Census will provide the most robust and up-to-date picture of this when the results are released in the coming months. However, it is interesting to observe the change recorded between the 2001 and 2011 Census: in Penzance the number of households renting privately rose by 29% in this period while the number of homeowners declined by 4%. This is in line with the trend across Cornwall and England, though the increase in Penzance is significantly lower.
67. The 2021 Census will again give a useful indication of further change in recent years, which may also reflect the loss of private rented accommodation to short-term holiday lets. It is worth noting that 407 entire (self-contained) properties are currently listed on Airbnb in Penzance (HCWG data gathered from Airdna). This is 21% of the number of homes that were rented privately in 2011, suggesting that around a fifth of the stock previously able to serve local people could since have been lost to accommodation largely for tourists. (It is important to note that many of these listings will only be for limited times of year or when the occupant is away.)

**Table 4-1: Tenure (households) in Penzance, 2011**

Tenure	Penzance	Cornwall	England
Owned	58.8%	68.8%	63.3%
Shared ownership	0.4%	0.8%	0.8%
Social rented	19.3%	12.0%	17.7%
Private rented	19.6%	16.8%	16.8%

Sources: Census 2011, AECOM Calculations

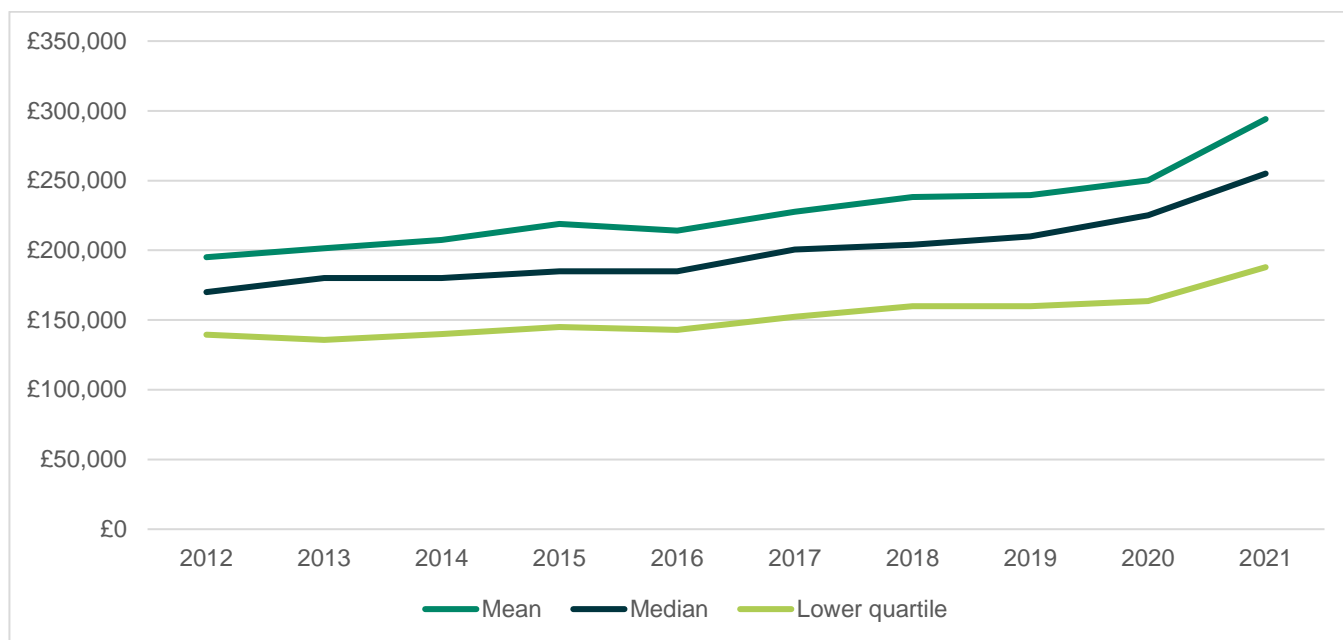
## Affordability

### House prices

68. House prices provide an indication of the level of demand for homes within an area. The relationship between house prices and incomes determines whether housing is affordable to local households and, to a large extent, what tenure, type and size of home they occupy. Changes in affordability over time can indicate pressures in the housing market. As such, it is useful for the evidence base for plans to examine trends in prices and consider what this reveals about the local housing market.
69. Figure 4-1 looks at selected measures of house prices in Penzance. It shows that prices have steadily increased across all measures considered, with a notable uptick in the most recent year that can be attributed in part to an increase in demand arising from the Covid-19 pandemic and associated stimulus. The sense that Penzance has become an attractive destination for retirees and remote working professionals from other parts of the country is corroborated by estate agent interviews conducted by HCWG. The current median house price in Penzance is £255,000, which is 50% higher than the median in 2012. The current lower quartile house price (a good representation of entry-level homes) is £187,875, a 35% increase on 2012 levels.
70. A household looking to purchase even an entry-level home in Penzance today would

need an additional £50,000, or a high enough income to qualify for that level of additional mortgage financing, compared to the funds required just ten years ago. This is a potentially significant barrier to affordability locally, making the availability of other tenures such as private and affordable renting more important.

**Figure 4-1: House prices by quartile in Penzance, 2012-2021**



Source: Land Registry PPD

71. Table 4-2 below breaks down house prices by type, presenting the median within each type. It shows that flats remain the most affordable type, thanks in part to lower appreciation over time, while a terraced home is nearly as expensive as a semi-detached property, and detached homes command a clear price premium over the other available types.

**Table 4-2: Median house prices by type in Penzance, 2012-2021**

Type	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Growth
Detached	£250,000	£275,000	£282,500	£290,000	£295,000	£300,500	£320,000	£322,500	£360,000	£373,000	49.2%
Semi-detached	£210,000	£185,000	£197,000	£207,500	£212,000	£214,250	£220,000	£228,750	£250,000	£277,250	32.0%
Terraced	£157,500	£159,975	£175,000	£168,000	£170,000	£185,000	£190,000	£186,500	£195,000	£250,000	58.7%
Flats	£129,950	£153,000	£123,500	£117,500	£138,000	£156,250	£173,250	£150,000	£140,750	£140,500	8.1%
All Types	£170,000	£180,000	£180,000	£185,000	£185,000	£200,500	£204,000	£210,000	£225,000	£255,000	50.0%

Source: Land Registry PPD

72. It is worth also observing the cost of newly built housing in the parish since this is closely linked to the affordability of new development in future years. While there was only one sale of newly built property in Penzance in 2021, a larger sample size for the period 2019-2021 suggests that the current average stands at around £300,000, which is significantly higher than the overall median for 2021. This reflects the price premium associated with newly built housing as well as the different representation of house types in the new and existing transactions data.

73. Appendix A provides information on current, but not historic, rental prices. However, the sample size is extremely small, pointing to the fact that the availability of rental accommodation is as much a potential challenge as its cost. There are currently 40 times more properties in Penzance listed on Airbnb than listed for longer-term rent on Rightmove.

## **Income**

74. 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 the NA.

75. The first source is ONS's estimates of incomes in small areas. This is locally specific 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 locally was £32,936 in 2018 (the latest year for which small area income data is available. A map of the area to which this data applies is provided in Appendix A. It is a blended average of three areas that make up the parish. The income across these areas ranges from £29,700 to £35,100.

76. The second source is ONS's annual estimates of UK employee earnings. This provides 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. Cornwall's gross individual lower quartile annual earnings were £12,766 in 2020. To estimate the income of households with two lower quartile earners, this figure is doubled to £25,532.

77. 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. If it is broadly assumed that mortgage lenders will be prepared to lend around 3.5 times a household's income, an average earner would be able to borrow around £115,000 and a household of two lower earners less than £90,000. As seen in the Table above, this is insufficient to afford the median priced flat in Penzance.

## **Affordability Thresholds**

78. To gain a clearer understanding of local affordability, it is useful to understand what levels of income are required to afford different tenures. This is done using 'affordability thresholds': the estimated amount of annual income required to cover the cost of rent or a mortgage given local housing prices.

79. AECOM has determined thresholds for the income required in Penzance to buy a home in the open market (average and entry-level prices), and the income required to afford private rent and the range of Affordable Housing tenures as set out in the NPPF. These calculations are detailed and discussed in more detail in Appendix A.



80. The key assumptions made in assessing the affordability of different tenures are explained alongside the calculations, but it is worth noting here that we have assumed that the maximum percentage of household income that should be spent on rent is 30% and that mortgage financing will be offered at a maximum of 3.5 times household income.

81. Table 4-3 summarises the estimated cost of each tenure, the annual income required to support these costs within the NA, and whether local incomes are sufficient. The income required column assumes the household already has access to a deposit (which we have assumed to be 10% of the value to be purchased) but does not reflect the possibility that households may already hold equity from an existing property, and that many local people have multiple part time jobs and supplement their incomes through other sources such as renting out rooms, which can have an impact on mortgage eligibility as well as affordability more widely. Although these factors may be crucial to whether housing will be affordable, they are highly dependent on individual circumstances that cannot be anticipated here.

82. The same information is presented as a graph in Fig on a subsequent page, with selected measures from the table presented for clarity.

**Table 4-3: Affordability thresholds in Penzance (income required, £)**

Tenure	Mortgage value (90% of price)	Annual rent	Income required	Affordable on average incomes? £32,936	Affordable on LQ earnings (single earner)? £12,766	Affordable on LQ earnings (2 earners)? £25,532
<b>Market Housing</b>						
Median House Price	£229,500	-	<b>£65,571</b>	No	No	No
NA Median New Build House Price (2019-21)	£272,655	-	<b>£77,901</b>	No	No	No
LQ/Entry-level House Price	£169,088	-	<b>£48,311</b>	No	No	No
2-bed Market Rent	-	£9,780	<b>£32,600</b>	Yes	No	No
1-bed Market Rent	-	£7,596	<b>£25,320</b>	Yes	No	Yes
<b>Affordable Home Ownership</b>						
First Homes (-30%)	£190,859	-	<b>£54,531</b>	No	No	No
First Homes (-40%)	£163,593	-	<b>£46,741</b>	No	No	No
First Homes (-50%)	£136,328	-	<b>£38,951</b>	No	No	No
Shared Ownership (50%)	£136,328	£3,787	<b>£51,574</b>	No	No	No
Shared Ownership (25%)	£68,164	£5,680	<b>£38,410</b>	No	No	No
Shared Ownership (10%)	£27,266	£6,816	<b>£30,511</b>	Yes	No	No
<b>Affordable Rented Housing</b>						
Affordable Rent	-	£6,102	<b>£20,319</b>	Yes	No	Yes
Social Rent	-	£4,507	<b>£15,010</b>	Yes	No	Yes

Source: AECOM Calculations

83. Before considering each tenure category in turn, it is important to stress that these affordability thresholds have been calculated to give a sufficiently robust indication of the costs of various tenures to inform Neighbourhood Plan policy choices. These figures rely on existing data and assumptions, and it is not possible to estimate every possible

permutation. The income figures also disguise a large degree of variation. For simplicity the analysis below speaks in terms of tenure products being 'affordable' or 'not affordable' for different groups, but individual circumstances and the location, condition, and other factors of specific properties in each category have a large impact. These conclusions should therefore be interpreted flexibly.

