

South West Hertfordshire Local Housing Needs Assessment

**On behalf of Dacorum, Hertsmere, St. Albans, Three Rivers and
Watford Councils**

September 2020

Prepared by

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

- GL Hearn was commissioned by Dacorum Borough Council, Hertsmere Borough Council, St. Albans City and District Council, Three Rivers District Council, and Watford Borough to prepare a Local Housing Needs Assessment (LHNA).
- The purpose of the LHNA is to assess future development needs for housing across South West Hertfordshire over the 2020-2036 period. This, in turn, will be used to inform strategic and local planning activities. It also considers the need for different types of housing, and the housing needs of different groups within the South West Hertfordshire Housing Market Area (HMA) and constituent authorities.

Demographic Trends and Housing Need Projections

- The new National Planning Policy Framework (NPPF2) of February 2019 has introduced a Standard Method for assessing local housing need (LHN).
- Step 1 of the standard method draws on the 2014-based household projections which set out a household growth of 2,888 per annum over the period 2020-2030.
- Step 2 of the standard method increases the LHN based on local affordability. On average in SW Herts the local authorities have a workplace-based median affordability ratio of 13.9. Using the prescribed formula, the local affordability ratio results in an average uplift of 61%. This increases the need from 2,888 dwellings per annum (dpa) to 4,674 dpa. On an individual basis, all of the Local Authorities had an increase of at least 52%.
- To ensure deliverability Step 3 of the standard method caps the uplifts in Step 2 to 40% above the household projections (Step 1). This is because all of the Local Plans are more than 5 years old and all had a target lower than the household forecasts (Step 1).
- The capped need reduces the local housing need (LHN) for the study area to 4,043 dwellings per annum. This table below sets out this calculation for each local authority.

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Average Household Change (Step 1)	731	512	638	446	562	2,888
Affordability Ratio 2018	12.3	14.3	16.8	13.7	12.5	
Adjustment Factor	1.52	1.64	1.8	1.6	1.53	
Adjusted LHN (Step 2)	1,108	841	1,148	715	862	4,674
Cap Applied	40%	40%	40%	40%	40%	
Step 3 – LHN	1,023	717	893	624	787	4,043

- Local demographics do not indicate any exceptional circumstances to move away from the LHN calculated above.
- **Recommendation: The local authorities seek to deliver a minimum of 4,043 dwellings per annum across the South West Herts HMA. Although calculated over the 2020-2030 period the LHN can also be applied to the latter part of a plan period beyond 2030. There is no requirement to take account of under-delivery prior to 2020. The Local Authorities can redistribute the LHN across the HMA.**

- To understand the population implications of delivering 4,043 dpa a scenario has been modelled whereby household formation rates are improved and population growth increased to a point where these homes are filled.
- If 4,043 dwellings per annum are provided this would result in an additional 122,682 people in the study area (over the period 2020-2036). This can be disaggregated to the local authorities on the following basis.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
31,724	21,765	26,128	18,294	24,771	122,682

Economic Growth and Housing Need

- This report examined the potential employment growth in SW Hertfordshire which the standard method would support drawing on a range of datasets and reports.
- In translating this into housing need the calculations have made several assumptions relating to double-jobbing, commuting, economic activity rates and household formation rates.
- The Standard Methodology would help support a considerably higher rate of job growth (64,844) than that set out in the SW Herts Economy Study (20,553). At a local authority level, the following number of additional jobs would be supported.

	Change (20-36)
Dacorum	16,069
Hertsmere	10,871
St. Albans	13,470
Three Rivers	8,029
Watford	16,405
South West Herts	64,844

- **Recommendation: There is no requirement for the Councils to increase the number of homes they plan for to support local economic growth.**
- The Councils should as far as possible strive to achieve delivery of new housing where the jobs are to minimise the mismatch between the location of new houses and jobs in South West Hertfordshire.
- If the local authorities cannot deliver the level of identified employment growth this will likely result in a surplus labour force within South West Herts. This will impact commuting as residents seek work elsewhere.
- The councils should work through the duty to cooperate with neighbouring authorities/HMAs to ensure housing need is not being double counted and that any required infrastructure improvements are planned for.

Market Signals

- This update does not fully consider market signals on the basis that much of the evidence has not changed since the 2016 SHMA was published. It remains the case that there are some signs of market signals pressures evident across the market which is impacted by its proximity to the Capital. In particular:
 - House prices in the HMA are 91% above the national average, 55% above the regional and just 6% below London's 2017 housing values.
 - Over the 5 years to Q3 2017, the HMA has seen an increase in house prices of 47% compared to 24% nationally; 42% regionally and 44% in London.
 - Over the 10 and 15 years to Q3 2017, housing values in South West Hertfordshire have grown above both the regional and national equivalents but just below London's growth.
 - Rents have grown since 2011 by 32% reaching £1,135 pcm which is similar to London's median rent and well above the wider comparators, including the general Consumer Price Index (CPI) and the Housing CPI.
 - All the affordability ratios examined herein suggest that there are affordability pressures across the HMA. Both median and lower quartile workplace-based rates are above all the comparators including London's average.
- Stakeholder engagement reveals:

Sales Market:

- The uncertain market is currently due to an increase in interest rates and the uncertainty surrounding Brexit.
- Prices have been static and sales volumes have decreased compared to 2016 and 2014.
- Limited investors' activity – mainly small local investors currently.
- Diverse profile of buyers from first-time and young professionals, to families and retirees.
- Most popular properties are those with 2- and 3- bedrooms in proximity to train stations.
- Lack of new build provision in the market.

Rental Market:

- Appears stronger compared to the sales market and it is very active even in the current political climate.
 - Tenants' profile: a wide mix of demographics similar to the sales market.
 - According to agents the most sought after properties are 1-2 bed homes near train stations and 2-3 beds in more rural areas with good transport links.
 - Lack of new builds in the market.
 - Renters are typically young professionals and families.
 - The rental market is fairly buoyant despite Brexit.
- In summary, there are some severe affordability issues in South West Hertfordshire. This is addressed through the standard methodology, specifically the 40% uplift within steps 2 and 3.
 - **Recommendation: There is no requirement to make any further uplifts to housing need or the housing requirement related to market signals.**

Affordable Housing Need

- Analysis has been undertaken to estimate the need for affordable housing in the 2020-2036 period. The analysis is split between affordable housing to rent and affordable housing to buy.
- As this includes an assessment of current need then it would, therefore, address the historic backlog.

- Much of the analysis of affordable housing need to rent requires assumptions about affordability. A simplified version of our assumptions is the number of households whose incomes are, based on reasonable assumptions, insufficient to afford lower quartile rents. These are set out below:

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Lower Quartile Rents	£850	£1,013	£950	£1,000	£850
Expenditure Assumptions	33%	35%	35%	35%	33%
Income threshold	£30,700	£34,400	£33,000	£34,100	£30,700

- Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely to have lower average incomes than existing households).
- The overall calculation of rented affordable housing need over a plan period is based on the following formula.

$$\text{Net Need} = \text{Current Need/Plan Period} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Rented Affordable Housing}$$

- Applying this approach, the analysis shows that 1,994 households will need affordable housing to rent per annum between 2020 and 2036. However, it should be stressed that this report does not provide an affordable housing target but merely identifies the scale of the need. The table below sets out the calculation for each local authority for the period 2020-2036. Where plan periods vary from 2020-2036, these figures may need to be adjusted as indicated in the report.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
363	356	443	350	482	1,994

- **Recommendation: Such is the scale of affordable housing need that the local authorities should seek to deliver as much affordable housing to rent as viability allows.**
- Based purely on the proportion of households able to afford an affordable rent (set at 80% of current lower quartile rents) and those who can only afford housing which is cheaper than that the following proportions of affordable rented property which should be provided as social rent would be appropriate:
 - Dacorum – 87%
 - Hertsmere – 87%
 - St. Albans – 85%
 - Three Rivers – 87%
 - Watford – 88%
- The splits given above are indicative and the local authorities will be free to choose an alternative split to reflect local viability or local priorities.
- The Councils should also seek the maximum viable level of affordable private rental accommodation on build to rent schemes, with a minimum contribution of 20% expected.
- In examining the need for affordable housing to buy the NPPF states “Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership”

- The methodology used in this report looks at affordability by estimating the number of households in the 'gap' between buying and renting. For the supply of affordable home ownership, a broad assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting.
- There is an estimated net need for 1,194 units of affordable home ownership per annum between 2020 and 2036. The table below sets out the calculation for each local authority. These figures should be seen as indicating the potential demand for such accommodation, as all of the households identified will be able to afford to rent privately without subsidy.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
248	147	385	162	252	1,194

- The identified need for affordable home ownership properties equates to around 30% of the overall housing need (4,043 per annum). However, the need for rented affordable housing is about 50% of all dwellings and this involves households who cannot afford anything in the market without subsidy. Therefore, there is no basis to increase the provision of affordable home ownership above the NPPF's 10% figure, as to exceed this would reduce the supply of affordable social rental homes.
- As per the PPG local authorities should consider an increase in housing requirements where it could help deliver the required number of affordable homes. However, based on information set out herein it would be reasonable to conclude that after consideration it is not necessary to increase housing delivery.
- **Recommendation: Based on this analysis it seems reasonable to suggest that the Councils could consider seeking 10%, but no more, of all housing (on larger sites) to be affordable home ownership (as set out in the NPPF2).**
- However, there is effectively a trade-off between delivering more affordable homes to buy or delivering fewer affordable homes to rent (due to lower viability), but the latter should be given priority as it makes provision for those that are more in need.
- **Recommendation: In the context of SW Hertfordshire Shared Ownership and Discount Market Sales are the most appropriate of the low-cost home ownership products as these will reach the widest and lowest earnings population base. This is particularly the case if these are sold at the recommended prices.**
- However, should the local authorities receive applications for the other tenure types (relevant equity loans, other low cost homes, rent to buy and affordable housing private rent) these can be judged on their merits. This will ensure that the widest range of products is available to the market.
- The analysis in this report also identifies the costs of different types of affordable housing for them to be genuinely affordable.
- Local authorities should consider the rent levels for affordable rents. Whilst affordable rents are not capped at LHA limits it is the case that government policy states that the relevant LHA should be a consideration when setting rent levels. The Councils may also wish to reduce these further to ensure a greater number of low-income working families can access these products.

