

APPENDIX 3

Standard Methodology: Key Variables

A baseline for the local housing needs assessment is set by national household projections. These set a minimum measure of local housing need. They derive from trend based population projections from which a forecast of household numbers can be produced by applying projected household representative rates (average household size).

The baseline is adjusted to take account of affordability. Change in the affordability ratio, the ratio of house prices to earnings, is used to adjust household projections. An annual level of need can be multiplied by the number of years to give an overall figure for new homes over the plan period.

The baseline figure, with affordability adjustment is capped at a 40% increase over the most recent average annual housing requirement figure.

The methodology is expressed in the following equations:

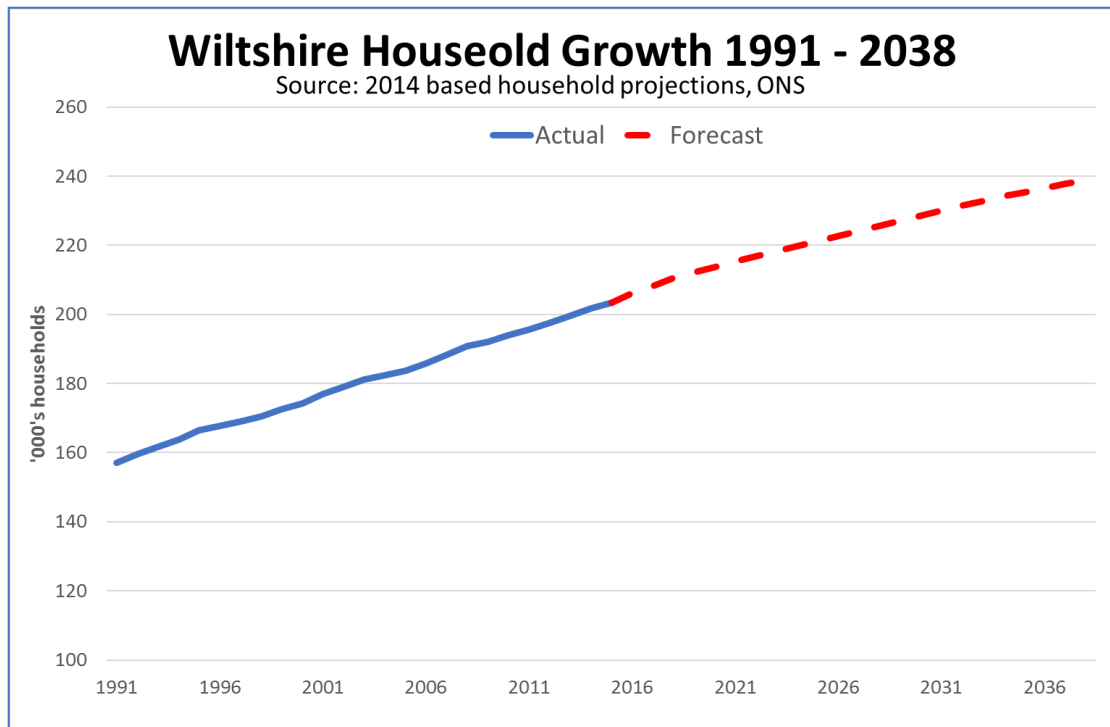
$$\text{Adjustment Factor} = \frac{\text{Local affordability ratio} - 4}{4} \times 0.25$$

$$\text{Local Housing Need} = (1 + \text{adjustment factor}) \times \text{projected household growth}$$