### **Market housing for purchase and rent**

84. Thinking about housing for purchase on the open market, it appears that local households on average incomes are unable to access even entry-level homes unless they have the advantage of a very large deposit or equity from an existing property. Market housing, even with the benefit of a higher than average income, is therefore likely to remain out of reach to most new households. The median house price would require an annual income twice as high as than the current average.
85. Private renting is generally only affordable to average earners. Households made up of two lower quartile earners can afford a 1-bedroom rental home but not a 2-bedroom rental home. Larger rental properties, of which there are few available and it was not possible to ascertain the average cost, are likely to be even further out of reach. This is a particular challenge for large families who cannot afford to buy a home but are ineligible for subsidised Affordable Housing. Affordability could be improved if households are able or willing to dedicate a larger proportion of their incomes to rental costs, although this has repercussions for other quality of life aspects and cannot be assumed to suit all individuals' circumstances.

### **Affordable home ownership**

86. There is a relatively large group of households in Penzance who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £25,000 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.
87. However, the income required to access any of the products considered (benchmarked against the average cost of a new home in the parish between 2019 and 2021) exceeds the average household income, with the exception of shared ownership at the lowest possible equity share. Other forms of First Homes and shared ownership do bring down the threshold for home ownership from £50,000 to £35,000, which certainly widens access to ownership to a larger group of people. However, the benefits accrue only to above average earners, leaving lower earners reliant on relatively unaffordable private rents or subsidised Affordable Housing if eligible.
88. 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 plan qualifying bodies will have discretion to increase the discount on First Homes to 40% or 50% where there is evidence to suggest this is appropriate.
89. This report has estimated the income required to afford First Homes and tested the implications of 30%, 40% and 50% discount levels. Given that even the highest discount

level does not bring the income needed within reach of average earners, from the perspective of affordability this maximum of 50% appears to be justified (subject to viability and other factors beyond the scope of this report).

90. Table 4-4 shows the discount required for First Homes to be affordable to the three income groups. The cost of a typical First Home has been estimated here with reference to the average new build price in the last three years. However, it is worth considering the discounts required for some additional price benchmarks, namely the median and entry-level cost of all housing in the parish to get a more complete picture. While it is less likely that First Homes will come forward at prices equivalent to existing properties there may be scope for lower cost types and sizes to be delivered. The discount levels required for these alternative benchmarks are given below. Only entry-level equivalent prices would mean a lower than 50% discount could be sufficient.

**Table 4-4: Discount on sale price required for households to afford First Homes**

Tenure/product	Mean Income	LQ Income x1	LQ Income x2
Median existing house price	50%	81%	61%
Median new build house price (2019-21)	58%	84%	67%
Entry-level house price	32%	74%	47%

Source: Land Registry PPD; ONS MSOA total household income

91. Shared ownership appears to be slightly more affordable than First Homes, but is broadly accessible to the same groups. Government has recently announced that the minimum equity share for shared ownership will fall to 10% of the property value.<sup>7</sup> If this is delivered in the NA, it will make shared ownership easier to access for more people. However, while the income threshold for a 10% equity shared ownership home is lower, this product may not necessarily be more attractive than the alternatives (such as shared ownership at higher equity shares and First Homes) for those who can afford them.
92. 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, meaning that monthly costs for occupants will remain relatively high and the build-up of equity will be relatively slow. This product would therefore only be a realistic route to full ownership for households prepared to take a long-term view.
93. The income required to access Rent to Buy is assumed to be the same as that required to afford market rents. On that basis, First Homes and shared ownership are more affordable options for larger dwellings, although rent to buy 1-bedroom properties could be a valuable contribution to the market if there is demand for an ownership option with relatively little grow-on space.
94. These three products need to be considered in relation to what they offer occupants in the long term beyond simply being affordable to access or not.

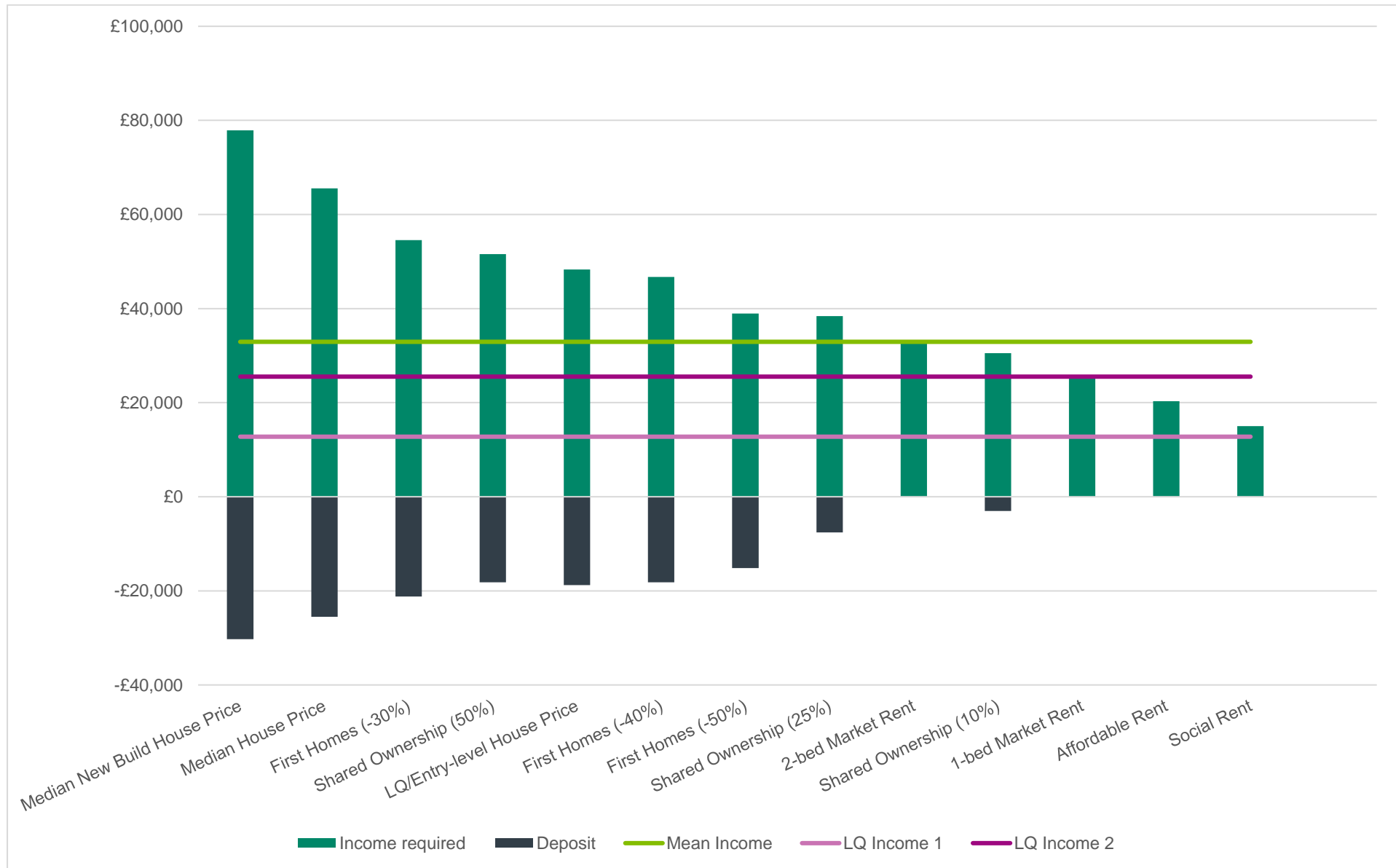
<sup>7</sup> The previous minimum equity share was 25%. This change took effect from 28 June 2021 and transitional arrangements are in place for planning policy documents that are prepared during the implementation timeframe. Changes are also introduced to make the process of staircasing to full ownership more gradual with lower minimum increments of 1%. The ministerial statement confirming and detailing the changes is available here: <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>.

- First Homes allow for a greater ownership stake in the property, enabling occupiers to benefit from price appreciation over time. Monthly outgoings are also limited to mortgage costs alone, which tend to be cheaper than renting.
  - Shared ownership at high equity shares performs a similar function to First Homes, but there are additional costs associated with the rented portion.
  - Shared ownership at low equity shares can usually be accessed by lower earning households (than First Homes) and requires a smaller deposit. However, this is a potentially less attractive route to eventual ownership because monthly outgoings remain high. The occupant has to pay a significant monthly rent as well as service charges and other costs, so it can be harder for them to save funds to buy out a greater share in the property over time.
  - Rent to Buy requires no deposit, thereby benefitting those with sufficient incomes but low savings. It is more attractive than renting but results in a much slower accumulation of the funds that can provide an eventual route to ownership than the other tenures discussed above.
95. In conclusion, all of these products would provide value to different segments of the local population, with shared ownership at a lower than 25% equity share potentially allowing lower earning households to get a foot on the housing ladder, while Rent to Buy is helpful to those with little or no savings for a deposit, and First Homes (especially at 50% discount) may provide a better long-term investment to those who can afford to access it.

### **Affordable rented housing**

96. Affordable rented housing is generally unaffordable to households with two lower earners depending on their household size (average earning households are unlikely to be eligible). However, households with a single lower earner appear unable to afford any of the tenures considered including the smallest socially rented units. Many such individuals will, if unable to secure a social rented dwelling require additional subsidy through Housing Benefit to access housing.
97. The evidence in this chapter suggests that the affordable rented sector performs a vital function in Penzance as the only option for a large segment of those in the greatest need. Social rents are cheaper and would therefore leave households on lower earnings better off and better able to afford their other living costs, such as food and fuel etc. Where households are supported by housing benefit the difference in the cost of affordable and social rents may be irrelevant as the level of housing benefit flexes according to the rent. This mean that households supported by housing benefit may be no better off in social rented accommodation because they receive a lower rate of housing benefit to cover their rent.