- At present the maximum Local Housing Allowance (Housing Benefit) by location and property size (January 2019) are as follows:

	1-bedroom	2-bedroom	3-bedrooms
Aylesbury	£568	£703	£886
Chilterns	£649	£839	£1,024
South West Herts	£696	£879	£1,103
Outer North London	£891	£1,106	£1,366
South East Herts	£654	£832	£1,028
North West London	£854	£1,082	£1,352

- Affordable private rental units within build to rent developments should be priced at least 20% below market rates. It is considered that this is a reasonable start point for this type of housing. However, as such accommodation is potentially capped at LHA rates these rents should not exceed the maximum LHA.
- In examining the cost of low-cost home ownership products, the preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are set out as a range with the bottom end being based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting.
- The upper level is set based on the estimated lower quartile price to buy a home. Setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option.
- Recommendation: The final purchase price of a discount market sales homes should not exceed the midpoint of the range shown below (with ideally homes also being available at a price below this midpoint and close to the lower limit figures).**

		1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Dacorum	Lower Limit	£135,000	£167,000	£217,000	£288,000
	Upper Limit	£199,000	£266,000	£368,000	£537,000
	Midpoint	£167,000	£217,000	£292,000	£412,000
Hertsmere	Lower Limit	£144,000	£187,000	£237,000	£331,000
	Upper Limit	£237,000	£304,000	£427,000	£589,000
	Midpoint	£191,000	£245,000	£332,000	£460,000
St. Albans	Lower Limit	£139,000	£173,000	£225,000	£321,00
	Upper Limit	£241,000	£343,000	£486,000	£691,000
	Midpoint	£190,000	£258,000	£356,000	£506,000
Three Rivers	Lower Limit	£145,000	£187,000	£234,000	£298,000
	Upper Limit	£200,000	£302,000	£450,000	£557,000
	Midpoint	£172,000	£244,000	£342,000	£428,000
Watford	Lower Limit	£144,000	£190,000	£235,000	£293,000
	Upper Limit	£208,000	£296,000	£405,000	£571,000
	Midpoint	£176,000	£243,000	£320,000	£432,000

- This report also examines the potential cost and level of equity share that might be needed to make shared ownership housing affordable (see Tables 49 to 53). The analysis suggests that generally,

an equity share of not more than about 25% would potentially be affordable for most sizes of homes in most areas, although there are issues in St Albans.

Housing Mix

- Our approach to housing mix starts with the current profile of housing in terms of size and tenure as well as how the age of a household influences the typical sizes of homes they occupy in different tenures.
- These occupancy patterns are then applied to the demographic projections on the assumption that occupancy patterns for each age group (within each tenure) remain the same. This provides us with what the profile of housing mix should be in 2036.
- By subtracting the current profile of housing from the projected profile, it is possible to model the net change in housing needed.
- Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there is a range of factors which should be considered in setting policies for provision. For example, the recommendations in the affordable rented sector should consider issues around the demand for and high levels of turnover of 1-bedroom homes and the high number of households on the housing register seeking 1-bedroom homes.
- In addition, the stock of 4-bedroom affordable homes is very limited and tends to have a very low turnover. The strategic conclusions recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households.
- In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested. However, in the market sector, a modest adjustment is made to further support downsizing and better use of the existing stock.
- **Recommendation: The following mix of homes size by tenure is suggested as a strategic mix across the 2020-2036 period. As there are only modest changes at a local authority level this mix can be applied across the HMA and at a local level.**

Size	Market	Affordable Homes to Buy	Affordable Homes to Rent
1-bedroom	5%	25%	30%
2-bedrooms	20%	40%	35%
3-bedrooms	45%	25%	25%
4+-bedrooms	30%	10%	10%

- The mix identified above could inform strategic policies although a flexible approach should be adopted. In applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.

- It will ultimately be for the Council(s) to write into policy the approach which best meets their local circumstance. This could be, for example, a desire for further downsizing or a pragmatic approach to a constrained housing supply both of which would see additional smaller homes being built.

Housing for Needs of Older and Disabled Persons

- There is projected to be a 44% increase in the population aged 65+ over 2020-2036 (potentially accounting for at least a third of total population growth).
- The approach has been to use prevalence rates and apply these to the population growth of those aged 75 and over to get to a current and future need for a range of different care levels by tenure.
- **Recommendation: The need for the following levels of older persons accommodation is identified across South West Hertfordshire and this need should be planned for (with local authority area need as set out in Tables 90-94):**

		Average Housing demand per 1,000 75+	Current supply	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall/surplus by 2036
Housing with support	Rented	66	3,497	3,306	-191	1,824	1,634
	Leasehold	57	2,117	2,847	730	1,557	2,288
Housing with care	Rented	17	259	873	614	481	1,096
	Leasehold	13	197	630	433	345	778
Care Bedspaces		95	4,378	4,825	447	2,649	3,096

- The data shows that in general, South West Herts has lower levels of disability compared with other areas, however, an ageing population means that the number of people requiring specialist accommodation and/or with disabilities is likely to increase substantially in the future.
- The report looks at a range of disabilities and the number of people with and projected to have these disabilities. This is used to derive the need for M4(2) accessible and adaptable dwellings. The number of older people with dementia is expected to increase by 57% from 2020 to 2036 with higher increases in Watford and Hertsmere. There are also significant increases projected for those with mobility problems (52% increase over the same period) with Hertsmere expected to see the largest percentage growth. Smaller increases are projected in the number of people with autistic spectrum disorders, learning disabilities, challenging behaviour and impaired mobility.
- Using data from the Habinteg housing association it is estimated that nationally there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households and moving forward a need for around 3% of homes to be wheelchair friendly.
- As of 2020, there is a current need for about 866 wheelchair user dwellings. Taking the backlog into account alongside population projections for South West Herts, the estimated wheelchair user need is 2,771 homes over the next 16 years (around 4% of all additional homes).
- Drawing this information together there is a clear need to increase the supply of M4(2) accessible and adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes,

the Councils should also be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

- **Recommendations: The Councils should require that all new homes are M4(2) compliant, except where this is not possible for viability or other reasons such as built form, topography and flooding.**
- There is also a restriction on the tenure that wheelchair accessible homes standards are applied i.e. only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.”
- **Recommendation: The Councils should consider having separate policies for up to 5% of market properties as M4(3)(a) standard and up to 10% affordable dwellings at M4(3)(b) standard where this type of property is viable and suitable. This recognises that not all developments will be able to meet these standards but also the higher prevalence of wheelchair users in affordable tenures.**

Housing for Needs of Different Groups

- At January 1st 2020, the number of individuals registered on the local authority self-build and custom housebuilding registers in South West Hertfordshire was 709.
- **Recommendation: The local authorities should seek to adopt a general “encourage” policy for self-build and custom-build housing on smaller sites (+10 units) but also implement a further policy on strategic sites, where justified. The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need. This should also consider the committed supply and viability.**
- At the 2011 Census, there were 244 student households in South West Hertfordshire. This represented just 0.1% of all households. Local agents suggest that the 20% increase between 2001 and 2011 was driven by an increase in housing demand from students attending the University of Hertfordshire. The University's 2020 Estates Vision identifies that they will expand its residential offerings before 2021.
- **Recommendation: There is no need for the Councils to plan for additional student accommodation but any development being proposed which relates to this use should be judged on its merits alongside an assessment of local demand.**
- The private rental sector has grown significantly between the 2001 and 2011 with SW Hertfordshire (134%) seeing faster growth than the rest of the East of England region (111%) and England as a whole (107%).
- There has been a small amount of interest in the build to rent sector in Watford, and Hertsmeres has recently approved a planning application, subject to Section 106 negotiations, for a development where the affordable housing element will be provided as a build to rent.
- **Recommendation: There is no need for the Councils to allocate land for build to rent accommodation but should develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the proportion of affordable private rent being provided (seeking as much as viability allows with a minimum of 20%) alongside a local assessment of demand.**
- This assessment has not examined the need for Gypsies and Traveller pitches. However, based on the Census around 0.2% of the housing need would meet the need for this group. However, the

local authorities should carry out separate evidence base studies to assess the housing needs of gypsies and travellers, as recommended in the Government's Planning Policy for Traveller Sites.

Housing Delivery

- In examining the market signals for South West Hertfordshire, it is clear that the cost of housing is not the prohibitive factor in housing delivery. However, there will still be a requirement to stimulate the acceleration of housing supply. This can involve a wide range of actions and interventions by the public sector including:
 - Public Sector Debt Finance
 - Public sector backed direct development
 - Commercial Partnerships
 - Enhancing Housing Association output

- In addition, achieving construction innovation in the supply of housing is essential if they are to achieve an increase in the pace of delivery.

- The local authorities could also consider a cross-public sector property register which will enable partners across the SW Herts to identify opportunities for growth.

- **Recommendation: The Councils should explore these actions and interventions to ensure as much as the identified housing need is met as soon as possible.**

1 INTRODUCTION

- 1.1 GL Hearn was commissioned by Dacorum Borough Council, Hertsmere Borough Council, St. Albans City and District Council, Three Rivers District Council, and Watford Borough Council ('the Councils') to prepare a Local Housing Needs Assessment.
- 1.2 The purpose of the Local Housing Needs Assessment is to assess future development needs for housing (both market and affordable) across South West Hertfordshire. The Local Housing Needs Assessment considers housing need over the 2020-2036 period to inform strategic and local planning activities. It considers the need for different types of housing, and the housing needs of different groups within the South West Hertfordshire Housing Market Area (HMA) and constituent authorities.
- 1.3 GL Hearn produced the Strategic Housing Market Assessment (2016) for South West Hertfordshire, but at that time St. Albans City and District Council was not part of the South West Hertfordshire partnership. However, the Council was part of the HMA and therefore the vast majority of the analysis included St. Albans.
- 1.4 The Local Housing Needs Assessment forms part of the evidence base which Councils will use in developing their development plans. This Local Housing Needs Assessment provides important inputs into setting targets for housing provision, but plan-making will also consider factors such as the supply of land for new development, Green Belt, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.
- 1.5 To be clear this Local Housing Needs Assessment does not set housing targets. It provides an assessment of the need for housing, making no judgements regarding future policy decisions which the Councils may take. Housing targets will be set through the different local plans.

Planning Policy

- 1.6 The Local Housing Needs Assessment responds to and is compliant with the requirements of the National Planning Policy Framework¹ (the NPPF) published in February 2019. It is also informed by the Revised Planning Practice Guidance² (PPG) published by Government in February 2019 and which includes at paragraph 3 "How is a minimum annual local housing need figure calculated using the standard method?".

National Planning Policy Framework

¹ Available at

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728643/Revised_NPPF_2018.pdf

² Available at:

<https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

1.7 The Ministry for Housing Communities and Local Government (MHCLG) published a revised National Planning Policy Framework (NPPF) in July 2018 with minor updates in February 2019. This updated the previous version published in 2012.

1.8 At paragraph 20 the NPPF states:

“Strategic policies should set out an overall strategy for the pattern, scale and quality of development, and make sufficient provision for:

a) housing (including affordable housing), employment, retail, leisure and other commercial development;

b) infrastructure for transport, telecommunications, security, waste management, water supply, wastewater, flood risk and coastal change management, and the provision of minerals and energy (including heat);

c) community facilities (such as health, education and cultural infrastructure); and

d) conservation and enhancement of the natural, built and historic environment, including landscapes and green infrastructure, and planning measures to address climate change mitigation and adaptation.”

1.9 Paragraph 60 states:

“To determine the minimum number of homes needed, strategic policies should be informed by a local housing need assessment, conducted using the standard method in national planning guidance – unless exceptional circumstances justify an alternative approach which also reflects current and future demographic trends and market signals. In addition to the local housing need figure, any needs that cannot be met within neighbouring areas should also be taken into account in establishing the amount of housing to be planned for.”

1.10 Paragraph 61 adds that

“Within this context, the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes).”

1.11 Affordable housing is defined in Annex 2 of the NPPF as

“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) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household’s eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

*c) **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.*

*d) **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.”*

1.12 Paragraphs 62 and 63 of the NPPF relate to affordable housing and how it should be dealt with:

Where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless:

a) off-site provision or an appropriate financial contribution in lieu can be robustly justified; and

b) the agreed approach contributes to the objective of creating mixed and balanced communities.

