



Cavan County Council

Cavan Housing Strategy and HNDA 2022- 2028 - Appendix A

Supplemental Assessment - Affordable Housing

KPMG Future Analytics

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This report contains 7 pages



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A.1 Introduction and Purpose

This Annex has been prepared by KPMG Future Analytics to support key updates to the draft Cavan Housing Strategy and Cavan County Development Plan 2022-2028. The draft Cavan Housing Strategy and associated Housing Need and Demand Assessment (HNDA) ('the Housing Strategy') was prepared during the first half of 2021, prior to the passing of the Affordable Housing Act 2021. This new law defines two new forms of affordable housing (Affordable Dwelling Purchase and Cost Rental). It also amends the legislative underpinnings and requirements of the Local Authority Housing Strategies (under Part V of the Planning and Development Act 2000) in several ways, including:

- Introducing a requirement that a Housing Strategy makes an estimate of need for affordable purchase and cost rental housing (including through an assessment of rental affordability); and
- Raising/restoring Part V housing requirements to 20% of land granted residential planning permission, at least half of which (i.e. at least 10%) must be reserved for social housing and up to half of which may comprise affordable housing.

The Cavan Housing Strategy and HNDA 2022-2028 therefore is now required to make an assessment of need for these affordable housing tenures (in addition to social housing), and must use this estimate to determine the breakdown of Part V housing requirements between social and affordable over the period of the development plan.

The purpose of this appendix is to provide this assessment, as an additional annex to the existing draft Housing Strategy. This approach meets the new statutory requirements of the Housing Strategy while minimising changes required for the draft Strategy. This assessment has been undertaken using the Department of Housing, Local Government and Heritage's (DHLGH) HNDA Tool and Guidance¹ (published April 2021), as this provides an additional functionality not available at the time the Housing Strategy was drafted. This assessment does not contradict the Housing Strategy and its HNDA but is instead a supplemental and focused analysis of affordable housing need which fulfils new statutory requirements. As a result, this appendix focuses solely on need for affordable housing.

A.2 Methodology

The HNDA Tool is an Excel-based model which assesses key housing market drivers to forecast demographic housing demand in a Local Authority over the period 2020-2040, broken down by tenure. The Tool may be set up and (where justified) customised through setting key inputs in several stages, as outlined below.

¹ <https://www.gov.ie/en/publication/ea99-housing-need-and-demand-assessment-hnda/>

A.2.1 Demographic Forecasts

ESRI forecasts of population and household growth to 2040 at local authority level are built into the Toolkit. The model includes five scenarios (based on different international migration scenarios and other assumptions), four of which comprise ESRI forecasts from December 2020 (see Section 2.1.8 of the Housing Strategy). The fifth scenario is the ‘**Convergence**’ scenario, which comprises the ESRI 50:50 City scenario adjusted for new housing supply since 2017, to facilitate convergence to the National Planning Framework per the Section 28 Planning Guidelines ‘Housing Supply Target Methodology for Development Planning’. This has been applied in this instance.

However, it should be noted that the Convergence Scenario (and the HNDA Tool itself) runs on a different timescale to the Housing Supply Target for the Cavan County Development Plan (with the adjustment calculated over 2020-2031, as opposed to 2022-2028 for the Housing Supply Target). As a result, it does not match the Housing Supply Target for County Cavan, as it effectively spreads housing need over a longer period. For this reason, this appendix focuses on the *proportion* of affordable need calculated by the Tool for each year considered, rather the number of households, to avoid confusion between different measurements of housing demand.

A.2.2 Existing Housing Need

The Toolkit includes built-in data on existing unmet housing need. This is a combination of estimated overcrowded households and homeless households. This comprises 35 households for County Cavan. All other default settings relevant to this measure have been applied.