**Figure 4-2: Affordability thresholds in Penzance, income required (additional cost of deposit in black)**



Source: AECOM Calculations

## Affordable housing- quantity needed

98. The starting point for understanding the need for affordable housing in an NA would normally be the latest Strategic Housing Market Needs Assessment (SHMNA) or Local Housing Need Assessment (LHNA). However, the most recent evidence in Cornwall consists of a 2012 SHMNA and a series of additional papers produced in 2013. Due to the age of this evidence, which predates a number of changes to national planning practice guidance including to how Affordable Housing need is considered, it is has limited relevance to the need in Penzance in future years.
99. Instead, Table 4-5 calculates, using PPG as a starting point,<sup>8</sup> an estimate of the total need for affordable rented housing in Penzance specifically, over the Neighbourhood Plan period. It should, however, be noted that the accuracy of the findings generated by the model is only as strong as the available evidence. However, given the test of proportionality for evidence supporting neighbourhood plans, and the need to be in conformity with Local Authority strategic policies, the calculations set out here are considered a reasonable basis for understanding and planning for neighbourhood-level affordable housing need.
100. It should also be noted that figures in Table 4-5 are largely dependent on information provided by Cornwall Council in its capacity as manager of the local housing waiting list. There are 950 households with a local connection to Penzance on the Homechoice register as of February 2022:
- 56% of the need is for 1 bedroom properties; 25% for 2 bedroom, 14% for 3 bedroom and 3% for 4+ bedroom homes;
  - 50% of the 950 applicants are in the lowest priority band (E), with 6% in A, 6% in B, 29% in C and 10% in D;
  - The vast majority of local connections are established through current residency in the parish (911), with 65 connected through family, 28 through employment and 7 other. These figures do not sum to 950;
  - Anecdotal evidence locally suggests that the Homechoice register undercounts need, particularly among the working poor who are not eligible but cannot afford other suitable options and are often housed in low quality private rented accommodation. It is not possible to estimate the number of households in this position; and
  - There were 239 lettings through Homechoice in Penzance between the beginning of February 2018 and end of December 2021, equating to an annual average of 60 lettings. It was not possible to determine how many of these lettings were of newly built affordable rented housing, and how many arose through vacancies in the existing stock. There have been 103 affordable completions in the parish since 2015-16 but it is not known precisely when they were completed or first let out. Whether lettings are new lets or re-lets is important, because the average rate of re-lets represents turnover through vacancies that can continue to

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<sup>8</sup> Paragraphs 024-026 Reference ID: 2a-026-20140306, at <https://www.gov.uk/guidance/housing-and-economic-land-availability-assessment>

service newly arising need in future, while it would not be appropriate to assume a future rate of new lets.

101. The table shows current need of 950, as per Cornwall Council data. It then suggests that, over the Plan period, 414 additional households in the NA will fall into need. Some of this need can be addressed through turnover in the existing stock. A rate of 60 re-lets per year is assumed, as per Cornwall Council data, which comes to around 600 over the entire plan period. The balance of need, net of turnover, is around 766 households with unmet needs over the plan period, or 77 households per year.

**Table 4-5: Estimate of need for Affordable Housing for rent in Penzance**

Stage and Step in Calculation	Total	Description
<b>STAGE 1: CURRENT NEED</b>		
1.1 Current households in need	950.0	Homechoice register figure for Penzance at February 2022
1.2 Per annum	<b>95.0</b>	Step 1.1 divided by the plan period to produce an annualised figure.
<b>STAGE 2: NEWLY ARISING NEED</b>		
2.1 New household formation	1,202.7	DLUHC 2018-based household projections for the LA between start and end of plan period. % increase applied to NA.
2.2 Proportion of new households unable to rent in the market	34.4%	(Steps 1.1 + 2.2.1 + 2.2.2) divided by number of households in NA.
2.2.1 Current number of social renters in parish	1,959	Cornwall Council estimate at February 2022
2.2.2 Number of private renters on housing benefits	852.6	Cornwall housing benefit caseload May 2018. Pro rata for NA.
2.3 New households unable to rent	413.7	Step 2.1 x Step 2.2.
2.4 Per annum	<b>41.4</b>	Step 2.3 divided by plan period.
<b>STAGE 3: TURNOVER OF AFFORDABLE HOUSING</b>		
3.1 Supply of social/affordable re-lets (including transfers)	<b>59.8</b>	Average number of Homechoice lettings per year 2018-2022. Note that when this data is not provided, we estimate that roughly 3% of the current stock will come vacant each year. The result of that calculation as a sense-check is 58.8.
<b>NET SHORTFALL OF RENTED UNITS PER ANNUM</b>		
Overall shortfall per annum	<b>76.6</b>	Step 1.2 + Step 2.4 - Step 3.2

Source: AECOM model, using Cornwall Council data, Census 2011, English Housing Survey 2018, DLUHC 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.

102. Turning now to Affordable Housing providing a route to home ownership, Table 4-6 estimates the potential demand in Penzance. This model aims to estimate the number of households might wish to own their own home but cannot afford to – the ‘can rent, can’t buy’ group described in the previous section. 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 benefit.

103. 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 also discounts 25% of households potentially in need, assuming a proportion will be renting out of choice. This assumption is based on consistent results for surveys and polls at the national level which demonstrate that most households (typically 80% or more) aspire to home ownership.<sup>9</sup> No robust indicator exists for this area or a wider scale to suggest aspirations may be higher or lower in the NA.
104. The result of the calculation is 123 households per annum who may be interested in affordable home ownership (or 1,231 for the entirety of the Plan period).
105. 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 less acute than those on the waiting list for affordable rented housing.

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<sup>9</sup> <http://www.ipsos-mori-generations.com/housing.html>



**Table 4-6: Estimate of the potential demand for affordable housing for sale in Penzance**

Stage and Step in Calculation	Total	Description
<b>STAGE 1: CURRENT NEED</b>		
1.1 Current number of renters in parish	2,413.6	Census 2011 number of renters x national % increase to 2018.
1.2 Percentage renters on housing benefit in LA	35.3%	% of renters in 2018 on housing benefit.
1.3 Number of renters on housing benefits in parish	852.6	Step 1.1 x Step 1.2.
1.4 Current need (households)	1,170.8	Current renters minus those on housing benefit and minus 25% assumed to rent by choice. <sup>10</sup>
1.5 Per annum	<b>117.1</b>	Step 1.4 divided by plan period.
<b>STAGE 2: NEWLY ARISING NEED</b>		
2.1 New household formation	1202.7	LA household projections for plan period (2018 based) pro rated to NA.
2.2 % of households unable to buy but able to rent	11.6%	(Step 1.4 + Step 3.1) divided by number of households in NA.
2.3 Total newly arising need	138.9	Step 2.1 x Step 2.2.
2.4 Total newly arising need per annum	<b>10.7</b>	Step 2.3 divided by plan period.
<b>STAGE 3: SUPPLY OF AFFORDABLE HOUSING</b>		
3.1 Supply of affordable housing	92.7	Number of shared ownership homes in parish (Census 2011 + LA new build to 2018/19 pro rated to NA).
3.2 Supply - intermediate resales	<b>4.6</b>	Step 3.1 x 5% (assumed rate of re-sale).
<b>NET SHORTFALL PER ANNUM</b>		
Overall shortfall per annum	<b>123.1</b>	(Step 1.5 + Step 2.4) - Step 3.2.

Source: AECOM model, using Census 2011, English Housing Survey 2018, DLUHC 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.

106. 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 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).

107. It is also important to remember that even after the 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

<sup>10</sup> The assumption of approximately 25% preferring to rent and 75% preferring to buy is AECOM's judgement, based on national level polls which consistently reveal that most households who prefer home ownership eg <http://www.ipsos-mori-generations.com/housing.html> and informed by our experience across numerous neighbourhood level HNAs. The assumption is based on the fact that some households choose to rent at certain stages in their life (e.g. when young, when needing flexibility in employment market, or when new migrants move into an area). While most households prefer the added security and independence of owning their own home, private renting is nevertheless a tenure of choice at a certain points in many households' journey through the housing market. The actual percentage of preference will differ between areas, being higher in large metropolitan areas with younger households and more new migrants, but lower in other areas. 25% is used as a reasonable proxy and for consistency across HNAs and similar assumptions are used in some larger scale assessments such as LHNAs and SHMAs. If the neighbourhood planning group feel this is not an appropriate assumption in their particular locality they could use the results of a local residents survey to refine or confirm this calculation.

waiting list all remain the responsibility of the Local Authority rather than the neighbourhood planning group.

## Affordable Housing policy guidance

108. Cornwall's adopted policy on this subject (Policy 8) requires 30% of all new housing on sites larger than 10 dwellings in Penzance (Zone 4) to be affordable. Given that Affordable Housing made up 27% of new housing in Penzance since 2015-16 according to Cornwall completions figures, it is understood that this target is generally but not always met on sites in the NA. This may be due to the number of sites that are smaller than 10 dwellings (351 of 611 new homes in Penzance between 2010-11 and 2020-21 were on small sites according to Cornwall Council), but may also be a result of viability negotiations with developers.
109. The overall proportion of housing that must be affordable 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 the NA, and every effort should be made to maximise delivery where viable.
110. How the Affordable Housing that comes forward through mainstream development sites is broken down into specific tenures – such as the balance between rented tenures and routes to home ownership – is specified in Policy 8's target for 70% of Affordable Housing to be in rented tenures and the remaining 30% as affordable routes to home ownership. The HNA can supply more localized evidence, and this section summarises the factors that might be taken into account before proposing a suggested Affordable Housing tenure mix that might be suitable for Penzance specifically.

**A. Evidence of need for Affordable Housing:** This study estimates that Penzance requires roughly 766 units of affordable rented housing and 1,231 units of affordable home ownership over the Plan period. Both forms of Affordable Housing appear to be valuable in meeting the needs of people on various incomes, although most affordable home ownership products are only likely to serve those on above average wages.

The relationship between these figures suggests that 38% of Affordable Housing should be rented and 62% should offer a route to ownership. However, as noted above, these figures are not directly equivalent: the former expresses the identified need of a group with acute needs and no alternative options; the latter expresses potential demand from a group who are generally adequately housed in rented accommodation and may not be able to afford the deposit to transition to ownership.

If the quantity of new housing overall were unlimited, 38% to 62% may be an appropriate affordable tenure mix. However, this is not likely.

**B. Can Affordable Housing needs be met in full?** How far the more urgently needed affordable rented housing should be prioritised in the tenure mix depends on the quantity of overall housing delivery expected.

As discussed on page 14 of this report, there is no precise housing target for the parish over the coming decade, but 1,500 new homes offers a rough guide to the potential scale of delivery. If the Local Plan target of 30% were achieved on every site, up to around 450 affordable homes might be expected in the NA. If the majority of Penzance's HRF is expected to come forward in the form of small infill developments or if viability considerations continue to reduce affordable delivery, the potential delivery of Affordable Housing is likely to be lower still. This is clearly insufficient to satisfy the total potential demand for Affordable Housing identified here – and is even insufficient to meet only the more urgently needed affordable rented housing.

As a result, affordable rented housing should have as high as possible a weighting in the tenure mix to ensure that the most acute needs are met as a priority. The 70% rented to 30% ownership target mix in the Local Plan is already strongly weighted in favour of affordable rented tenures. This could be exceeded further, although there are limits connected to elements of national policy, explored below.