Provision of affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas (where policies may set out a lower threshold of 5 units or fewer). To support the re-use of brownfield land, where vacant buildings are being reused or redeveloped, any affordable housing contribution due should be reduced by a proportionate amount.”

- 1.13 Major housing developments are defined in Annex 2 of the NPPF as “development where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more.” Some local authorities such as Three Rivers also require contributions from developments with fewer than 10 dwellings.

Planning Practice Guidance

- 1.14 At the same time (Feb 2019) as the new NPPF was published the MHCLG also published updated Planning Practice Guidance³ (PPG) including a section on the standard methodology which sets out a formula for calculating a minimum annual local housing need. The PPG was subsequently updated again in July 2019. Paragraph 4 of the PPG sets out the approach to assessing local housing need:

“Step 1 - Setting the baseline

Set the baseline using national household growth projections (2014-based household projections in England, table 406 unitary authorities and districts in England) for the area of the local authority. Using these projections, calculate the projected average annual household growth over a 10 year period (this should be 10 consecutive years, with the current year being used as the starting point from which to calculate growth over that period). Note that the figures displayed are rounded and individual cells need to be viewed in order to see the full number.

Step 2 - An adjustment to take account of affordability

Then adjust the average annual projected household growth figure (as calculated in step 1) based on the affordability of the area.

The most recent median workplace-based affordability ratios, published by the Office for National Statistics at a local authority level, should be used.

No adjustment is applied where the ratio is 4 or below. For each 1% the ratio is above 4 (with a ratio of 8 representing a 100% increase), the average household growth should be increased by a quarter of a percent. To be able to apply the percentage increase adjustment to the projected growth figure we then need to add 1.

Where an adjustment is to be made, the precise formula is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

Step 3 - Capping the level of any increase

A cap is then applied which limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing.

³ <https://www.gov.uk/guidance/housing-and-economic-development-needs-assessments>

Where these policies were adopted within the last 5 years (at the point of making the calculation), the local housing need figure is capped at 40% above the average annual housing requirement figure set out in the existing policies.

This also applies where the relevant strategic policies have been reviewed by the authority within the 5 year period and found to not require updating.

For areas covered by spatial development strategies, the relevant strategic policies are those contained within the spatial development strategy. For example, where a requirement figure for an authority in a spatial development strategy differs from that in a local plan, the figure in the spatial development strategy should be used.

Where the relevant strategic policies for housing were adopted more than 5 years ago (at the point of making the calculation), the local housing need figure is capped at 40% above whichever is the higher of:

- a. the projected household growth for the area over the 10 year period identified in step 1; or*
- b. the average annual housing requirement figure set out in the most recently adopted strategic policies (if a figure exists)."*

1.15 As set out above the PPG states that local planning authorities should use the 2014-based household projections. This is instead of the more recent 2016-based projections which were seen as locking in more recent and thus more negative trends. It was also the case that when the 2016-based household projections were used as the starting point for the standard method the government's target of 300,000 dwellings per annum (dpa) would not be achieved.

1.16 The standard methodology is calculated over 10 years with "the current year being used as the starting point" (paragraph 4). Paragraph 12 states that:

"The method provides authorities with an annual number, based on a 10-year base line, which can be applied to the whole plan period (my emphasis).

The National Planning Policy Framework requires strategic policies to look ahead over a minimum 15 year period from adoption, although authorities are required to keep their policies under review."

1.17 Local Authorities are therefore able to use the Standard Method number across their plan period regardless of when the plan period ends. There will also be no requirement to include provision for any historic under-provision prior to 2020. Paragraph 5 of the PPG indicates that:

"The 2014-based household projections are used within the standard method to provide stability for planning authorities and communities, ensure that historic under-delivery and declining affordability are reflected, and to be consistent with the Government's objective of significantly boosting the supply of homes."

1.18 Paragraph 11 of the PPG adds:

“The affordability adjustment is applied to take account of past under-delivery. The standard method identifies the minimum uplift that will be required and therefore it is not a requirement to specifically address under-delivery separately.

Where an alternative approach to the standard method is used, past under delivery should be taken into account.”

1.19 Given that there is a clear direction that the calculation should use the current year as a starting point (paragraph 4) and that the calculation takes into account historic under-delivery (Paragraph 5 and 11) those local authorities whose plan period starts before 2020 may choose to use completions as their housing need for the years earlier than 2020 and use the standard method as their housing need for any period thereafter. The local authorities should still seek to align their local plan periods in future. At present the plan periods are as follows:

- Dacorum – 2020-2037 or 2038 (provisional);
- Hertsmere – 2018 to 2036;
- St. Albans – 2020-2036;
- Three Rivers – 2016-2036; and
- Watford – 2018-2036

1.20 This will mean for Hertsmere and Watford that completions from 2018 to 2020 may be used as their target and for Three Rivers it would be completions from 2016 to 2020. Beyond this period the standard method should be applied as this will already have addressed any historic under-delivery.

1.21 However, the PPG is also clear that the standard method number is the minimum need. Paragraph 10 sets out when it would be appropriate to plan for additional homes over and above the quantum indicated by the application of the standard method:

“The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*

- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

- 1.22 It should be noted that the MHCLG is planning to revise the standard methodology by August 2020, although this date is not confirmed. It should also be noted that while the outputs of this assessment have a life-cycle of two years the Local Plans may be submitted beyond this time.
- 1.23 It may, therefore, be necessary to undertake a targeted update to this report when the revised guidance is published for only those authorities who haven't submitted their plans by that time (assuming there is a transition period). As the standard method is a consistent basis for assessing need there should not be an issue with local authorities assessing a different number at that time. However, as per paragraph 12 of the PPG (Reference ID: 2a-012-20190220) all “authorities are required to keep their policies under review”.
- 1.24 Where this has happened in the past, such as in Guildford, the Inspector has taken a pragmatic approach recognising that across a Housing Market Area the local authorities will inevitably be at different stages and plans will be examined at different times. As a consequence, only the evidence in relation to the Local Authority being examined was reviewed.

Affordable Housing Need

- 1.25 The PPG also includes guidance as to how affordable housing need should be assessed. This comes under the wider guidance for “Housing and Economic Needs Assessment” and is located at paragraphs 18 to 24 of the PPG. Further guidance on calculating affordable housing need is provided at paragraphs 5-8 of the PPG concerning the “Housing Needs of Different Groups”
- 1.26 The approach set out herein follows the PPG which includes a calculation of current and future affordable housing need alongside a re-let supply to get to an overall net affordable housing need. The relevant parts of the PPG are set out at the appropriate location.

Housing Needs of Different Groups

- 1.27 The PPG provides separate guidance on the housing need for different groups⁴ and Housing for Older and Disabled People⁵. The guidance on different groups includes guidance on the private

⁴ <https://www.gov.uk/guidance/housing-needs-of-different-groups>

⁵ <https://www.gov.uk/guidance/housing-for-older-and-disabled-people>

rented sector, self and custom housing and student housing. The needs for each of these groups is examined within the “needs for specific groups” chapter herein.

- 1.28 Concerning older and disabled people the needs of these groups are set out in the relevant chapter. For older people this report has specifically followed paragraphs 4 and 10 of the PPG. Paragraph 4 (Reference ID: 63-004-20190626) states:

“The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ (Strategic Housing for Older People Analysis Tool), which is a tool for forecasting the housing and care needs of older people.”

- 1.29 The calculated need is broken down following paragraph 10 of the PPG which sets out the different types of specialist housing:

- *Age-restricted general market housing*
- *Retirement living or sheltered housing*
- *Extra care housing or housing-with-care*
- *Residential care homes and nursing homes*

- 1.30 For those with a disability, this report has identified prevalence within certain disabilities and linked this to the need for accessible and adaptable housing. The approach follows paragraph 9 of the PPG in relation to housing for older and disabled people by examining the proportion of new housing that will be delivered to the following standards:

- *M4(1) Category 1: Visitable dwellings*
- *M4(2) Category 2: Accessible and adaptable dwellings*
- *M4(3) Category 3: Wheelchair user dwellings*

Report Structure

- 1.31 The remainder of the report is structured as overleaf:

- [Chapter 2: Demographic Growth and Housing Need](#)
- [Chapter 3: Economic-Led Housing Need](#)
- [Chapter 4: Market Signals](#)
- [Chapter 5: Affordable Housing Need](#)
- [Chapter 6: Housing Mix](#)
- [Chapter 7: Housing Needs for Older and Disabled Persons](#)
- [Chapter 8: Housing Needs for Different Groups](#)
- [Chapter 9: Housing Delivery](#)

2 DEMOGRAPHIC GROWTH AND HOUSING NEED

Introduction

- 2.1 This section initially sets out the housing need using the Standard Method and then develops population projections that can be used for subsequent analysis in the report.
- 2.2 Planning Practice Guidance (PPG) on Housing Need Assessment sets out the standard method to be used in assessing local housing need. In looking at housing need this report covers the 16 years from 2020 to 2036, although the calculations are based on the 2020 to 2030 period.
- 2.3 The PPG sets out a three-step process and Table 1 provides a summary overview of how the standard method is applied to South West Herts with more detailed commentary below.

Table 1: Overview of the Standard Method applied to South West Herts

Step 1: Setting the baseline	Step 2: An adjustment to take account of affordability	Step 3: Capping the level of any increase
<p>2014- Household Forecasts are used as the basis of demographic projection.</p> <p>The LHN is based on a 10-year base line, which is then applied to the whole plan period.</p> <p>The projected household growth for South West Herts totals 2,888 per annum.</p>	<p>Adjustment to the outputs of step one to reflect the greater local affordability pressure.</p> <p>Affordability pressures are based on 2018 house price and earnings affordability ratios.</p> <p>The housing need in South West Herts increases from 2,888 (step 1) to 4,674 based on affordability adjustment.</p>	<p>Limits the increase in the minimum annual housing need figure an individual local authority can face. This is based on the status of the local plan and the extent of the affordability adjustment.</p> <p>In all local authorities, the Local Plan is older than 5 years, therefore, the cap is applied at 40% above the higher of the projected household growth (step 1) or the average annual housing requirement set out in adopted policies.</p> <p>Applying the cap means that LHN based on the Standard Methodology is 4,043 dwellings per annum.</p>

Step 1 – Setting the Baseline

- 2.4 The baseline is set using the 2014-based household projections produced by ONS. The PPG advises that “the projected average annual household growth over a 10-year period (this should be 10 consecutive years, with the current year being the first year)” should be used.
- 2.5 As set out in Table 2 the projected household growth totals 2,888 per annum. On a local authority basis, this ranges from 446 households per annum in Three Rivers to 731 households per annum in Dacorum.

Table 2: Step 1 - Setting the Baseline based on household projections

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	South West Herts
Households 2020	66,908	43,788	61,720	38,857	42,416	253,689
Households 2030	74,213	48,906	68,097	43,314	48,037	282,567
Change 2020-2030	7,305	5,118	6,377	4,457	5,621	28,878
Average Annual Change (Step 1)	731	512	638	446	562	2,888

Source: ONS (2016) and DHCLG, 2016

Step 2 – An Adjustment to Take Account of Affordability

- 2.6 The second step is an adjustment to the outputs of step one with an adjustment related to local affordability pressure. Greater affordability pressure in an area is reflected in a larger adjustment to the baseline figure of need identified in step 1.
- 2.7 Affordability pressures are to be judged on the most recent median workplace-based affordability ratios, published by ONS. The most recent are those based on 2018 house price and earnings published in March 2019. The exact calculation states that

“For each 1% the ratio is above 4 (with a ratio of 8 representing a 100% increase), the average household growth should be increased by a quarter of a percent.”