A.2.3 Income Growth Forecasts

The HNDA Toolkit is prepopulated with CSO data on household incomes sourced from Census 2016, the Revenue Commissioners and Department of Social Protection data, forecasted to 2019. Three pre-set scenarios may be used to forecast household income growth, which apply the same growth rate for every projected year, or custom scenarios may be developed and used where justified. KPMG Future Analytics have applied the custom income growth scenario set out in the Housing Strategy. This is to align this exercise with the Housing Strategy and its assumptions and evidence base and reflects historic market trends and up-to-date economic information, as set out in Section 3.2.3 and 3.2.4 of the Housing Strategy.

A.2.4 House Price Forecasts

The Tool is pre-programmed with house price data from the CSO’s Property Price Register (PPR) index, and with five default house price scenarios for how house prices are forecast to change. Custom scenarios may also be developed and used. KPMG Future Analytics have applied the custom income growth scenario set out in the Housing Strategy. This is to align this exercise with the Housing Strategy and its assumptions. This price growth scenario reflects the most up to date house price data at the time of

drafting of the Housing Strategy, as set out in Section 3.2.5 and 3.2.6 of the Housing Strategy. Default Tool settings have been applied with respect to affordability criteria.

A.2.5 Rental Price Forecasts

Within the HNDA Tool, several assumptions on the rental market may be made. The Tool is pre-programmed with rental price data sourced from the Residential Tenancies Board (RTB), and five rental price scenarios. As with incomes and prices, KPMG Future Analytics have applied the custom scenarios used in the Housing Strategy, as set out in Section 3.2.7 of the Housing Strategy. Default Tool settings have been applied in terms of the proportion of those who buy and in terms of rental affordability thresholds.

A.2.6 Other modifications and changes

KPMG Future Analytics have made use of the most recently available version of the Toolkit, obtained in September 2021. Technical changes were made to the Toolkit to fix formula issues in the model to allow calculation of custom scenarios, as the unamended version would not otherwise read custom scenarios correctly. Changes were also made to ensure consistency in how the model applies custom projections for income, rents, and sales prices for each year, which were calculated on an inconsistent basis in the original model. Some minor issues in aligning years to the plan period correctly for output data summaries were also addressed.

A.3 Outputs – affordable housing need

Based on the application of additional anticipated households and the scenarios for existing need, incomes, affordability, house prices, and rental prices as described in the previous section, the HNDA Tool calculates housing need annually and how many forecast households can afford to purchase homes in the private market or rent privately. Of those who cannot, it calculates how many require social housing, and how many are ‘affordability constrained’ and require a form of affordable housing tenures (such as Cost Rental or affordable purchase). It is these households that are the focus of this appendix and of the determination of Part V requirements in the Housing Strategy.

Households are deemed eligible for social housing if their net household income is below a cut-off threshold (€25,000 for County Cavan). The Tool does not take account of higher maximum income thresholds for additional adults and children in a household,² as it is not currently designed to assess different household sizes. Those who cannot afford private housing but are deemed not eligible for social housing using this threshold are classed as “affordability constraint” (i.e. requiring affordable tenure types like Cost Rental/affordable purchase).

² Under the Social Housing Assessment (Amendment) Regulations 2021, a household applying for social housing may get a 5% increase to the maximum income threshold for each additional adult household member, subject to a maximum increase of 10%, and separately, a 2.5% increase for every child living in the household.

The following tables summarise this estimate of housing need across all tenures. Over the plan period of 2022-2028,³ a total of 2.9% of households are classed as having an ‘affordability constraint’ and in need of affordable housing.