- C. **Government policy (eg NPPF) requirements:** current NPPF policy requires 10% of all homes to be delivered for affordable home ownership. For 10% of all housing to be affordable ownership in Zone 4 of Cornwall, where 30% of all housing should be affordable, 33% of Affordable Housing should theoretically be for affordable ownership. This guideline tenure split sought in the Local Plan is not currently in compliance with this.

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 reasonable evidence that meeting the 10% threshold in Penzance would impact on the ability to deliver social/affordable rented homes. Cornwall may also be taking this position for the unitary authority as a whole.

- D. **First Homes 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 enacted through a ministerial statement. A minimum of 25% of all Affordable Housing secured through developer contributions are now required to be First Homes.

This new minimum requirement 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. This is not the case for Cornwall, which is in potential compliance with this requirement, assuming that First Homes will make up the majority of affordable home ownership tenures.

This guidance generally applies to district-level policy, and there may still be potential for a neighbourhood plan tenure mix to deviate from how the other tenures are rebalanced if appropriate.

- E. **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 Local Plan and locally, and it is acknowledged that this may affect the provision of affordable housing, the mix of tenures provided and the discounts that can be sought on First Homes properties.
  - F. **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.
  - G. **Existing tenure mix in Penzance:** At the time of the 2011 Census, Penzance had a larger proportion of social renting than either Cornwall or England. This is understood to have been eroded through the Right to Buy scheme since then, but a number of affordable rented homes have also been built, leaving the total slightly higher in 2022 than in 2011. There was very little shared ownership at the time of the Census and completions since could not be broken down by specific tenures. This would suggest that there is some opportunity to provide affordable home ownership options to widen choice locally.
  - H. **Views of registered providers:** it is not within the scope of this HNA to investigate whether it would be viable for housing associations (registered providers) to deliver and manage affordable rented homes in the parish. The funding arrangements available to housing associations will determine rent levels.
  - I. **Wider policy objectives:** the Neighbourhood Plan may wish to take account of broader policy objectives for Penzance and/or the wider district. These could include, but are not restricted to, policies to attract younger households, families or working age people to the NA. These wider considerations may influence the mix of Affordable Housing provided.
111. On the basis of the considerations above, Table 4-7 proposes an indicative Affordable Housing tenure mix that might be sought through Neighbourhood Plan policy.
112. The proposed tenure split is 75% affordable and social rent to 25% affordable home ownership. This has been selected to prioritise affordable rent as far as possible due to the clear mismatch between this urgent form of need and expected supply, as well as the fact that affordable home ownership products are found to only widen access to ownership to above average earners. The proportion of affordable renting cannot rise far above 75% without contravening the national policy requirements around affordable ownership and First Homes. First Homes will need to comprise 25% of all affordable housing at a minimum and are thus proposed at this rate, no room for shared ownership or rent to buy. If the community wishes for greater diversity in affordable ownership options this would need to come at the expense of some affordable rented housing, and the Local Plan default split would be a suitable benchmark.

113. This mix should be viewed as a starting point, based primarily on secondary evidence, which should be reconsidered in light of considerations F to J previously, and in particular the views and objectives of the community.
114. Where the neighbourhood planning group wish to develop policy that deviates from that outlined in the Local Plan – either by differing from the headline split between renting and ownership or by specifying a greater level of detail around sub-tenures, it is important that they liaise with Cornwall Council to gather more detailed income and viability information, and to ensure that departures from the local policy context have their support.
115. 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 4-7: Indicative tenure split (Affordable Housing)**

<b>Tenure</b>	<b>Indicative mix</b>	<b>Considerations and uncertainties</b>
<b>Routes to home ownership, of which</b>	<b>25%</b>	
First Homes	25%	Product untested so uncertainties around viability, developer, lenders and buyer appetite etc.
Shared ownership	0%	Recently confirmed changes to the model to allow purchases of 10% share - impact on viability unknown. RPs 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 unknown. 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. Uncertain whether RPs willing to own/manage stock in this area.
Affordable rent	To be set by Registered Providers	Uncertain whether RPs willing to own/manage stock in this area.

Source: AECOM calculations

## Conclusions- Tenure and Affordability

### Tenure and affordability issues

116. Penzance's 2011 tenure mix exhibits a lower rate of home ownership (59%) than Cornwall and the country as a whole (69% and 63% respectively). Accordingly, Penzance has a larger proportion of households in private and social rented accommodation. Roughly 27% of new homes built since 2015 have been in affordable tenures, which is slightly below the Cornwall target of 30% in the Penzance area, but is still having the effect of raising the proportion of homes that are affordable overall. This is also in spite of a slight reduction in the affordable rented stock as a result of the Right to Buy scheme. Cornwall Council estimates there to be 1,959 affordable rented homes in Penzance in 2022, 18 more than in 2011 though the number of new completions was over 100.
117. The number of privately rented homes cannot be accurately known until the 2021 Census results are released. This will be an important datapoint to consider at that time for two reasons. First, private renting is growing at the expense of home ownership nationwide as a result of affordability challenges. Second, there is an increasing rate of short/holiday letting in Penzance, which is most likely to come at the expense of privately rented rather than owned tenures. Currently 407 self-contained properties are listed on Airbnb (HCWG data from Airdna), which equates to 21% of the number of privately rented homes in 2011. The loss of private rented accommodation is likely to increase competition and prices in this sector which, given the high cost of ownership, is needed to accommodate the growing number of people who have few other options if they wish to remain in the area.
118. Home values in Penzance have risen steadily over the past decade, with a sharp uptick in the most recent year, likely due to an increase in demand arising from the Covid-19 pandemic and associated stamp duty tax cut. The current median house price in Penzance is £255,000, which is 50% higher than the median in 2012. The current lower quartile house price (a good representation of entry-level homes) is £187,875, a 35% increase on 2012 levels. The average cost of a newly built home over the past three years was £300,000.
119. The sample size for rental prices in Penzance is extremely small, pointing to the fact that the availability of rental accommodation is as much a potential challenge as its cost. There are currently 40 times more properties in Penzance listed on Airbnb than listed for longer-term rent on Rightmove as of March 2022.

### Tenure options

120. AECOM has estimated the annual income required to afford various tenures of housing in the NA – each of which is explained in detail in Appendix A. 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 Penzance was £32,936 in 2018, and the lower quartile income (per person) for Cornwall was £12,766 in 2020.
121. It was found that a household would need an income comfortably above the average (substantial equity in another home or a very large deposit) to qualify for a mortgage even for an entry-level home in the area. The income levels noted

above would not be enough to qualify for a mortgage to cover the cost of the median Penzance flat unless a larger deposit is available. Home ownership through the mainstream market is not an option for the majority of local people who do not already own. The median house price would require an annual income around double the current average.

122. Private renting is potentially affordable to average earners and households with two lower earners, both of whom appear able to afford a 1-bedroom rental property. The annual income required for a 2-bedroom home exceeds the capability of double lower earners, and larger rental homes are therefore even further out of reach – a particular challenge for large families who cannot afford to buy a house but are also not eligible for subsidised Affordable Housing.
123. There is a relatively large group of households in Penzance who may be able to afford to rent privately but cannot afford home ownership. They are typically earning between around £25,000 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.
124. However, the income required to access any of the products considered (benchmarked against the equivalent open market value of a new home between 2019 and 2021) exceeds the average household income in Penzance, with the exception of shared ownership at the lowest possible equity share. Other forms of First Homes and shared ownership do bring down the threshold for home ownership from £50,000 to just over £35,000, which certainly widens access to ownership to a larger group of people. However, the benefits accrue only to above average earners, leaving lower earners reliant on relatively unaffordable private rents or subsidised Affordable Housing if eligible.
125. Neighbourhood plan qualifying bodies have discretion to increase the discount on the new First Homes product from 30% to 40% or 50% where there is evidence to suggest this is appropriate. This HNA finds that the highest possible discount level of 50% would be necessary from an affordability perspective in Penzance.
126. Affordable rented housing appears generally affordable to households with two lower earners (average earning households are unlikely to be eligible). However, households with a single lower earner are unable to afford any of the tenures considered except for smaller socially rented units. Many such individuals will, if unable to secure a social rented dwelling or additional subsidy, need to live in a room in a shared house using housing benefit. The affordable rented sector performs a vital function in Penzance as the only option for a large segment of those in the greatest need.

### **Quantity of Affordable Housing needed**

127. The annual need and potential demand for Affordable Housing products in Penzance is estimated using Homechoice register and other Cornwall Council figures as inputs. The result is an annual need for 77 affordable rented units and annual potential demand for 123 affordable home ownership units.
128. These figures are not directly equivalent, with the former representing unmet need among those eligible for affordable rented accommodation (with the need therefore potentially higher in practice if there are additional households in need

but not currently considered eligible), and the latter representing households who are adequately housed in private rented accommodation or living with family but would like to purchase if they could. They have been included in the national planning definition of those in need of Affordable Housing, but their needs are less acute than those on the waiting list for affordable rented housing.

### **Policy considerations**

129. Cornwall's adopted Policy 8 aims for 30% of all new housing to be affordable in Zone 4, where Penzance is located. As noted above, 27% of homes in recent years have been affordable, suggesting this target is usually met. However, the size of sites and viability issues mean that this is not guaranteed going forward, although the evidence gathered here suggests the minimum level of affordable provision should be secured wherever possible.
130. On the balance of factors listed in the Policy Guidance section of this chapter, AECOM recommends that roughly 75% of Affordable Housing should take the form of rented tenures such as social and affordable rent (preferably the former), with the remaining 25% as affordable routes to home ownership, fulfilling the requirements of the new First Homes product. This has been selected to prioritise social renting above the proportion suggested by the HNA estimates of need and the Local Plan baseline due to the lack of expected supply relative to the need identified, as well as the fact that affordable home ownership products are found to only widen access to ownership to above average earners.

### **Affordable delivery**

131. Affordable housing is typically provided and made financially viable by its inclusion as a proportion of larger market developments, as guided by Local Plan policy. However, if the community wishes to boost the supply of affordable housing, there are other, more proactive routes available for its provision. For example, using community development orders, identifying exception sites or developing community land trusts are all ways of boosting the supply of affordable housing.
132. Table 4-8 overleaf summarises Penzance'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 loose outstanding housing requirement for the area to the Local Plan policy expectation, and shows the quantities of affordable housing for rent and sale that would be delivered if the tenure mix proposed in this HNA were to be rigidly enforced. In this sense it is hypothetical, and the outcomes in practice may differ, either as a result of measures taken in the neighbourhood plan (e.g. if the group plan for more housing (and therefore more affordable housing) than the local plan, or if the group decide to influence the tenure mix in other ways), or as a result of site-specific constraints.