- 2.8 In South West Hertfordshire the 2018 based median workplace-based affordability ratio ranges from 12.3 in Dacorum to 16.8 in St. Albans. To use St. Albans as an example, where median house prices were 16.8 times median earnings of those working in St. Albans, the affordability adjustment factor is as follows:

$$Adjustment\ Factor = \left(\frac{16.8 - 4}{4} \right) \times 0.25 + 1 = 1.8 \text{ or } 180\%$$

- 2.9 The result of this adjustment is therefore 1.8 and the household forecasts (Step 1) are multiplied out by this. The calculation for the other local authorities in the study area is set out in Table 3.

Table 3: Step 2 - Housing Need Derived from Baseline and Affordability Adjustment

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	South West Herts
Average Annual Change (Step 1)	731	512	638	446	562	2,888
Affordability Ratio 2018	12.3	14.3	16.8	13.7	12.5	
Adjustment Factor	1.52	1.64	1.80	1.60	1.53	
Adjusted LHN (Step 2)	1,108	841	1,148	715	862	4,674

Source: ONS and DHCLG, 2016 and 2018

2.10 When the affordability adjustment is taken into account, the total housing need in the SW Herts HMA increases to 4,674 dwellings per annum. The individual local housing need ranges from 715 dpa in Three Rivers to 1,148 dpa in St. Albans.

2.11 As per paragraph 6 of the PPG (see chapter 1) the affordability adjustment also ensures that there is no historic backlog of need arising before the assessment start date. Therefore, no further adjustment is required by the local authorities to address any backlog arising before the start date.

Step 3 – Capping the Level of Any Increase

2.12 The final step of the standard methodology, as paragraph 4 of the PPG states “limits the increases an individual local authority can face. How this is calculated depends on the current status of relevant strategic policies for housing”.

2.13 In all the local authorities within the SW Herts HMA, the Local Plan is older than 5 years and the increase in Step 2 is greater than 40%. The cap is therefore applied at 40% above the higher of the projected household growth (step 1) or the average annual housing requirement figure set out in each of the adopted local plans (the most recently adopted strategic policies).

2.14 As set out in Table 4 in every authority the projected household growth set out in step 1 is also higher than the adopted local plan housing requirement. The 40% cap is therefore applied to the figure in Step 1.

2.15 As demonstrated applying the cap means that the minimum annual local housing need figure based on the Standard Methodology in South West Hertfordshire is 4,043 dwellings per annum.

Table 4: Step 3 – Capping the housing need

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	South West Herts
Adjusted LHN (Step 2)	1,108	841	1,148	715	862	4,674
Current Adopted Target	430	266	480	180	260	1,736
Adoption Date	Sep-13	Jan-13	Nov-94	Oct-11	Jan-13	-
Higher of Current Target or Step 1	731	512	638	446	562	2,888
Cap Applied	40%	40%	40%	40%	40%	
Step 3 - LHN	1,023	717	893	624	787	4,043

- 2.16 The minimum annual LHN ranges from 624 dpa in Three Rivers to 1,023 dpa in Dacorum. Paragraph 13 of the PPG (Reference ID: 2a-013-20190220) allows for Joint Strategic Plans, which cover more than one area, to distribute the total housing requirement as long as the sum of the local housing need for each local planning authority is met.
- 2.17 Any redistribution will need to take into account a wide range of factors including local capacity (linked to infrastructure, land availability, environmental and other constraints) and strategic aspiration. It is not the role of this LHNA to distribute the identified level of growth.
- 2.18 Any development which takes place close to borough boundaries will, in theory, meet the need for the HMA. However, unless otherwise agreed (e.g. redistribution of need or supply through Joint Strategic Plans or Duty to Cooperate statements) it will only be counted towards meeting the needs within the host local authority.
- 2.19 This document has not sought to identify the needs for sub-areas such as wards or neighbourhoods. This distribution of housing within a local authority will be assessed through other documents such as SHLAAs, Local Plans and Neighbourhood Plans. For these documents, it may well be the case that the wider need will need to be accommodated if there is the capacity to do so.

Exceeding the Standard Method

- 2.20 Paragraph 10 of the PPG requires local authorities when setting a housing target, within either a Joint Strategic Plan or in individual Local Plans, to also consider when it might be appropriate to plan for a higher housing need figure than the standard method indicates. The paragraph states:

“The government is committed to ensuring that more homes are built and supports ambitious authorities who want to plan for growth. The standard method for assessing local housing need provides a minimum starting point in determining the number of homes needed in an area. It does not attempt to predict the impact that future government policies, changing

economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.

This will need to be assessed prior to, and separate from, considering how much of the overall need can be accommodated (and then translated into a housing requirement figure for the strategic policies in the plan). Circumstances where this may be appropriate include, but are not limited to situations where increases in housing need are likely to exceed past trends because of:

- *growth strategies for the area that are likely to be deliverable, for example where funding is in place to promote and facilitate additional growth (e.g. Housing Deals);*
- *strategic infrastructure improvements that are likely to drive an increase in the homes needed locally; or*
- *an authority agreeing to take on unmet need from neighbouring authorities, as set out in a statement of common ground;*

There may, occasionally, also be situations where previous levels of housing delivery in an area, or previous assessments of need (such as a recently-produced Strategic Housing Market Assessment) are significantly greater than the outcome from the standard method. Authorities will need to take this into account when considering whether it is appropriate to plan for a higher level of need than the standard model suggests.”

- 2.21 The SW Hertfordshire Authorities are currently developing a Joint Strategic Plan which may result in a growth strategy. However, it is too early to state whether this is the case.
- 2.22 The only major strategic infrastructure improvement that could drive the need for homes locally is the Thameslink Programme. However, this is largely complete and would only impact certain localities within the study area (Hertsmere and St. Albans) if at all.
- 2.23 However, it is likely that some of the neighbouring authorities including those in London and indeed within the Housing Market Area itself will have unmet need. At this stage, it is not possible to gauge the scale of unmet need from neighbouring areas including London. It will be up to those local authorities with an unmet need to approach the SW Hertfordshire authorities in the first instance.
- 2.24 However, the guidance does not state that where such circumstances are in place it is necessary to increase the overall need but rather it is for local authorities to consider “whether it is appropriate to plan for a higher level of need than the standard model suggests.
- 2.25 This would essentially mean that each local authority considers first whether it is not reasonably possible for the need to be accommodated where it arises. If this is the case, each authority should consider the extent of the identified unmet need, if any, it could meet. This should consider a wide range of factors including the availability of suitable sites, infrastructure and sustainability. This should be done through the local plan process.

2.26 Finally, it is worth noting that the previous SHMA⁶ (from January 2016) identified a need for 3,151 dpa compared to 4,043 dpa using the standard method. Therefore, the Councils cannot use this to consider a higher level of need.

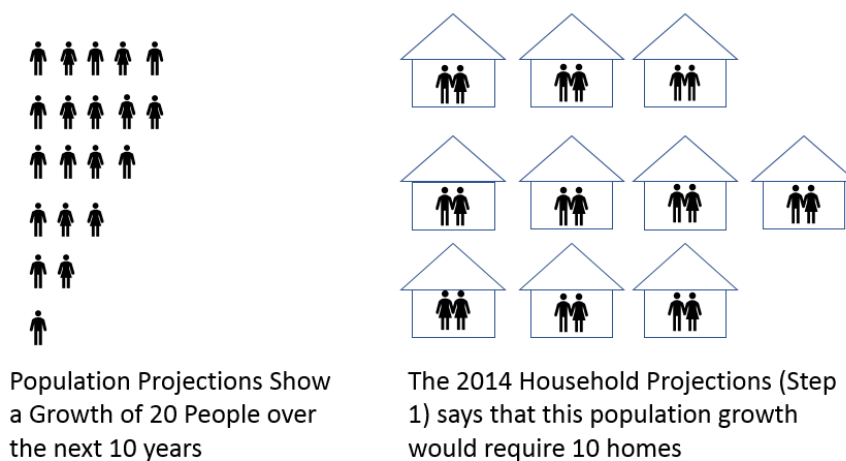
Developing a Population Projection based on the Standard Method

2.27 As set out above the Standard Method would lead to a housing need of 4,043 dwellings per annum based on a household growth of 2,888. This equates to an increase of 1,155 dwellings above the official projections. To input into later parts of this study, it is necessary to translate this level of dwelling growth into a population projection.

2.28 In creating this population projection, it is necessary to extend the period examined to cover the period to 2036. As set out in the PPG the standard method figure can be applied to the whole plan period and takes into account historic backlog before 2020.

2.29 The 2014-based household projections are used as the starting point (step 1) of the standard method and these are based on the 2014-based sub-national population projections (SNPP) (see Figure 1 below).

Figure 1: Infographic on Step 1 of the Standard Method

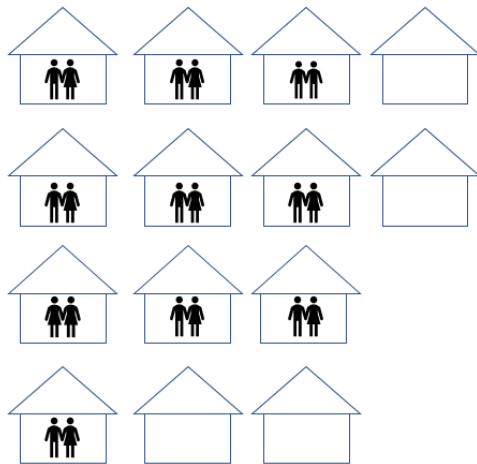


Source: GL Hearn

2.30 However, step 2 can result in an increase in housing need of up to 40% above the household projections as is the case in SW Hertfordshire. However, the PPG does not provide any indication of how and who these additional 1,155 homes are to be occupied by (see Figure 2)

⁶ <https://www.hertsmere.gov.uk/Documents/09-Planning--Building-Control/Planning-Policy/Local-Plan/SW-Herts-SHMA-Final-Report-Jan16.pdf>

Figure 2: Infographic on Step 2 of the Standard Method



However affordability in this area is acute and as a result the Standard Method says there should be 14 additional homes built (a 40% uplift at step 2)

However, the PPG provides no guidance as to how or who should accommodate these additional homes

Source: GL Hearn

2.31 How these additional homes are occupied is crucial for assessing population growth. Paragraph 6 of the PPG indicates how MHCLG think these homes should be occupied (assuming they are to be occupied):

“An affordability adjustment is applied as household growth on its own is insufficient as an indicator of future housing need because:

- *household formation is constrained to the supply of available properties – new households cannot form if there is nowhere for them to live; and*
- *people may want to live in an area in which they do not reside currently, for example to be near to work, but be unable to find appropriate accommodation that they can afford.*

The affordability adjustment is applied in order to ensure that the standard method for assessing local housing need responds to price signals and is consistent with the policy objective of significantly boosting the supply of homes. The specific adjustment in this guidance is set at a level to ensure that minimum annual housing need starts to address the affordability of homes.”