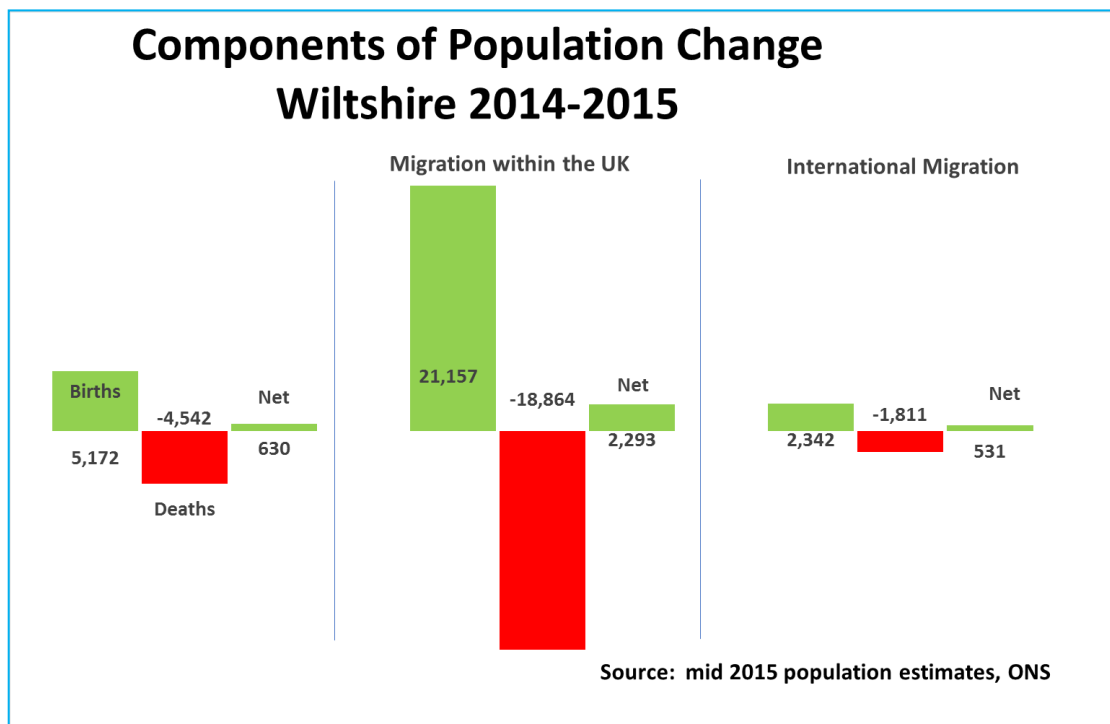
The Council has commissioned consultants ORS to provide Swindon and Wiltshire Local Housing Needs Assessment based on the current form of the methodology. (See Swindon and Wiltshire Local Housing Needs Assessment 2018-2019: Report of Findings (April 2019))

The charts below provide information about the variability of components of the standard method calculation to support the need for flexibility at this stage in plan making.

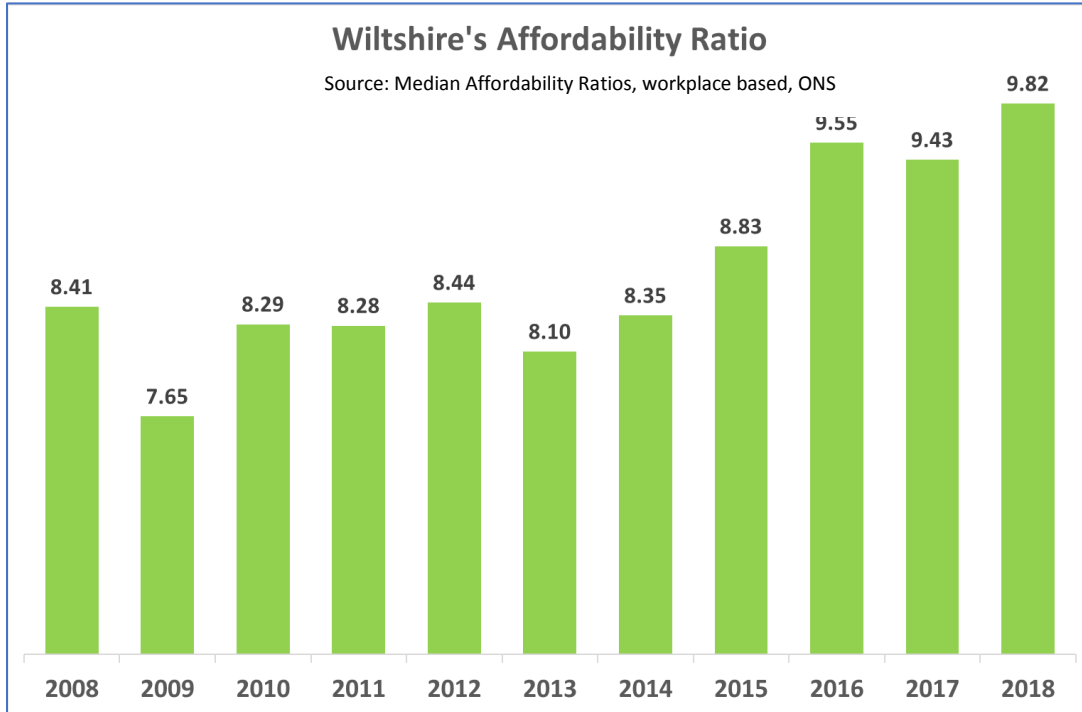
Over the last 25 years or so, the number of households in Wiltshire has increased by between one and a half and two thousand each year. This is predicted to continue.



Household change is made up of several components. The different components and their significance are shown in a typical year below:



The affordability ratio for Wiltshire has ranged between seven and a half and ten. In terms of its effect, each half point change alters a housing need assessment by around 50 dwellings a year or a thousand dwellings over the plan period. The pattern of recent affordability ratios is shown below.



Changes are most related to house price movements.