**Table 4-8: Estimated delivery of Affordable Housing in Penzance**

	<b>Step in Estimation</b>	<b>Expected delivery</b>
A	Estimated future delivery (based on Local Plan targets for relevant areas and future pipeline figures) – not a requirement.	1,500
B	Affordable housing quota (%) in LPA's Local Plan	30%
C	Potential total Affordable Housing in NA (A x B)	450
D	Rented % (e.g. social/ affordable rented)	75%
E	Rented number (C x D)	338
F	Affordable home ownership % (e.g. First Homes, Rent to Buy)	25%
G	Affordable home ownership number (C x F)	112

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

## 5. RQ 2: Type and Size

***RQ 2: What type (terrace, semi, bungalows, flats and detached) and size (number of bedrooms) of housing is appropriate for the Neighbourhood Area over the Neighbourhood Plan period?***

### Introduction

133. The evidence in this chapter is intended to give a snapshot of the existing dwelling stock in Penzance in terms of type and size, as well as some of the population characteristics that tend to influence housing needs. From this, it is possible to develop an understanding of what sort of housing would be appropriate going forward.
134. It is worth emphasising that this evidence assumes that existing demographic and occupation patterns will persist into the future. It can therefore be thought of as the baseline or default scenario, into which the community may wish to intervene – for example to attract a different or more balanced demographic. The recommendations in this chapter, particularly the final suggested size mix, are a starting point that may be adjusted in light of other community objectives and primary evidence.

### Existing types and sizes

#### Background and definitions

135. Before beginning to explore issues of dwelling type and size, it is important to note that the demand for housing by size and type tends to be determined primarily by wealth – with those having more buying power choosing to occupy larger homes, and often preferring detached properties to denser types, such as flats.
136. This study is concerned primarily with need rather than demand. Need for homes of different sizes is chiefly determined by the number of people occupying the home. In the strict sense, there is no ‘need’ for dwellings of any particular type, other than the specific needs of those with certain disabilities for level access properties, for example.
137. The best proxy for the number of people in a household is age or ‘life stage’, with younger and then older households tending to have one or two people, and those in between these poles more likely to have larger families including children. Life stage is therefore a main indicator considered here for the size of housing needed. But it is worth pointing out that wealth is also correlated with age, so it is not possible to attain a pure view of what is needed from the secondary data alone.
138. It is also useful to clarify the terminology around dwellings and households. Dwellings are counted in the Census by combining address information with Census returns on whether people’s accommodation is self-contained. As such,

all dwellings are classified as either shared or unshared dwellings. Households are groups of people who live together as a coherent unit (such as a family), and a dwelling is shared where there is more than one household occupying it (e.g. two families or a group of individual students). Hence, there is usually a different number of households and dwellings in any given area. The number of dwellings can also exceed that of households in areas with large numbers of holiday or second homes.

139. As noted in the Context section of this report, there is no perfect data source for the current mix of dwellings in the NA. Cornwall Council were unable to provide an accurate account of the size and type breakdown of the new homes built since 2011, which could have been added to the Census baseline (though this would not be able to reflect any changes, such as extensions, to the existing stock. Instead, Valuation Office Agency (VOA) data is used. The advantage of this is that it is up to date to 2021, including changes such as extensions. However, the total number of dwellings counted by the VOA in Penzance is slightly less than the count provided by Cornwall Council, possibly because a number of residential properties are registered for business rates instead of council tax (the source of VOA data). Nevertheless, the VOA data provides a sufficiently accurate representation of the current housing mix in Penzance with which estimated future needs can be compared.

## Dwelling type

140. Table 5-1 presents the Penzance dwelling mix in terms of type in 2021 and 2011. This cannot be used to understand the changes between 2011 and 2021 with complete precision for the reasons set out above and because the Census counts bungalows within each of the other categories rather than independently. The VOA data is also rounded to the nearest 10 in each dwelling category.
141. That said, it is evident that a majority of development over the last decade has taken the form of flats and terraced houses. The apparent decline in the number of detached and semi-detached homes is attributable to the fact that VOA counts bungalows separately, most of which are likely to be detached or semi-detached. The total decline in those categories is, however, higher than the number of bungalows, suggesting that some homes have been sub-divided or extended in ways that put them into a different category. Part of this change may also be due to more general inconsistencies in the two data sources.
142. Unsurprisingly, very few bungalows (20 of 1,280) and most flats (1,850 of 3,200) are located in the MSOA that broadly represents the town centre of Penzance. While the unit of analysis for this study is the NA as a whole, it is important to bear in mind the variation that exists at smaller scales. Within Penzance parish there is a clear contrast between the more urban environment of the town centre and the surrounding villages and communities, which are more rural in character.

**Table 5-1: Accommodation type, Penzance, 2011 and 2021**

Dwelling type	2011 (Census)	2021 (VOA)
Bungalow	-	1,280
Flat	2,906	3,200
Terrace	4,370	4,710
Semi-detached	2,103	1,280
Detached	1,875	940
Unknown/other	-	170
Total	11,254	11,580

Source: ONS 2011, VOA 2021, AECOM Calculations

143. Table 5-2 compares the 2021 mix in percentage terms with the wider unitary authority and country. This shows that Penzance is dominated by flats and terraced houses to an extent that diverges strongly from Cornwall. Correspondingly, there are lower proportions of typically less dense types, notable detached and semi-detached homes. While the rate of bungalow provision in Penzance exceeds the national average it is only around half of the rate for Cornwall.

144. This snapshot suggests that Penzance offers relatively large proportions of options that tend to be more affordable and might be considered suitable for younger and newly forming households. House price data (discussed in the previous chapter) bears this out for flats, which are markedly less expensive than other types. However, the average terrace in 2021 cost nearly as much as the average semi-detached home. While the 2021 average may be an anomaly, this fact serves as a reminder that typologies associated with entry-level or starter housing are not necessarily truly affordable. Penzance has a relatively poor offering in terms of bungalows compared to wider Cornwall.

**Table 5-2: Accommodation type, various geographies, 2021**

Dwelling type	Penzance	Cornwall	England
Bungalow	11.1%	20.6%	9.4%
Flat	27.6%	14.0%	23.2%
Terrace	40.7%	24.6%	26.3%
Semi-detached	11.1%	17.8%	23.8%
Detached	8.1%	20.0%	16.0%
Unknown/other	1.5%	3.0%	1.4%

Source: VOA 2021, AECOM Calculations

## Dwelling size

145. The equivalent data for the dwelling size mix is summarised in Tables 5-3 and 5-4. The former again compares the 2021 and 2011 stock, finding that most development over the last decade has delivered smaller homes with 1-3 bedrooms. This aligns with the above finding that flats and terraces have dominated recent supply. A slight decline in larger homes may be the result of sub-division as larger homes are converted to Houses in Multiple Occupation (HMOs) or holiday apartments.

**Table 5-3: Dwelling size (bedrooms), Penzance, 2011 and 2021**

Number of bedrooms	2011 (Census)	2021 (VOA)
Studio	38	-
1	1,512	1,980
2	3,757	4,360
3	3,529	3,960
4	899	780
5+	342	330
Total	10,077	11,400

Source: ONS 2011, VOA 2021, AECOM Calculations

146. Again, it is useful to look at the percentage breakdown of dwelling sizes in comparison with the wider district and country. Penzance has a significantly higher proportion of homes with 1 bedroom and correspondingly fewer homes of larger sizes – particularly with 4 or more bedrooms. Like Cornwall and England, however, a majority of the stock overall has 2 or 3 bedrooms.

**Table 5-4: Dwelling size (bedrooms), various geographies, 2021**

Number of bedrooms	Penzance	Cornwall	England
1	17.4%	9.5%	12.3%
2	38.2%	30.7%	28.1%
3	34.7%	42.5%	43.4%
4	6.8%	13.1%	12.2%
5+	2.8%	4.0%	3.3%

Source: VOA 2021, AECOM Calculations

## Age and household composition

147. Having established the current stock profile of Penzance and identified recent changes to it, the evidence gathered below examines the composition and age structure of households living in the NA. Many of these indicators have a bearing on what housing might be needed in future years.

### Age structure

148. Table 5-5 shows the most recent estimated age structure of the NA population, alongside 2011 Census figures. As noted in the Context section of this study, the 2020 population estimate is likely to be incorrect in terms of the overall total. It does, however, give a reasonable indication of the directions in which the population is likely to have evolved in recent years.

149. All age bands younger than 45 are projected to have experienced marked declines and represent smaller proportions of the population. Older age groups are conversely projected to have expanded in recent years and form a clear majority of all people. In particular, the 65-84 age band is estimated to have expanded by 24%.

150. Note that ONS advises exercising caution with population estimates by single year of age (from which this 2020 data has been derived), as patterns of variance and bias make it relatively less accurate compared to Census data.

151. It is also worth noting that only the age structure of the population (individuals) can be brought up to date in this way. The life stage of households, which forms the basis of the subsequent analysis of future dwelling size needs, is not estimated each year. The 2011 Census therefore remains the most accurate basis to use in those areas, and the brief comparison here demonstrates that the change from 2011-2020 has not been so significant as to invalidate the 2011 household data used in modelling later in this chapter.

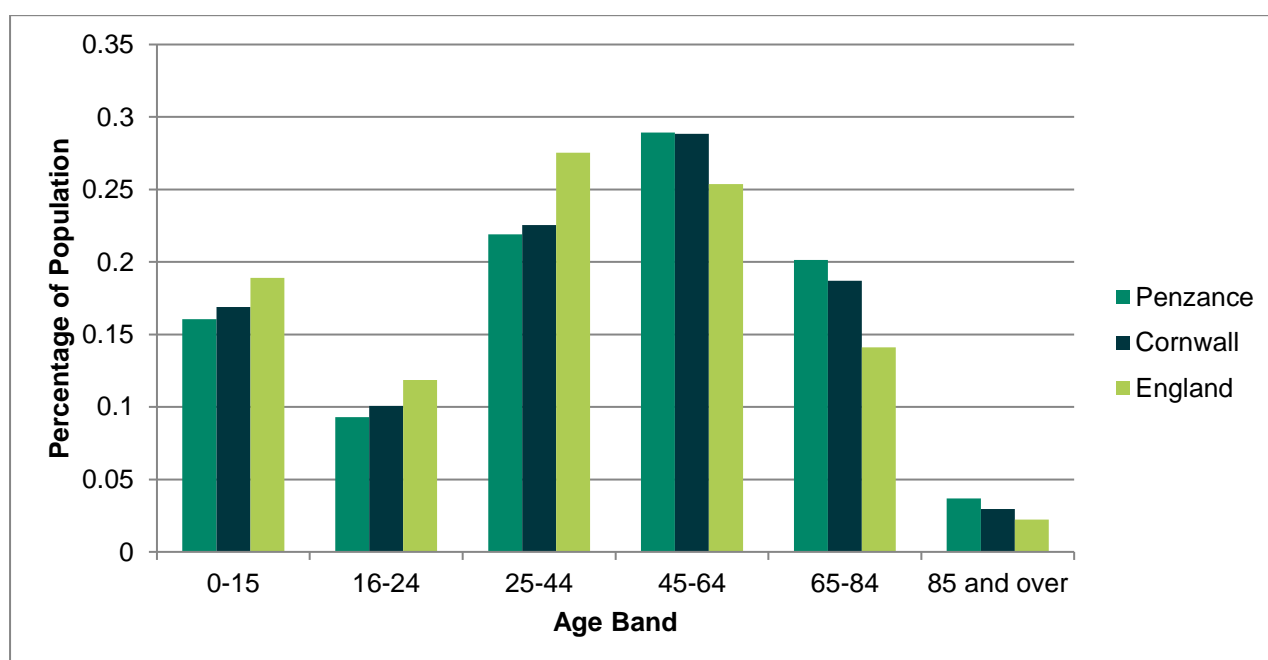
**Table 5-5: Age structure of Penzance population, 2011 and 2020**

Age group	2011 (Census)		2020 (ONS, estimated)	
0-15	3,378	16.1%	3,140	15.1%
16-24	1,957	9.3%	1,663	8.0%
25-44	4,610	21.9%	3,786	18.2%
45-64	6,088	28.9%	6,133	29.5%
65-84	4,238	20.1%	5,266	25.3%
85 and over	774	3.7%	820	3.9%
Total	21,045		20,808	

Source: ONS 2011, ONS mid-2020 population estimates, AECOM Calculations

152. For context, it is useful to look at the parish population structure alongside that of the unitary authority and country. Figure 5-1 below (using 2011 Census data) shows that Penzance was already generally older than Cornwall and England in 2011. The large 45-64 cohort at that time has driven the substantial aforementioned increase in the 65-84 cohort, and can be expected to continue the trend toward ageing in future years.