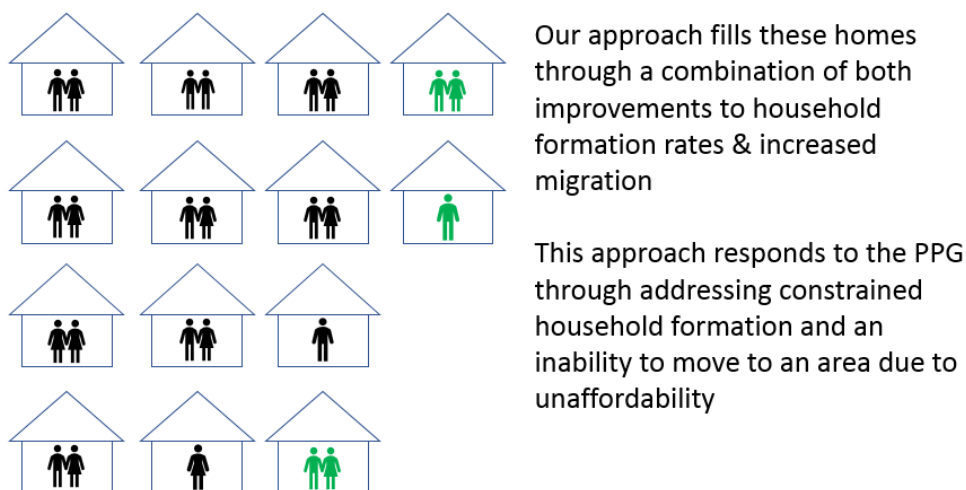
2.32 In essence, Step 2 is a response to worsening affordability which has reduced household formation rates and reduced migration. However, the PPG doesn't provide guidance as to the balance of these adjustments to the factors identified.

2.33 If it is assumed that the adjustment fills these homes with just the indigenous population, who previously were unable to form households, this would result in unprecedented levels of household formation. This would result in greatly reduced household sizes i.e. very many single persons households. However, there is no indication such levels are desired.

2.34 If it is assumed that all the homes are to be filled with increased migration this would not allow for improvements to local household formation rates. There is also an issue in that drawing a population from another area would result in a decreased need in the area from which they have moved. However, the standard method does not reflect this logic and that potential issue remains unresolved.

2.35 As set out in Figure 3 our approach is to make reasonable adjustments (improvements) to household formation rates with the remainder of the additional homes assumed to be occupied by further in-migration. In relation to alternative approaches to household formation rates, a scenario has been derived which is a mid-way point between the 2014-based HFR and the pre-recession 2008-based figures.

Figure 3: Infographic on Proposed Approach to Population Outputs



Source: GL Hearn

2.36 In summary, the approach to filling the additional 1,155 dwellings above the household projections is through a combination of spreading the current and projected population into a greater number of households i.e. increasing household formation rates and increasing the population growth to fill the remaining dwellings through increased migration.

2.37 It should be noted that in coming to a view on the population growth to fill the additional homes the model has rebased the population and its age profile to 2018 using the mid-year population estimates.

- 2.38 In 2018, the mid-year population estimate for South West Hertfordshire was 595,670. This is disaggregated as follows:
- Dacorum- 154,280;
 - Hertsmere- 104,205;
 - St Albans- 147,373;
 - Three Rivers- 93,045; and
 - Watford- 96,767
- 2.39 The model then takes the assumptions on mortality, fertility and migration for different ages from the 2016-based population projections and applied these to the MYE and age profile to roll the population forward from 2018 to 2020.
- 2.40 We recognise that the population in 2020 will eventually be different to that assumed in any of the published projections and indeed our own projection. However, the extent of this will not be known until the 2020 Mid-Year Population Estimates in June 2021.
- 2.41 However, this is unlikely to have any significant bearing on the key outputs to this report which is forward-thinking i.e. based on a future projected change to population/household size and structure resulting from the standard method. The population outputs from the standard method will not differ greatly even if a slightly different base position is taken.
- 2.42 This approach is justified based on it being the most recent available data and takes into account the Office for National Statistics (ONS) current views on migration, fertility and mortality. This includes the known slowing of improvements to life expectancy. Within the modelling, migration assumptions have been changed so that across each local authority the increase in households matches the relevant Standard Method housing need (including a local authority vacancy allowance based on Council Tax Records).
- 2.43 The changes to migration have been applied on a proportionate basis; the methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the 2016-based SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%).
- 2.44 In summary, the method includes the following assumptions:
- Base population in 2018 from the latest mid-year population estimates rolled forward to 2020 using assumptions from the 2016-based household projections;
 - Household representative rates from the 2014-based SNHP with an adjustment for a part-return to 2008-based trends; and
 - Revised population taking into account increased migration, the profile (by age and sex) of which is in the same proportions as the 2016-based SNPP

2.45 In developing this projection, a notably higher level of population growth compared with the 2016-based SNPP is derived (122,700 additional people compared with 54,900 in the 2016-based SNPP as published (see Appendix A)). The age structure of the two projections is also somewhat different, with the projection linked to the Standard Method showing much stronger growth in what might be considered as 'working-age' groups.

Table 5: Population change 2020 to 2036 by five-year age bands – South West Herts (linked to the delivery of 4,043 dwellings per annum)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 5	38,612	44,650	6,038	15.6%
5-9	42,200	45,813	3,613	8.6%
10-14	41,918	45,883	3,965	9.5%
15-19	32,332	41,143	8,810	27.2%
20-24	26,283	32,680	6,396	24.3%
25-29	34,222	42,568	8,346	24.4%
30-34	39,422	42,887	3,465	8.8%
35-39	43,826	48,533	4,707	10.7%
40-44	44,230	50,287	6,057	13.7%
45-49	43,880	51,263	7,383	16.8%
50-54	42,474	48,612	6,137	14.4%
55-59	40,013	44,541	4,528	11.3%
60-64	32,282	39,869	7,586	23.5%
65-69	26,902	37,099	10,197	37.9%
70-74	26,488	34,530	8,042	30.4%
75-79	19,112	27,791	8,679	45.4%
80-84	14,721	21,189	6,468	43.9%
85+	16,136	28,400	12,264	76.0%
Total	605,053	727,735	122,682	20.3%

Source: Demographic projections

2.46 This arises because ONS data shows that migrants are heavily concentrated in those age groups (along with their associated children). Table 6 shows the age structure of the population projected to be consistent with the delivery of 4,043 dwellings per annum over the 16 years to 2036.

2.47 Tables 6 to 11 show the estimated level of population growth using the Standard Method projection in each local authority. A shorter set of summary age bands have been used for this analysis (0-15, 16-64 and 65+). The first table provides summary information for the whole study area.

Table 6: Population change 2020 to 2036 by broad age bands – South West Herts (linked to the delivery of 4,043 dwellings per annum-Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	130,158	145,496	15,338	11.8%
16-64	371,537	433,230	61,693	16.6%
65+	103,358	149,008	45,650	44.2%
Total	605,053	727,735	122,682	20.3%

Source: Demographic projections

Table 7: Population change 2020 to 2036 by broad age bands – Dacorum (linked to the delivery of 1,023 dwellings per annum-Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	32,304	36,115	3,812	11.8%
16-64	97,163	112,744	15,582	16.0%
65+	27,411	39,742	12,330	45.0%
Total	156,878	188,601	31,724	20.2%

Source: Demographic projections

Table 8: Population change 2020 to 2036 by broad age bands – Hertsmere (linked to the delivery of 717 dwellings per annum-Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	22,612	25,430	2,818	12.5%
16-64	63,271	73,161	9,890	15.6%
65+	19,654	28,712	9,058	46.1%
Total	105,538	127,303	21,765	20.6%

Source: Demographic projections

Table 9: Population change 2020 to 2036 by broad age bands – St. Albans (linked to the delivery of 893 dwellings per annum-Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	33,607	36,749	3,141	9.3%
16-64	90,075	103,396	13,320	14.8%
65+	25,609	35,276	9,667	37.7%
Total	149,292	175,420	26,128	17.5%

Source: Demographic projections

Table 10: Population change 2020 to 2036 by broad age bands – Three Rivers (linked to the delivery of 624 dwellings per annum-Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	19,491	21,796	2,305	11.8%
16-64	57,597	65,820	8,223	14.3%
65+	17,551	25,317	7,766	44.2%
Total	94,639	112,933	18,294	19.3%

Source: Demographic projections

Table 11: Population change 2020 to 2036 by broad age bands – Watford (linked to the delivery of 787 dwellings per annum - Standard Method)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 16	22,144	25,406	3,263	14.7%
16-64	63,431	78,110	14,679	23.1%
65+	13,132	19,962	6,830	52.0%
Total	98,707	123,478	24,771	25.1%

Source: Demographic projections

2.48 This level of population growth results in the average household size changing from 2.41 in 2020 to 2.31 in 2036. At a local authority level, the changes are as follows:

- Dacorum – 2.35 in 2020 to 2.27 in 2036
- Hertsmere – 2.44 in 2020 to 2.33 in 2036
- St Albans – 2.46 in 2020 to 2.34 in 2036
- Three Rivers – 2.43 in 2020 to 2.30 in 2036
- Watford – 2.42 in 2020 to 2.31 in 2036

2.49 Within Appendix A there is a review of demographic growth including alternative population and household projections. The appendix concludes the most suitable approach to be the 2016 based sub-national population projections (SNPP) with adjustments related to Household Representative Rates (HRRs) and migration.

2.50 Concerning HRRs, the assessment of alternative approaches concludes that the most robust approach is a scenario using 2014-based figures with a part-return to 2008-based figures. However, even by taking this more positive approach to HRRs, there would not be the level of household growth required to fill 4,043 homes a year in SW Hertfordshire.

Alternatives to the Standard Method

2.51 While the use of the Standard Method is set out in the Planning Practice Guidance concerning Housing and Economic Needs Assessment, as paragraph 3 states it is not mandatory, although *“There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances.”*

2.52 Paragraph 15 of the PPG provides further guidance for those authorities using an alternative method to the standard method:

“Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method.”

2.53 With this in mind, two alternative sources of population estimates from the 2014-based SNPP which feed into the projections have been examined. Those being ONS’ mid-year population estimates and the NHS population growth rates.

2.54 The Mid-Year population estimates indicate that the 2014 based SNPP have over-estimated growth in the HMA by 12,100 people (2%) by 2018. The largest over-estimations are in Watford (4,700) and St. Albans (3,300).

Table 12: Population Estimates from the SNPP and MYE (2018)

	2014-Based SNPP	Mid-Year Population Estimates	Difference
Dacorum	155,700	154,300	1,400
Hertsmere	106,200	104,200	2,000
St. Albans	150,700	147,400	3,300
Three Rivers	93,700	93,000	700
Watford	101,500	96,800	4,700
SW Herts	607,800	595,700	12,100

Source: ONS, 2014-Based SNPP and 2018 MYE

2.55 While this potentially points to an exaggerated demand for housing this information would have largely been known about at the time the relevant PPG was published in February 2018. Indeed, much of the lower rate of growth would have fed into the 2016-based projections about which Paragraph 15 of the PPG states:

“Any method which relies on using the 2016-based household projections will not be considered to be following the standard method as set out in paragraph 60 of the National

Planning Policy Framework. As explained above, it is not considered that these projections provide an appropriate basis for use in the standard method.”