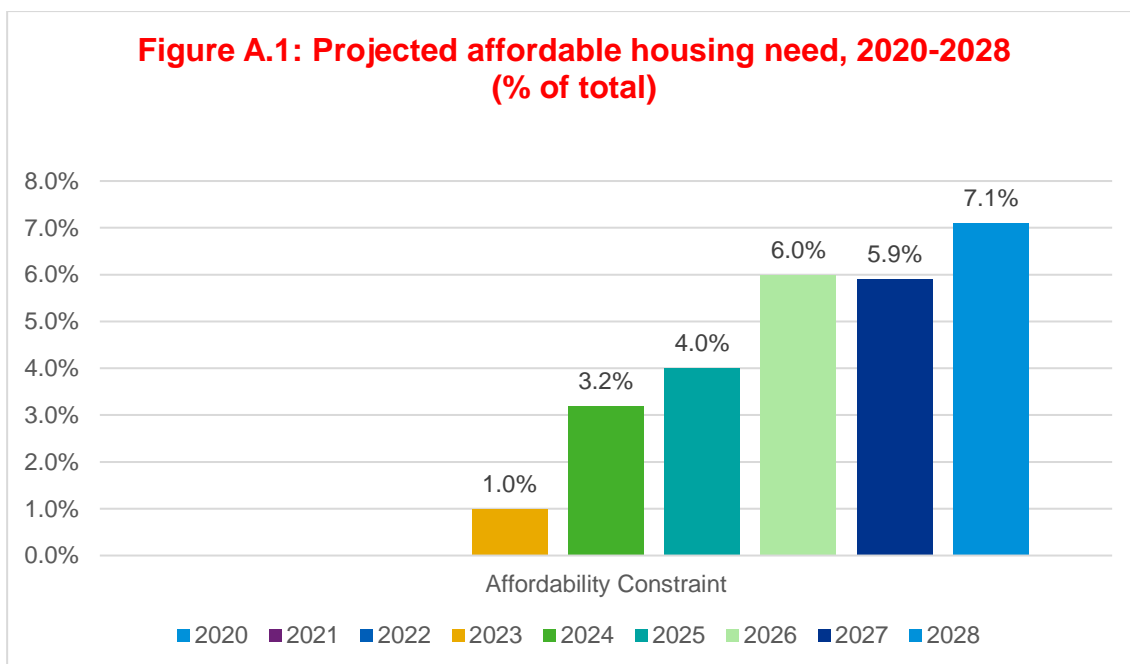
Table A.1: Estimated affordable housing need, 2020-2028 (% of total)

Year	Affordability Constraint
2020	0%
2021	0%
2022	0%
2023	1%
2024	3.2%
2025	4%
2026	6%
2027	5.9%
2028	7.1%
2022-2028	2.9%

Figure A.1 below illustrates affordable housing need as a proportion of total housing demand (via the Convergence projections) over the period. This shows that the need for affordable housing as a proportion of total housing need rises steadily over period considered, rising from 0% in 2020 to 7.1% in 2028. This suggests a growing cohort above the eligibility threshold for social housing who cannot afford housing in the private market.

This assessment is based on current trends and national guidelines. Cavan County Council will update the assessment as trends and national guidelines require.

³ As the HNDA Tool assesses full years, the period 2022-2028 in comprises seven years. The Cavan County Development Plan will be in force for six years comprising Q3 2022 – Q2 2028 inclusive. The full years have been considered in this appendix to ensure full impacts are captured.



However, the proportion of buyers and private renters is projected as staying relatively steady over the period, suggesting that most of the increase in need for affordable housing may be considered a result of households in lower income deciles moving from social housing to affordable categories of need, as incomes grow generally and more households in lower incomes move above the €25,000 income cut-off point for social housing eligibility. This illustrates that the outputs of this exercise reflect the assumptions built into the HNDATool and broader national housing policy.

The Housing for All plan⁴ from August 2021 states that the DHLGH will review and reform income limits for eligibility for social housing in local authorities, and in particular the efficiency of the current model of three income bands to categorise local authorities (with County Cavan in Band 3). If this review changes the income limit for social housing eligibility, it would in turn change the proportion of households eligible for either social or affordable housing in Cavan.

In addition, under the Social Housing Assessment (Amendment) Regulations 2021, the €25,000 net income limit only applies to a single-person household, with rises in this threshold available for additional adults and children. A broader consideration of social housing income limits and household sizes in the Tool would also change the proportion of households eligible for or affordable housing and could potentially reduce identified affordable housing need.

⁴ Published Online, Aug. 2021: <https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/>; Action 5.4, 'Review income eligibility for social housing.'