**Figure 5-1: Age structure in Penzance, 2011**



Source: ONS 2011, AECOM Calculations

## Household composition

153. Household composition (i.e. the combination and relationships of adults and children in a dwelling) is an important factor in the size (and to an extent, the type) of housing needed over the Neighbourhood Plan period. Table 5-6 shows that a larger proportion of households in the parish contain only one person, compared to wider averages, but that the balance between over- and under-65s in single-person households follows the wider pattern. Of Penzance's family households a larger proportion have dependent children than do not and there is a fairly large proportion of households containing non-dependent (i.e. adult) children.
154. Note that non-dependent children refer to households in which adult children are living at home, or which students still call their primary residence despite living for most of the year near to university. A marked increase in this category can be taken to indicate the relative unaffordability of entry-level homes, where young people are financially unable to move out and form their own households. While the data is quite old at this point, it is interesting to observe that this category grew by 16% between 2001 and 2011 in the parish – slightly below the Cornwall rate but higher than that of England.
155. It will be worth paying attention to the 2021 Census data on this metric when this becomes available. Anecdotal evidence from the Parish Council Planning Committee (cited by HCWG) suggests that there is a clear trend toward homeowners extending, converting garages and converting annexes on their property to accommodate grown up children.

**Table 5-6: Household composition, Penzance, 2011**

Household composition		Penzance	Cornwall	England
<b>One person household</b>	<b>Total</b>	<b>39.2%</b>	<b>30.1%</b>	<b>30.2%</b>
	Aged 65 and over	18.6%	14.8%	12.4%
	Other	20.6%	15.2%	17.9%
<b>One family only</b>	<b>Total</b>	<b>55.7%</b>	<b>63.6%</b>	<b>61.8%</b>
	All aged 65 and over	9.6%	10.8%	8.1%
	With no children	16.6%	20.4%	17.6%
	With dependent children	21.2%	23.5%	26.5%
	All children Non-Dependent <sup>11</sup>	8.3%	8.9%	9.6%
<b>Other household types</b>	<b>Total</b>	<b>5.1%</b>	<b>6.3%</b>	<b>8.0%</b>

Source: ONS 2011, AECOM Calculations

<sup>11</sup> Refers to households containing children who are older than 18 e.g students or young working people living at home.

## Occupancy ratings

156. The tendency of households to over- or under-occupy their homes is another relevant consideration to the future size needs of the NA. A person is considered to under-occupy their home when there are more bedrooms in their home than a family of their size and composition would normally be expected to need. This is expressed as an occupancy rating of +1 or +2, indicating that there is one surplus bedroom or at least two surplus bedrooms (respectively). Over-occupancy works in the same way, with a rating of -1 indicating at least one bedroom too few.

157. Table 5-7 shows that in Penzance around two-thirds of households live in a home with at least one extra bedroom, with the remaining third generally living in accommodation with the 'right'/expected number of bedrooms and a small proportion of families living in inadequate conditions. Under occupancy is particularly prevalent among older couples and younger couples without children. This suggests that some of the NA's larger housing is being occupied by people with sufficient wealth or by older people who have not chosen or be able to move to smaller properties, rather than by the largest families.

**Table 5-7: Occupancy rating by age in Penzance, 2011**

Household type	+2 rating	+1 rating	0 rating	-1 rating
Family 65+	59.1%	36.6%	4.2%	0.0%
Single person 65+	35.4%	40.5%	24.1%	0.0%
Family under 65 - no children	50.3%	39.3%	10.4%	0.0%
Family under 65 - dependent children	9.4%	30.9%	50.8%	8.8%
Family under 65 - adult children	16.9%	42.6%	37.6%	3.0%
Single person under 65	23.1%	38.8%	38.1%	0.0%
All households	29.4%	37.0%	30.6%	3.0%

Source: ONS 2011, AECOM Calculations

## Dwelling mix determined by life-stage modelling

### Suggested future dwelling size mix

158. As noted above, there is a strong link between the life stage of a household and the size of dwelling that household can be expected to need. The final part of this chapter presents the results of a model that aims to estimate the dwelling size needs of the parish at the end of the Neighbourhood 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 Penzance 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.
  - As noted above, 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. The growth rates are therefore applied to the 2011 starting household age profile of the NA.
- 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 projected NA 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, particularly with the change in preferences for home working space and other features arising from the Covid-19 pandemic. However, there is no better indication of what those patterns might look like. It is considered more appropriate to adjust the end mix that results from this model to reflect such trends than to build further speculative assumptions into the model.
- Finally, this 'ideal' future mix of dwelling sizes can be compared to the current stock of housing in the NA. From this we can identify how future development might best fill the gaps.
  - The 2011 dwelling size mix is used for consistency, so any imbalances in new development since then may justify adjustments to the final results.

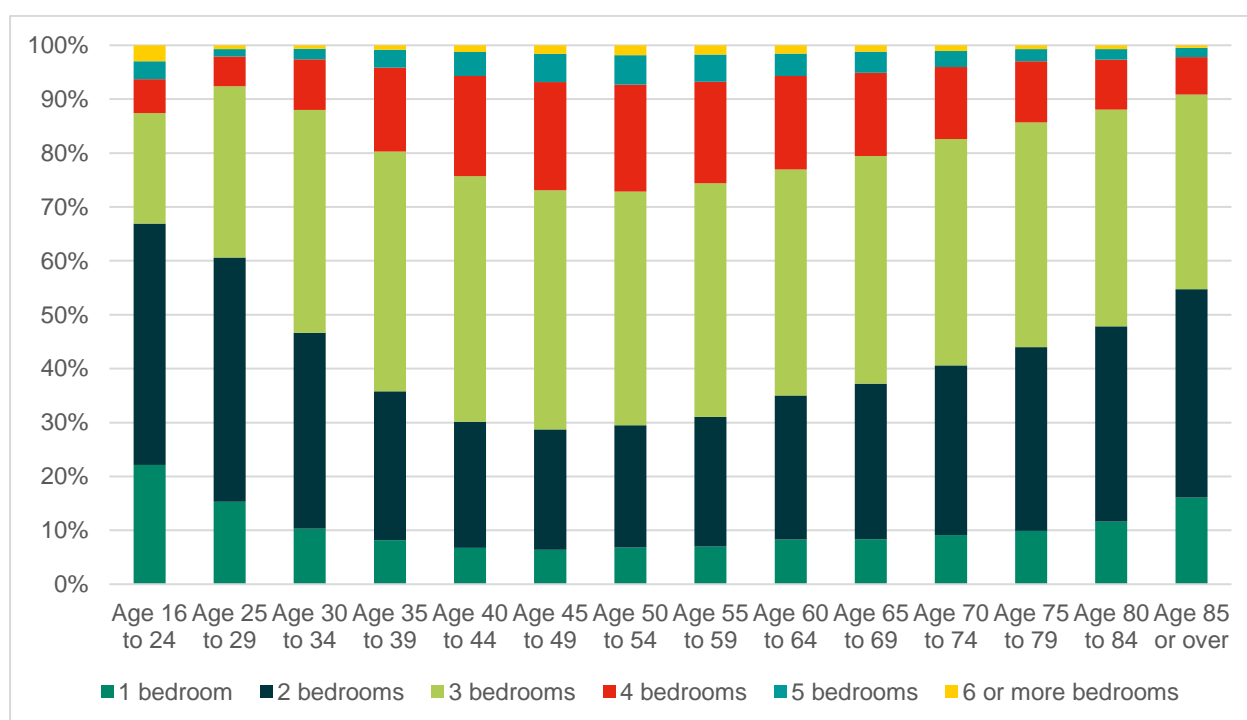
159. It is important to keep in mind that housing need is not an exact science and this exercise provides an estimate based on demographic trends and occupancy patterns alone. It does not take into account income and wealth, other than in an indirect way through the tendency of households to occupy more or less space than they 'need'. It also does not anticipate changes in how people may wish to occupy their homes in response to social and technological change.

160. The approach therefore embeds existing patterns of occupancy which may or may not be desirable. As such, it is appropriate for the result of this model to be taken as a baseline scenario – what would occur if current trends persisted. It may well be the intention of the community to intervene to produce a different outcome more in line with their interpretation of emerging trends and their place- and community-shaping objectives. Layering these factors on top of the indicative picture provided by this model is considered entirely appropriate for the purpose of drafting neighbourhood plan policy.

161. Before presenting the results of this exercise, it may be interesting to review two of the inputs described previously.

162. The first, given as Figure 5-2 below, sets out the relationship between household life stage and dwelling size for Cornwall in 2011. This shows how the youngest households occupy the smallest dwellings, before rapidly taking up larger homes as their families expand, and then more gradually downsizing to smaller homes again as they age.

**Figure 5-2: Age of household (HRP) by dwelling size in Cornwall, 2011**



Source: ONS 2011, AECOM Calculations

163. The second dataset of note is the result of applying Local Authority level household projections to the age profile of Penzance households in 2011 and the updated estimates of household numbers described in the bullets above. Table 5-8 makes clear that population growth can be expected to be driven by the oldest households, with the 65+ cohort expected to increase by 52% to become around 44% of the total overall, while all other age groups increase marginally or not at all.