- 2.56 The NHS Annual average population estimates calculate a population for the Herts Valleys Clinical Commissioning Group which covers the South West Herts HMA. This data source is based on NHS registration at GP practices in the Herts Valley area. However, it will rely on people registering in the area as they move to it and this is not always the case. It may therefore under- or over-estimate population of a given area.
- 2.57 This NHS data gives the population for the area (Nov 2017 to Oct 2018) of 646,356 which is considerably higher than either the Mid-Year Population Estimates or the Sub National Population Projections. This would suggest that the standard method was under-estimating population growth and thus housing demand.
- 2.58 Given that more recent population data shows from ONS shows a lower population growth and NHS data shows a higher population growth than the 2014-based projections, an argument could be made for higher or lower growth than the standard method.
- 2.59 However, the uncertainty over true historic growth and thus future growth would lead us to conclude there are no exceptional circumstances which would justify deviation from the standard method within South West Hertfordshire.

Demographic Trends and Housing Need Projections: Key messages and recommendations

- The new National Planning Policy Framework (NPPF2) of February 2019 has introduced a Standard Method for assessing local housing need (LHN).
- Step 1 of the standard method draws on the 2014-based household projections which set out a household growth of 2,888 per annum over the period 2020-2030.
- Step 2 of the standard method increases the LHN based on local affordability. On average in SW Herts the local authorities have a workplace-based median affordability ratio of 13.9. Using the prescribed formula, the local affordability ratio results in an average uplift of 61%. This increases the need from 2,888 dwellings per annum (dpa) to 4,674 dpa. On an individual basis, all of the Local Authorities had an increase of at least 52%.
- To ensure deliverability Step 3 of the standard method caps the uplifts in Step 2 to 40% above the household projections (Step 1). This is because all of the Local Plans are more than 5 years old and all had a target lower than the household forecasts (Step 1).
- The capped need reduces the local housing need (LHN) for the study area to 4,043 dwellings per annum. This table below sets out this calculation for each local authority.

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Average Household Change (Step 1)	731	512	638	446	562	2,888
Affordability Ratio 2018	12.3	14.3	16.8	13.7	12.5	
Adjustment Factor	1.52	1.64	1.8	1.6	1.53	
Adjusted LHN (Step 2)	1,108	841	1,148	715	862	4,674
Cap Applied	40%	40%	40%	40%	40%	
Step 3 – LHN	1,023	717	893	624	787	4,043

- Local demographics do not indicate any exceptional circumstances to move away from the LHN calculated above.
- **Recommendation: The local authorities seek to deliver a minimum of 4,043 dwellings per annum across the South West Herts HMA. Although calculated over the 2020-2030 period the LHN can also be applied to the latter part of a plan period beyond 2030. There is no requirement to take account of under-delivery prior to 2020. The Local Authorities can redistribute the LHN across the HMA.**
- To understand the population implications of delivering 4,043 dpa a scenario has been modelled whereby household formation rates are improved and population growth increased to a point where these homes are filled.
- If 4,043 dwellings per annum are provided this would result in an additional 122,682 people in the study area (over the period 2020-2036). This can be disaggregated to the local authorities on the following basis.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
31,724	21,765	26,128	18,294	24,771	122,682

3 ECONOMIC LED HOUSING NEED

3.1 Paragraph 10 of the PPG (Reference ID: 2a-010-20190220) states that the standard method “does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates.”

3.2 This section tests whether the housing need identified through the Standard Methodology is enough to meet the planned economic growth or circumstance for the HMA and if not what level of housing need would be appropriate. Economic growth was examined and presented in the South West Hertfordshire Economic Study⁷ undertaken by Hatch Regeneris (Sept 2019).

Employment Growth in South West Hertfordshire

3.3 Since 2001, total employment in South West Hertfordshire has increased by 10% to reach 319,000 jobs in 2018. Historically, St. Albans, Dacorum and Watford have had the greatest number of jobs in South West Hertfordshire.

3.4 At 2018 St. Albans accounted for 24% of the total jobs in South West Hertfordshire. This was slightly higher than Dacorum at 23% and Watford at 20%. The remaining jobs were located in Hertsmere and Three Rivers at 19% and 14% respectively.

3.5 While Dacorum accounts for a high proportion of total jobs in South West Hertfordshire, the Borough’s job numbers over the period have remained broadly stable although this masks decreasing jobs in 2006 and recovery in 2014 to reach 73,700 at 2018.

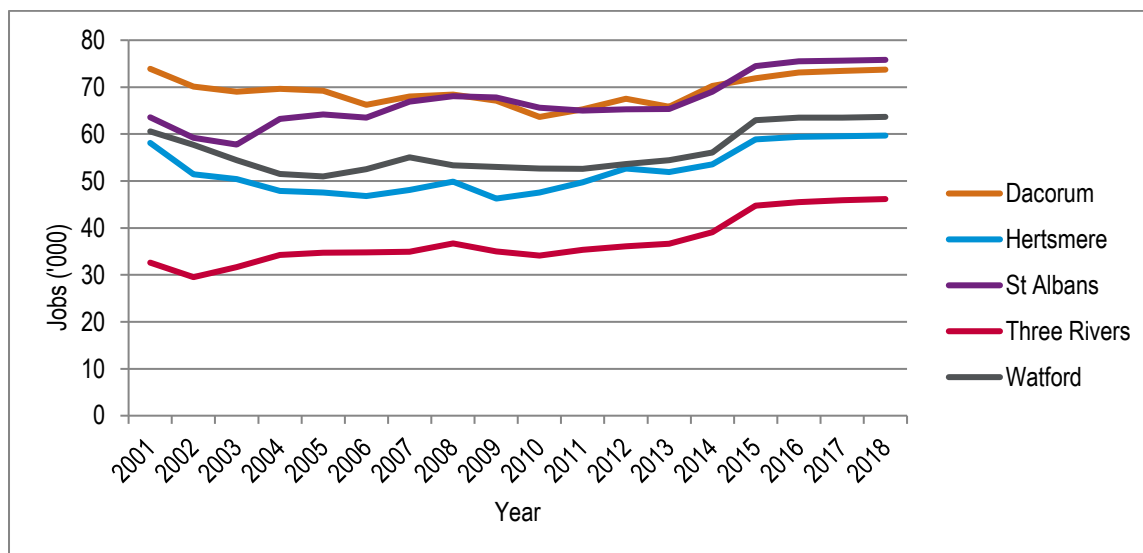
3.6 A similar trend occurred in Hertsmere which currently has 59,700 jobs while in 2001 it had 58,100 although it had fallen to as low as 46,300 jobs in 2002. Jobs in Watford have increased by 5% over the 17 years to reach 63,700 in 2018. Despite accounting for the lowest number of jobs, Three Rivers has experienced significant growth over the period, increasing by 41% to reach 46,100 jobs in 2018.

3.7 Over the 17 years, St. Albans experienced the greatest growth, increasing by 19% to reach the highest number of jobs (73,700) in South West Hertfordshire at 2018 overtaking Dacorum in the process.

⁷ <https://www.dacorum.gov.uk/docs/default-source/strategic-planning/south-west-herts-economic-study-update---september-2019.pdf?sfvrsn=6>

3.8 Figure 4 shows that apart from St. Albans and Three Rivers, all local authorities in South West Hertfordshire experienced a decline in the total jobs from early to mid-2000s, with jobs gradually increasing following this period with a particular strengthening from 2014 onwards.

Figure 4: Historic employment 2001 – 2018 (000's)



Source: Hatch Regeneris drawing on the EEFM, 2018

Forecast Employment Growth

3.9 The East of England Forecasting Model (EEFM) was used by Hatch Regeneris as the start point for assessing growth within the South West Herts Economic Study. However, as set out in Appendix 4 of the report Cambridge Econometrics, which produces the EEFM recognise inaccuracies within the data. This particularly relates to employment agencies based in Watford but not necessarily employing people in Watford.

3.10 Hatch, therefore, made an adjusted set of forecasts to address these inaccuracies which as Table 13 indicates, suggests that total jobs in South West Hertfordshire are expected to increase by 20,553 (6.6%) between 2020 and 2036 to reach 332,107 jobs.

Table 13: Forecast employment growth 2020 – 2036

EEFM	2020	2036	Change	% Change
Dacorum	74,034	77,146	3,112	4.20%
Hertsmere	59,999	62,589	2,590	4.32%
St. Albans	73,772	78,918	5,146	6.98%
Three Rivers	43,614	47,206	3,592	8.24%
Watford	60,134	66,248	6,114	10.17%
SW Herts	311,554	332,107	20,553	6.60%

Source: Hatch Regeneris drawing on the EEFM, 2018

- 3.11 Under this scenario, Dacorum and St. Albans are expected to continue to accommodate the greatest number of jobs in South West Hertfordshire. Jobs in the St. Albans District are forecast to increase by 6.98% to 2036 while Dacorum is only expected to grow by 4.2% over the same period the slowest percentage growth in the study area.
- 3.12 Watford is forecast to experience the greatest growth, increasing by 10.17% to reach 66,248 and account for 20% of total jobs in South West Hertfordshire by 2036. This level of growth is followed by Three Rivers which is forecast to increase by 8.24% to 47,206 jobs, accounting for 14.2% of jobs in South West Hertfordshire at 2036 and remains the smallest economy in the study area. Hertsmere is expected to have the smallest absolute growth (2,559 jobs).

Number of Jobs Supported by the Standard Method

- 3.13 For comparison purposes analysis was also carried out to consider what level of jobs growth the Standard Method housing need (for 4,043 dwellings per annum) would support. To do this one must recognise the complex relationship between economic growth and housing need and how this is influenced by several factors including:
- The inter-relationship between jobs and people, recognising that some people hold down more than one job;
 - Levels of economic participation, with employment rates a function of several factors including the availability of jobs and skills;
 - Commuting patterns and ratios, which can influence the balance between residents in employment and jobs in an area. These are influenced by transport connections, investment, the availability of employment opportunities and earnings levels.
- 3.14 The complexity of these factors, coupled with the inevitable uncertainties associated with predicting long-term economic performance, makes accurate modelling of the numbers of homes needed to support future economic growth inherently difficult to accurately predict. However, Planning Practice Guidance requires consideration of the relationship between jobs growth and housing need.

Economic Activity Rates

- 3.15 Not all the population growth will be actively seeking employment, some will be retired others will be home makers while others will be ill for example. The calculations, therefore, applied economic activity rates to the population growth to understand the level of employment growth they will support.
- 3.16 Economic activity rates, however, are not constant and there is a range of factors such as changes to the pensionable age and the changing propensity of women to be in the workforce etc. There are also several different sources for this information.

- 3.17 For this study, the rates of change for economic activity based on data provided by the office of budget responsibility (OBR) produced in the summer of 2018 have been used. Overall, the economic activity rates assumed a slight decline in economic activity from 2020 to 2036 – this is due to demographic change and an increasing proportion of older people in the population.
- 3.18 Whilst the activity rates of older people are forecast to increase, it remains the case that these will remain below those seen in other (younger) age groups but will become an increasing proportion of the workforce.
- 3.19 Tables 14-18 below illustrate the projected changes in economic activity for each of the local authorities by age and sex. In all cases, the largest growth is in women aged 65-69 reflecting the longer-term structural change.