**Table 5-8: Projected distribution of households by age of HRP, Penzance**

Year	24 and under	25 to 34	35 to 54	55 to 64	65 and over
2011	307	967	3,343	1,992	3,468
2030	307	989	3,337	2,153	5,275
% change 2011-2030	0%	2%	0%	8%	52%

Source: AECOM Calculations

164. The final result of this exercise is presented in Table 5-9. The model suggests that future development should be restricted to homes with 3 or more bedrooms because these size categories are so underrepresented at present compared

with what the future population is expected to need given the existing preferences of different age groups across Cornwall.

**Table 5-9: Suggested dwelling size mix to 2030, Penzance**

<b>Number of bedrooms</b>	<b>Current mix (2011)</b>	<b>Target mix (2030)</b>	<b>Balance of new housing to reach target mix</b>
1 bedroom	15.0%	9.5%	0.0%
2 bedrooms	37.3%	30.0%	0.0%
3 bedrooms	35.0%	41.3%	57.7%
4 bedrooms	8.9%	14.4%	33.2%
5 or more bedrooms	3.4%	4.8%	9.1%

Source: AECOM Calculations

165. This result strives to correct imbalances in the existing stock of housing, particularly the lack of larger homes compared with Cornwall averages, which appears to be placing limits on the ability of larger or growing families to stay in the area. This aspect of the model has a far greater effect on its outcome than the projected effects of demographic change on the demand for housing. In other words, regardless of how the population evolves there is likely to be more demand for mid-sized and large properties than the existing stock can satisfy.
166. It also makes intuitive sense in that there are already many 1-2 bedroom homes in Penzance overall (even if these are concentrated in the urban centre of the town). An injection of larger homes would improve the offering for larger families who have few options for their next step on the property ladder and would also widen choice in general.
167. However, it is never advisable to restrict future housing delivery to specific size categories only. The result of this model is a relatively blunt measure of what could be beneficial given population change and existing imbalances in housing options. It is a starting point for thinking about how best to address the more nuanced needs of the future population.
168. There are two key arguments against weighting the dwelling mix on future developments too strongly towards larger homes (as proposed in the table above).
169. First, the preceding chapter found that affordability is a serious and worsening challenge in the area. While the provision of Affordable Housing (subsidised tenure products) is one way to combat this, another is to ensure that homes come forward which are of an appropriate size, type and density for local residents' budgets. Continuing to provide smaller homes with fewer bedrooms would help to address this situation.
170. Second, this chapter has established the clear direction of travel toward the ageing of the population. This suggests that suitable options for downsizing older households would be a valuable contribution to the housing mix. Even though older households tend to prefer homes with flexible space for

accommodating guests, some additional 2-bedroom homes would help to achieve this, where a narrow focus on 3+ bedroom homes might not.

171. Furthermore, young starter families and downsizing older households may both need 'mid-sized' homes, but are likely to have extremely different requirements and degrees of purchasing power. In particular, to best meet the needs of the growing cohort of older households expected to be present over the coming decades, it should be considered whether the existing options are well tailored to older people's requirements in terms of space, flexibility, quality, location and accessibility. Variety should be sought within the mid-sized homes that come forward in future to attract both newly forming households on lower budgets and older households with substantial equity from their existing larger homes. Facilitating downsizing among older households may release some larger homes for use by families who need more bedrooms if they can afford to.
172. Finally, and more generally, it would be unwise for new housing to be delivered in an unbalanced way, particularly on any individual site. Those wishing to move within or relocate to Penzance will have a range of circumstances and preferences, and they should be offered a range of choices. As such, it is recommended that priority is given to larger and mid-sized homes if this can be accommodated within the limitations of site density and viability, and the competing imperative of affordability, but that this is done to a degree that aligns with the wider objectives of the community and does not overly limit choice.
173. The evidence in this section represents a starting point for further thought and consultation. On the balance of the factors described above, one way that the Neighbourhood Plan could consider modifying the suggested size mix provided in Table 5-9 would be to require a mix of housing closer to the middle column (overall target mix) rather than the right-hand column (balance of new housing to reach target). This would allow the key trends and imbalances to be reflected, without overly distorting the mix of future supply purely to address present gaps in the market.

## **Conclusions- Type and Size**

174. This study provides an indication of the likely need for different types and sizes of homes based on demographic change. It is important to remember that other factors should be considered in determining the dwelling mix that is desirable in the parish or on any particular site. These include the specific characteristics of the nearby stock of housing (such as its condition and design), the role of the NA or site within the wider housing market area (linked to any Local Authority strategies or plans) and site-specific factors which may justify a particular dwelling mix.

### **The existing stock**

175. Penzance has a relatively unbalanced mix of dwelling types, with more than two-thirds of all homes falling into the categories of flats and terraces and comparatively few detached and semi-detached homes. Bungalows are

relatively common but to a lesser degree than the Cornwall average. More than half of Penzance's flats and almost no bungalows are located in the town centre, indicating a clear distinction between the housing choices available in the urban and rural areas of the parish.

176. The abundance of flats and terraces suggests that relatively affordable housing options are available (although it is flats rather than terraces that are meaningfully cheaper than other types according to 2021 pricing data). But this also hints that Penzance may not be catering well to all groups in the population. While larger flats and terraces can certainly meet the needs of growing families, a wider variety of options, including those with more flexible living space and/or access to gardens, may help to serve a broader range of people.
177. In terms of size, the housing stock in Penzance is similarly skewed towards the smaller end of the size spectrum, with nearly double Cornwall's proportion of 1-bedroom homes, although 2- and 3-bedroom homes dominate the stock at all scales considered. Again, there is a clear gap in the market for larger homes (less than 10% of properties have 4 or more bedrooms) and more variety generally.

### **Demographics**

178. The age structure of the population is a key indicator of the future need for housing. Penzance had an older population profile than Cornwall and England at the time of the 2011 Census. The older age brackets have grown the fastest between that time and the latest estimates in 2020, with the 65-84 cohort projected to have expanded by 24% in that time. Younger age groups are estimated to have declined in number, and it can be speculated that a lack of affordable and adequate housing options may be a factor behind this trend. In the coming years, to 2030, this trend is expected to continue, with the 65+ cohort projected to expand by 52% to reach nearly half of all households, while other age groups increase marginally if at all.
179. A higher proportion of households in Penzance are composed of a single individual than is the case across Cornwall and England. Of the family households, a higher proportion have dependent children than do not. The number of households containing non-dependent (adult) children or multiple families (HMOs and house shares) rose by 16% between the last Censuses.
180. A combined 66% of households in Penzance live in homes with more bedrooms than they might be expected to need, with the remaining third generally having the expected number of bedrooms and a small number having too few. Households aged over 65 and those under 65 with no children are most likely to have more bedrooms than they are expected to need, suggesting that the largest homes are not necessarily occupied by those with the largest families but by those with the financial capacity to do so, irrespective of their household size.

### **The future dwelling mix**

181. 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, suggests that new development should be restricted to homes with 3 or more bedrooms because these size categories are so underrepresented at present compared with what the future population might be expected to need given the existing preferences of different age groups across Cornwall. An injection of larger homes would improve the offering for larger families who have few options for their next step on the property ladder, and would also widen choice in general.
182. However, it is never advisable to restrict future housing delivery to specific size categories only. There are two key arguments against weighting the dwelling mix on future developments too strongly towards larger homes.
183. First, the preceding chapter found that affordability is a serious and worsening challenge in the area. While the provision of Affordable Housing (subsidised tenure products) is one way to combat this, another is to ensure that homes come forward which are of an appropriate size, type and density for local residents' budgets. Continuing to provide smaller homes with fewer bedrooms would help to address this situation.
184. Second, this chapter has established the clear direction of travel toward the ageing of the population. This suggests that suitable options for downsizing older households would form a valuable contribution to the housing mix. Some additional 2-bedroom homes could help to achieve this, where a narrow focus on 3+ bedroom homes may not.
185. Furthermore, variety should be sought within the mid-sized homes that come forward in future to attract both newly forming households on lower budgets and older households with substantial equity from their existing larger homes. Facilitating downsizing among older households may release some larger homes for use by families who need more bedrooms if they can afford to.
186. Finally, and more generally, it would be unwise for new housing to be delivered in an unbalanced way, particularly on one individual site. Those wishing to move within or relocate to Penzance will have a range of circumstances and preferences, and they should be offered a range of choices. As such, it is recommended that priority is given to larger and mid-sized homes if this can be accommodated within the limitations of site density and viability, and the competing imperative of affordability, but that this is done to a degree that aligns with the wider objectives of the community and does not overly limit choice.

## 6. Recommendations for next steps

187. This Neighbourhood Plan housing needs assessment aims to provide Penzance with evidence on a range of housing trends and issues from a range of relevant sources. We recommend that the neighbourhood planners should, as a next step, discuss the contents and conclusions with Cornwall Council 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 Cornwall Council;
  - 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 Cornwall Council.
188. 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.
189. Bearing this in mind, it is recommended that the Neighbourhood Plan steering group should carefully monitor strategies and documents with an impact on housing policy produced by the Government, Cornwall Council or any other relevant party and review the Neighbourhood Plan accordingly to ensure that general conformity is maintained and minimise disparities between them.
190. 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.

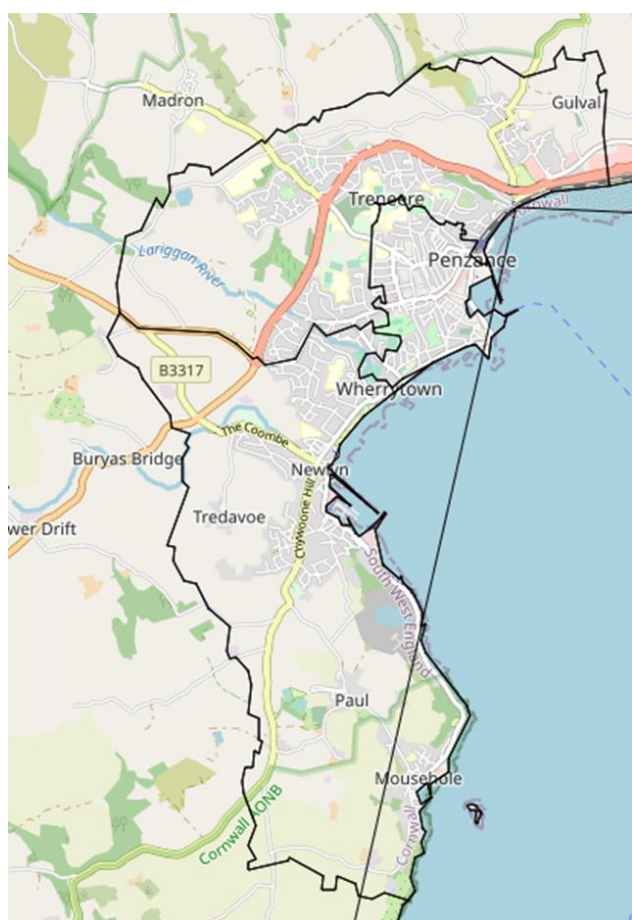
# Appendix A : Calculation of Affordability Thresholds

## A.1 Assessment geography

191. As noted in the Tenure and Affordability chapter above, affordability thresholds can only be calculated on the basis of data on incomes across the Neighbourhood Area. Average income data is available at MSOA level but not at the level of Neighbourhood Areas.

192. As such, when calculating affordability thresholds, an MSOA needs to be selected that is a best-fit proxy for the Neighbourhood Area. In the case of Penzance, three MSOAs make up the NA. MSOAs E02003948, E02003949, and E02003951 are the closest realistic proxy for the Neighbourhood Area boundary, and as such, this is the assessment geography that has been selected. A map of these MSOAs appears below in Figure A-1.

**Figure A-1: MSOAs E02003948, E02003949, and E02003951 used as a best-fit geographical proxy for the Neighbourhood Area**



Source: ONS



## A.2 Market housing

193. Market housing is not subsidised and tends to be primarily accessible to people on higher incomes.
194. To determine affordability in market housing, this assessment considers two primary indicators: income thresholds, which denote the maximum share of a family's income that should be spent on accommodation costs, and purchase thresholds, which denote the standard household income required to access mortgage products.

### i) Market sales

195. The starting point for calculating the affordability of a dwelling for sale (i.e. the purchase threshold) from the perspective of a specific household is the loan to income ratio which most mortgage companies are prepared to agree. This ratio is conservatively estimated to be 3.5.
196. 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 Penzance, 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. An assumption is therefore made that a 10% purchase deposit is required and is available to the prospective buyer. In reality it is possible that the cost of the deposit is a greater barrier to home ownership than the mortgage costs.
197. The calculation for the purchase threshold for market housing is as follows:
- Value of a median NA house price (2021) = £255,000;
  - Purchase deposit at 10% of value = £25,500;
  - Value of dwelling for mortgage purposes = £229,500;
  - Divided by loan to income ratio of 3.5 = purchase threshold of £65,571.
198. 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 2021 was £187,875, and the purchase threshold is therefore £48,311.
199. 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. There were too few new build transactions solely in 2021 to generate an average so an average was calculated across 2019, 2020, and 2021. Land Registry records 49 sales of new build properties in the NA across this time period, giving an overall median new build house price of £302,950.

## ii) Private Rented Sector (PRS)

200. Income thresholds are used to calculate the affordability of rented and affordable housing tenures. It is assumed here that rented housing is affordable if the annual rent does not exceed 30% of the household's gross annual income.
201. This is an important assumption because it is possible that a household will be able to afford tenures that are deemed not affordable in this report if they are willing or able to dedicate a higher proportion of their income to housing costs. It is becoming increasingly necessary for households to do so. However, for the purpose of planning it is considered more appropriate to use this conservative lower benchmark for affordability on the understanding that additional households may be willing or able to access housing this way than to use a higher benchmark which assumes that all households can afford to do so when their individual circumstances may well prevent it.
202. The property website [Home.co.uk](https://www.home.co.uk) shows rental values for property in the Neighbourhood Area. The best available data is derived from properties available specifically in Penzance.
203. According to [home.co.uk](https://www.home.co.uk), there were 10 properties for rent at the time of search in March 2022, with an average monthly rent of £633. There were 6 entry-level (one and two-bed properties) listed, with an average price of £547 per calendar month.
204. Sense-checking these figures against live listings on Rightmove.co.uk suggests that some of the 1-bedroom homes that make up this average may be rooms in shared houses, of which a number are currently listed between £400 and £525. There is a 1-bedroom apartment currently listed at £595 per month and three 2-bedroom homes ranging from £695 to £975. The overall average noted above is therefore likely to be more closely representative of 1-bedroom properties and/or skewed by rooms in shared houses and so is taken forward as the 1-bedroom average. For a more representative indication of the price of 2-bedroom homes, an average of the three current listings is taken. The result is £815 per month. Because there is currently only one listing of a home larger than this it is not possible to understand the costs of renting larger houses.
205. The very small sample size makes attaining a complete understanding of rental costs in Penzance challenging. It is also worth noting that the 10 rental listings currently available (of which five have lets agreed) can be seen as a problem of insufficient supply in and of itself, and also stands in sharp contrast to the 407 entire homes listed on Airbnb (HCWG data gathered from Airdna).
206. The calculation for the private rent income threshold for 1-bedroom dwellings is as follows:
- Annual rent = £633 x 12 = £7,596;
  - Multiplied by 3.33 (so that no more than 30% of income is spent on rent) = income threshold of £25,320.

207. The calculation is repeated for the 2-bedroom average to give an income threshold of £32,600.

## A.3 Affordable Housing

208. There are a range of tenures that constitute the definition of Affordable Housing within the NPPF 2021: 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 in 2021. Each of the affordable housing tenures are considered below.

### i) Social rent

209. 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.

210. To determine social rent levels, data and statistical return from Homes England is used. This data is only available at the LPA level so must act as a proxy for Penzance. This data provides information about rents and the size and type of stock owned and managed by private registered providers and is presented for Cornwall in the table below.

211. To determine the income needed, it is assumed that no more than 30% of income should be spent on rent. 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. The overall average across all property sizes is taken forward as the income threshold for social rent.

**Table A-1: Social rent levels (£)**

Size	1 bed	2 beds	3 beds	4 beds	All
Average social rent per week	£78.65	£84.49	£92.30	£101.92	£86.68
Annual average	£4,090	£4,393	£4,800	£5,300	£4,507
Income needed	£13,619	£14,630	£15,983	£17,648	£15,010

Source: Homes England, AECOM Calculations

### ii) Affordable rent

212. Affordable rent is controlled at no more than 80% of the local market rent. However, registered providers who own and manage affordable rented housing may 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).

213. Even an 80% 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 in some areas have applied caps to larger properties where the higher rents would make them unaffordable to families under Universal Credit. This may mean that the rents are actually 50-60% of market levels rather than 80%.

214. Data on the most realistic local affordable rent costs is obtained from the same source as social rent levels for Cornwall. Again, it is assumed that no more than 30% of income should be spent on rent, and the overall average is taken forward.

215. Comparing this result with the average 2-bedroom annual private rent above indicates that affordable rents in [the NA are actually closer to 60% of market rates than the maximum of 80%, a feature that is necessary to make them achievable to those in need.

**Table A-2: Affordable rent levels (£)**

Size	1 bed	2 beds	3 beds	4 beds	All
Average affordable rent per week	£92.68	£112.94	£132.20	£156.35	£117.34
Annual average	£4,819	£5,873	£6,874	£8,130	£6,102
Income needed	£16,048	£19,557	£22,892	£27,074	£20,319

Source: Homes England, AECOM Calculations

### **iii) Affordable home ownership**

216. 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.

217. In paragraph 65 of the NPPF 2021, 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 issued Ministerial Statement and updates to PPG state 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.

#### **First Homes**

218. 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.

219. The starting point for these calculations is therefore the estimated cost of new build housing in Penzance based on the average of new build transactions in the NA in 2019, 2020, and 2021 noted above of £302,950.

220. For the minimum discount of 30% the purchase threshold can be calculated as follows:

- Value of a new home (2019-21 NA median new build) = £302,950;
- Discounted by 30% = £212,065;
- Purchase deposit at 10% of value = £21,207;
- Value of dwelling for mortgage purposes = £190,859;
- Divided by loan to income ratio of 3.5 = purchase threshold of £54,531.

221. The income thresholds analysis in the Tenure and Affordability chapter also compares local incomes with the costs of a 40% and 50% discounted First Home. This would require an income threshold of £46,741 and £38,951 respectively.

222. All of the income thresholds calculated here for First Homes are below the cap of £80,000 above which households are not eligible. The discounted prices are also all below the cap of £250,000.

223. 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 appear to be an issue in Penzance.

### **Shared ownership**

224. Shared ownership involves the purchaser buying an initial share in a property, typically of between 25% and 75% (but now 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'.

225. 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.

226. To determine the affordability of shared ownership, calculations are again based on the estimated costs of new build housing as discussed above. 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. The income required to cover the rental component of the dwelling is based on the

assumption that a household spends no more than 30% of the income on rent (as for the income threshold for the private rental sector).

227. The affordability threshold for a 25% equity share is calculated as follows:

- A 25% equity share of £302,950 is £75,738;
- A 10% deposit of £7,574 is deducted, leaving a mortgage value of £68,164;
- This is divided by the loan to value ratio of 3.5 to give a purchase threshold of £19,475;
- Rent is charged on the remaining 75% shared ownership equity, i.e. the unsold value of £227,213;
- The estimated annual rent at 2.5% of the unsold value is £5,680;
- This requires an income of £18,934 (annual rent multiplied by 3.33 so that no more than 30% of income is spent on rent);
- The total income required is £38,410 (£19,475 plus £18,934).

228. The same calculation is repeated for equity shares of 10% and 50% producing affordability thresholds of £30,511 and £51,574 respectively.

229. The income thresholds are all below the £80,000 cap for eligible households.

### **Rent to Buy**

230. Rent to Buy is a relatively new and less common tenure, which through subsidy allows the occupant to save a portion of their rent, which is intended to be used 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 savings with a portion of the rent.

### **Help to Buy (Equity Loan)**

231. The Help to Buy Equity Loan is not an affordable housing tenure but allows households to afford market housing through a loan provided by the government. With a Help to Buy Equity Loan the government lends up to 20% (40% in London) of the cost of a newly built home. The household must pay a deposit of 5% or more and arrange a mortgage of 25% or more to make up the rest. Buyers are not charged interest on the 20% loan for the first five years of owning the home.

232. It is important to note that this product widens access to market housing but does not provide an affordable home in perpetuity.

# Appendix B : 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 =  $\frac{£200,000}{£25,000} = 8$ , (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>12</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.

### **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, over-crowding, concealment or affordability, but who are yet to be offered a home suited to their needs.

### **Bedroom Standard<sup>13</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

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<sup>12</sup> The Tenant Services Authority has issued an explanatory note on these methods at <http://www.communities.gov.uk/documents/planningandbuilding/pdf/1918430.pdf>

<sup>13</sup> See <https://www.gov.uk/government/statistics/english-housing-survey-2011-to-2012-household-report>



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>14</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>15</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 receives 10%

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<sup>14</sup> See <https://www.gov.uk/guidance/national-planning-policy-framework/annex-2-glossary>

<sup>15</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)

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 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>16</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)**

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

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<sup>16</sup> See <https://www.which.co.uk/news/2017/08/how-your-income-affects-your-mortgage-chances/>

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% (though this was lowered in 2021 to a minimum of 10%), 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>17</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

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<sup>17</sup> See <http://www.housingcare.org/jargon-sheltered-housing.aspx>



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.

### **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>18</sup>

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<sup>18</sup> See <http://www.communities.gov.uk/documents/planningandbuilding/doc/1980960.doc#Housing>