Table 14: Projected changes to economic activity rates (2020 and 2036) – Dacorum

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	46.9%	46.2%	-0.7%	51.3%	50.7%	-0.6%
20-24	87.9%	88.6%	0.7%	83.4%	84.3%	0.9%
25-29	93.6%	93.5%	-0.1%	87.0%	87.0%	0.0%
30-34	93.7%	93.5%	-0.2%	83.2%	83.6%	0.4%
35-39	94.4%	93.8%	-0.6%	83.4%	85.8%	2.4%
40-44	94.5%	93.2%	-1.3%	84.5%	87.9%	3.4%
45-49	93.3%	92.9%	-0.4%	84.2%	88.6%	4.4%
50-54	93.0%	92.0%	-1.0%	83.8%	86.1%	2.3%
55-59	89.0%	89.2%	0.2%	81.9%	82.7%	0.8%
60-64	71.4%	77.1%	5.7%	64.3%	71.4%	7.1%
65-69	35.9%	45.2%	9.3%	24.9%	38.5%	13.6%
70-74	16.9%	19.1%	2.2%	10.1%	16.6%	6.5%
75-89	5.5%	6.2%	0.7%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

Table 15: Projected changes to economic activity rates (2020 and 2036) – Hertsmere

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	37.7%	37.0%	-0.7%	41.2%	40.6%	-0.6%
20-24	80.5%	81.2%	0.7%	68.9%	69.8%	0.9%
25-29	93.3%	93.2%	-0.1%	82.4%	82.4%	0.0%
30-34	95.0%	94.8%	-0.2%	82.8%	83.2%	0.4%
35-39	95.5%	94.9%	-0.6%	81.6%	84.0%	2.4%
40-44	94.4%	93.1%	-1.3%	82.1%	85.5%	3.4%
45-49	93.3%	92.9%	-0.4%	84.5%	88.9%	4.4%
50-54	93.5%	92.5%	-1.0%	82.7%	85.0%	2.3%
55-59	88.5%	88.7%	0.2%	82.4%	83.2%	0.8%
60-64	75.4%	81.1%	5.7%	66.1%	73.2%	7.1%
65-69	47.2%	56.5%	9.3%	31.5%	45.1%	13.6%
70-74	27.5%	29.7%	2.2%	15.3%	21.8%	6.5%
75-89	5.5%	6.2%	0.7%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

Table 16: Projected changes to economic activity rates (2020 and 2036) – St. Albans

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	39.3%	38.6%	-0.7%	43.3%	42.7%	-0.6%
20-24	87.0%	87.7%	0.7%	81.2%	82.1%	0.9%
25-29	95.5%	95.4%	-0.1%	89.8%	89.8%	0.0%
30-34	96.1%	95.9%	-0.2%	85.5%	85.9%	0.4%
35-39	96.4%	95.8%	-0.6%	79.5%	81.9%	2.4%
40-44	96.6%	95.3%	-1.3%	81.3%	84.7%	3.4%
45-49	95.0%	94.6%	-0.4%	83.6%	88.0%	4.4%
50-54	93.7%	92.7%	-1.0%	84.6%	86.9%	2.3%
55-59	89.2%	89.4%	0.2%	82.8%	83.6%	0.8%
60-64	71.9%	77.6%	5.7%	65.7%	72.8%	7.1%
65-69	38.6%	47.9%	9.3%	26.3%	39.9%	13.6%
70-74	19.3%	21.5%	2.2%	11.3%	17.8%	6.5%
75-89	5.5%	6.2%	0.7%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

Table 17: Projected changes to economic activity rates (2020 and 2036) – Three Rivers

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	41.9%	41.2%	-0.7%	43.2%	42.6%	-0.6%
20-24	88.6%	89.3%	0.7%	80.2%	81.1%	0.9%
25-29	95.3%	95.2%	-0.1%	86.7%	86.7%	0.0%
30-34	95.5%	95.3%	-0.2%	85.1%	85.5%	0.4%
35-39	96.5%	95.9%	-0.6%	83.3%	85.7%	2.4%
40-44	95.7%	94.4%	-1.3%	83.1%	86.5%	3.4%
45-49	94.7%	94.3%	-0.4%	84.5%	88.9%	4.4%
50-54	93.5%	92.5%	-1.0%	83.0%	85.3%	2.3%
55-59	90.1%	90.3%	0.2%	81.8%	82.6%	0.8%
60-64	74.0%	79.7%	5.7%	67.0%	74.1%	7.1%
65-69	38.2%	47.5%	9.3%	27.3%	40.9%	13.6%
70-74	21.5%	23.7%	2.2%	12.1%	18.6%	6.5%
75-89	5.5%	6.2%	0.7%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

Table 18: Projected changes to economic activity rates (2020 and 2036) – Watford

	Males			Females		
	2020	2036	Change	2020	2036	Change
16-19	42.3%	41.6%	-0.7%	44.0%	43.4%	-0.6%
20-24	87.4%	88.1%	0.7%	83.1%	84.0%	0.9%
25-29	94.4%	94.3%	-0.1%	86.9%	86.9%	0.0%
30-34	95.4%	95.2%	-0.2%	84.8%	85.2%	0.4%
35-39	96.1%	95.5%	-0.6%	83.5%	85.9%	2.4%
40-44	94.1%	92.8%	-1.3%	83.8%	87.2%	3.4%
45-49	92.7%	92.3%	-0.4%	84.9%	89.3%	4.4%
50-54	92.7%	91.7%	-1.0%	83.5%	85.8%	2.3%
55-59	86.7%	86.9%	0.2%	81.6%	82.4%	0.8%
60-64	70.6%	76.3%	5.7%	65.8%	72.9%	7.1%
65-69	34.3%	43.6%	9.3%	25.9%	39.5%	13.6%
70-74	19.2%	21.4%	2.2%	8.6%	15.1%	6.5%
75-89	5.5%	6.2%	0.7%	2.4%	4.9%	2.5%

Source: OBR and Census 2011

Unemployment Rates

- 3.20 The methodology assumes that the number of people that are unemployed in SW Herts remains the same moving forward to 2036. This means that the proportion of people who are unemployed (e.g. as a proportion of those who are economically active) would be projected to decrease very slightly over the forecast period.

- 3.21 While the reality is that some improvements to unemployment would be made given the increased number of jobs it is not possible to accurately predict the extent. Furthermore, for most of the HMA unemployment rates are already very low in which case further improvements may not be possible.

Commuting Patterns

- 3.22 The analysis also takes account of commuting patterns. Where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active/working population would be required to provide enough workforce for a given number of jobs (and vice versa where there is net in-commuting).
- 3.23 It has been assumed that the 'commuting ratio' is held constant to 2011 levels. The commuting ratio is calculated as the number of economically active people living in an area (and working anywhere) divided by the number of people working in the area (regardless of where they live).
- 3.24 This means that the balance between the number of people living and working in an area remains constant. For example, in Watford the commuting ratio has been held at 0.92 This assumes that for every 100 new jobs only 92 additional economically active residents are required. Figures for each local authority are shown in Table 19.

Table 19: Commuting Ratio (2011)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Live and work in Local Authority (LA)	27,003	10,378	20,475	7,297	14,428
Home workers	9,021	6,292	9,411	5,540	4,093
No fixed workplace	6,852	4,907	5,303	4,245	4,411
Out-commute	31,045	28,356	36,629	27,251	24,903
In-commute	23,852	25,276	26,862	18,636	28,814
Total working in LA	66,728	46,853	62,051	35,718	51,746
Total living in LA (and working)	73,921	49,933	71,818	44,333	47,835
Commuting ratio	1.11	1.07	1.16	1.24	0.92

Source: 2011 Census

- 3.25 In reality, there are likely to have been changes to commuting patterns since 2011 and there are likely to be further changes as a result of the level of growth set out herein. However, there is no robust dataset between the Censuses which establish this.
- 3.26 The Economy Study examines updates to this work using the Annual Population Study which by its nature is less robust than the census and subject to large error margins. However, the overall commuting ratio remained similar (1.12 vs 1.10 in the census) and it also identifies that Watford is the only local authority in SW Herts which has net in-commuting.

- 3.27 Furthermore, if changes were to be made to seek greater retention of employed residents who currently commute out of the study area, this would have an impact outside of the study area. For example, unless agreed otherwise neighbouring authorities would be planning based on retaining the labour force that in-commute to their area. If they can no longer rely on this group, then they would need to increase their housing provision to provide the homes which would attract more migrant labour to fill their jobs.
- 3.28 As the impact of such a policy has wider consequences it becomes a duty to cooperate issue. If an agreement to change these patterns is put in place, then that can be modelled. However, there are no current agreements in place, therefore, the Census based approach is reasonable and robust.

Double Jobbing

- 3.29 Our calculation also needs to reflect the fact that some people have more than one job, the result of which is a reduction in the population required to support a certain level of jobs growth. This is referred to as double-jobbing.
- 3.30 The assumed rate of double jobbing for Three Rivers, for example, is 5.0% - or 95% of people have only one job. This means that for every economically active person in Three Rivers the job count will be 1.05. This was based on the proportion of people with more than one job – using data from the Annual Population Survey. The average data over the 2004 -16 period has been used to take account of the higher error margin associated with individual years' data at local authority level.
- 3.31 The commuting rate and double jobbing rate are combined to get an adjustment factor which translates the change in local economic activity into local jobs. For example, in Watford for every 100 people who are economically active 89 local jobs will be supported.

Table 20: Economic Led Housing Need Assumptions

	Commuting Ratio	Double Jobbing	Adjustment Factor
Dacorum	1.11	0.97	1.07
Hertsmere	1.07	0.96	1.03
St. Albans	1.16	0.96	1.11
Three Rivers	1.24	0.95	1.18
Watford	0.92	0.96	0.89

Source: GL Hearn Modelling Based on Census and Annual Population Survey

Summary of jobs supported by the standard method

- 3.32 Drawing all these considerations together the level of jobs growth supported by the housing and population growth indicated by the Standard Methodology can be established. In total, the housing growth would support around 65,000 additional jobs in South West Herts in the period 2020-2036.

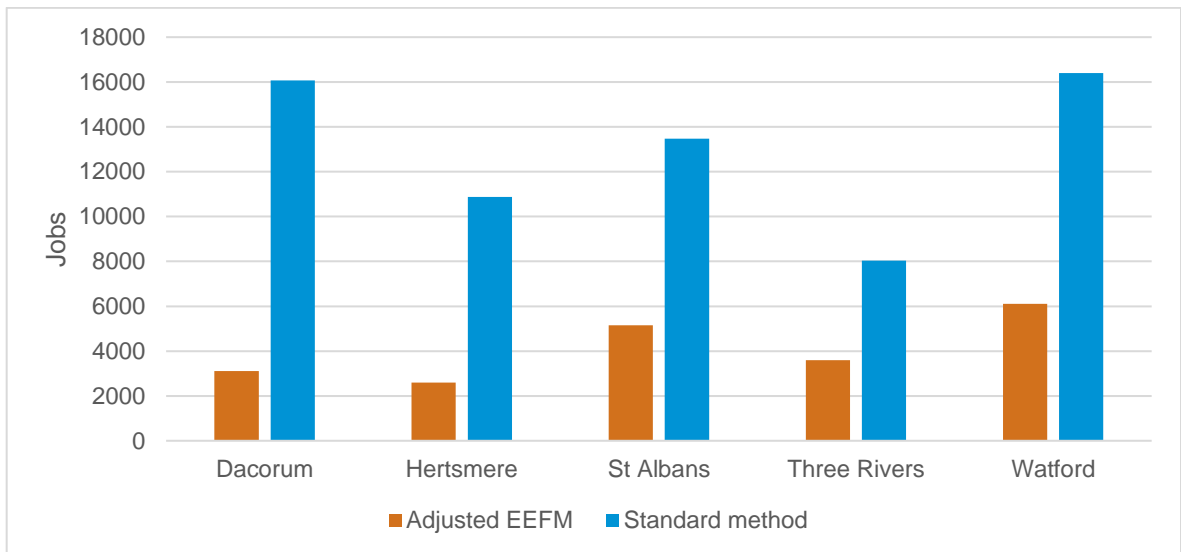
Table 21: Employment Supported by the Standard Methodology Housing Need

	2020	2036	Change (20-36)	% Change
Dacorum	79,278	95,347	16,069	20.3%
Hertsmere	53,498	64,369	10,871	20.3%
St. Albans	71,161	84,631	13,470	18.9%
Three Rivers	42,911	50,940	8,029	18.7%
Watford	62,062	78,467	16,405	26.4%
South West Herts	308,910	373,753	64,844	21.0%

Source: GL Hearn, 2019

- 3.33 As this level of jobs growth is substantially higher than the 20,553 jobs set out in the Economy Study there is no need for the local authorities to plan for a higher level of housing need to support the local economy.
- 3.34 As there is no recourse to reduce housing need below the standard methodology figure (unless there are exceptional circumstances) this assessment has not sought to calculate the housing need associated with the Economy Study's forecasts.
- 3.35 The Councils will have to consider the location of employment and housing growth however as the standard methodology produces a notably different distribution as well as the overall number of jobs to that indicated by the analysis in the Economy Study. These are shown in Figure 5.
- 3.36 The figure also demonstrates that in each of the individual local authorities the standard methodology would support a higher level of jobs growth than forecast by the 2019 South West Herts Economic Study produced by Hatch Regeneris.

Figure 5: Comparison of Jobs Supported by Different Sources (2020-2036)



Source: GL Hearn and EEFM, 2019

- 3.37 Based on these levels of growth the standard method would result in a surplus workforce. However, this needs to be aligned with information on the capacity of each area. If the Councils cannot meet this level of housing need then the surplus will be less.
- 3.38 In all likelihood, given the nature and location of the study area, the additional labour force will seek employment outside of the study area with the obvious location being in Greater London. This may require improvements to the transport infrastructure to support this.
- 3.39 An agreement should also be sought to ensure this labour force is not being double-counted in neighbouring areas i.e. they are not increasing their housing need to meet economic growth when there is a surplus labour supply in SW Herts. Any changes to commuting and the use of this labour supply should be agreed through the duty to cooperate.

Economic Growth and Housing Need: Key messages and recommendations

- This report examined the potential employment growth in SW Hertfordshire which the standard method would support drawing on a range of datasets and reports.
- In translating this into housing need the calculations have made several assumptions relating to double-jobbing, commuting, economic activity rates and household formation rates.
- The Standard Methodology would help support a considerably higher rate of job growth (64,844) than that set out in the SW Herts Economy Study (20,553). At a local authority level, the following number of additional jobs would be supported.

	Change (20-36)
Dacorum	16,069
Hertsmere	10,871
St. Albans	13,470
Three Rivers	8,029
Watford	16,405
South West Herts	64,844

- **Recommendation: There is no requirement for the Councils to increase the number of homes they plan for to support local economic growth.**
- The Councils should as far as possible strive to achieve delivery of new housing where the jobs are to minimise the mismatch between the location of new houses and jobs in South West Hertfordshire.
- If the local authorities cannot deliver the level of identified employment growth this will likely result in a surplus labour force within South West Herts. This will impact commuting as residents seek work elsewhere.
- The councils should work through the duty to cooperate with neighbouring authorities/HMAs to ensure housing need is not being double counted and that any required infrastructure improvements are planned for.

4 MARKET SIGNALS

4.1 In this section, an update to certain market signals in the HMA authorities benchmarked against the regional and national comparators has been provided. Those taken from the census (overcrowding, tenure) have not been updated since the 2016 SHMA report⁸.

4.2 It is no longer a mandatory requirement for local authorities to review market signals, but it does provide some interesting contextual data concerning the housing market. It can also be used to identify areas of the market that are “overheating” and where a supply response might be required.

Summary of previous SHMA (2016)

4.3 The previous report set out a range of market signals in the South West Hertfordshire housing market area as a whole. This was commissioned by all the South West Hertfordshire authorities except for St Albans, therefore some of the comments and analysis may not relate to St Albans.

4.4 The location of South West Hertfordshire just outside the northern edge of the Greater London conurbation is reflected in high house prices throughout the HMA. Median house prices in all the HMA authorities were above national and East of England regional averages.

4.5 House Prices in the HMA for 2013/14 were £380,880 (mean) whilst the median was £300,000 which was above the national and regional average. Prices increased and affordability deteriorated during the period between 2001 and 2008, albeit at a less pronounced level than was the case nationally.

4.6 In particular, over the 2001 to 2008 period, median prices in South West Hertfordshire rose from £98,700 to £267,700, an increase of £169,000 (171%). Over this period, median prices across East of England rose by £130,000 (200%) and across England and Wales by £118,000 (190%).

4.7 House price growth over the period since 2008 was more modest and, in some cases, there has been a fall in house prices in ‘real terms’ once account was taken of inflation. House prices have fallen in real terms in Dacorum and Watford, and remained broadly stable in St. Albans, with the only increase in prices adjusting for inflation being in Hertsmere and Three Rivers.

4.8 Sales volumes indicate effective demand across the HMA. They show that effective demand in 2014 was 17% below pre-recession levels. Whilst sales volumes subsequently saw some recovery, the evidence does not suggest that demand had returned to pre-recession levels.

⁸ Available at <https://www.hertsmere.gov.uk/Documents/09-Planning--Building-Control/Planning-Policy/Local-Plan/SW-Herts-SHMA-Final-Report-Jan16.pdf>

- 4.9 Median rents in South West Hertfordshire averaged at £936 per calendar month (as in September 2014). This was above the East of England median of £625 pcm and England median of £595. Within the HMA, the highest median rental values were in Hertsmere (£997 pcm) and St. Albans (£995 pcm).
- 4.10 The lowest median rental value was in Dacorum (£825 pcm). The rental price geography is similar to that of market sales. Average rental values in South West Hertfordshire grew by 9% from £859 pcm in September 2011 to £936 pcm by September 2014. This compares to an average 5% growth across the East of England, a 19% growth in London, and a 3% growth across England. Inflation alone (based on the Consumer Prices Index) resulted in rental growth of 6.2% over the 2011-14 period.
- 4.11 The lower quartile house price to income ratio was above the national averages in all five local authorities between 1997 and 2013 revealing significant affordability pressures across the HMA.
- 4.12 In terms of housing delivery, over the 2006-14 period, each HMA authority saw a delivery exceeding the planned provision in at least three of the eight years. In particular, Watford delivered a substantial 162% of the relevant housing target; whilst Hertsmere delivered 125%. Delivery in Three Rivers exceeded targets by 4%. Delivery, however, fell short of the planned provision in St. Albans.
- 4.13 Although past completion records revealed that housing delivery in the HMA had been strong against the targets, it was recognised that past targets had been influenced by policy and development constraints.
- 4.14 Over the 2001-11 period, South West Hertfordshire had seen a large shift in the tenure profile - with a notable reduction in the number of homeowners; and a similarly large growth in the Private Rented Sector. Watford had seen the biggest such change in tenure, but it is a trend seen across all the HMA authorities.
- 4.15 There were also increased levels of people living in shared and overcrowded households; with growth in Watford (influenced by its younger age structure). However, except in Watford, the levels of over-occupation and households living in shared houses in South West Hertfordshire were below the national average and London levels, but slightly above the East of England average.
- 4.16 The 2016 SHMA concluded that to improve household formation rates amongst younger households, it was required to run and plan for a sensitivity analysis which sought to quantify the implication of returning the household formation rates of the 25 - 34 age group back to 2001 levels by 2025. This resulted in an uplift in housing of 95 homes per annum over and above the demographic projections.

- 4.17 The analysis undertaken showed that the adjustments built into the conclusions on housing need would overall see 154 younger households forming each year across the HMA, representing an increase in overall housing provision of 5.1% (against a constant headship position) or 3% uplift on the base demographic need. This is related specifically to the evidence of need in the 2016 SHMA and the scale of adjustment necessary to materially improve affordability.
- 4.18 The following sections update information concerning some of the market signals information compared to the regional and national comparators. This section was completed earlier in the preparation of this report and is therefore no longer as up to date as possible.

House Prices

- 4.19 The median price of homes sold in South West Hertfordshire in 2017 was £425,000, an increase of 42% compared to the SHMA, which indicated the figure for 2013 to be £300,000. This is 91% above the national average (£222,000) and 55% above East of England's equivalent (£273,973).
- 4.20 Table 22 presents the median, mean and lower quartile housing values across the different authorities within the HMA together with the wider comparators including London.
- 4.21 The housing values in the HMA are above all the wider comparators. Within the HMA St. Albans, Three Rivers and Hertsmere have seen prices above the HMA average across the different categories, while the housing values in Dacorum and Watford are below the HMA averages.

Table 22: House Prices 2017

	Median	Mean	Lower Quartile
Dacorum	£380,000	£480,826	£295,000
Hertsmere	£445,000	£559,427	£340,000
St. Albans	£515,500	£630,397	£380,000
Three Rivers	£455,000	£641,706	£345,000
Watford	£360,250	£504,454	£280,000
HMA	£425,000	£558,597	£320,000
Hertfordshire	£375,000	£492,392	£283,375
East of England	£273,973	£357,210	£195,000
England & Wales	£222,000	£338,621	£140,000

Source: Land Registry 2018

House Price Growth

- 4.22 Table 23 presents house price changes over the last 1, 5, 10 and 15 years. Those locations with the highest growth in the given period are coloured red with the lowest growth in blue. In the year to Q3 2017, the HMA has seen no change in overall average price. In contrast, all the wider

comparators have seen an increase of 5-8%. On an individual authority basis, Dacorum has seen an increase of 17% in house price growth over the last 12 months, followed by Watford (2%).

- 4.23 In contrast, all the authorities with housing values above the wider comparators have seen a decrease or no change in house prices. For instance, St. Albans saw no change (0%) in the year to Q3 2017, Hertsmere has seen a slight decrease (-5%) and prices in Three Rivers have fallen by 10%.

Table 23: House Price Growth 2002-2017 (Q3 of each year)

	2017 Q3	1-year change	5-year change	5-year annual change	10-year change	10-year change annual change	15-year change	15-year change annual change
Dacorum	397,803	17%	59%	10%	66%	5%	134%	5%
Hertsmere	462,500	-5%	48%	9%	63%	5%	143%	5%
St. Albans	523,250	0%	47%	8%	57%	5%	138%	5%
Three Rivers	450,000	-10%	31%	6%	46%	4%	125%	5%
Watford	363,750	2%	55%	10%	59%	5%	135%	5%
SW Herts (Av)	439,461	0%	47%	9%	58%	5%	135%	5%
East of England	280,000	8%	42%	8%	44%	4%	115%	4%
London	455,000	5%	44%	8%	65%	5%	140%	5%
England & Wales	229,950	5%	24%	5%	28%	2%	95%	4%

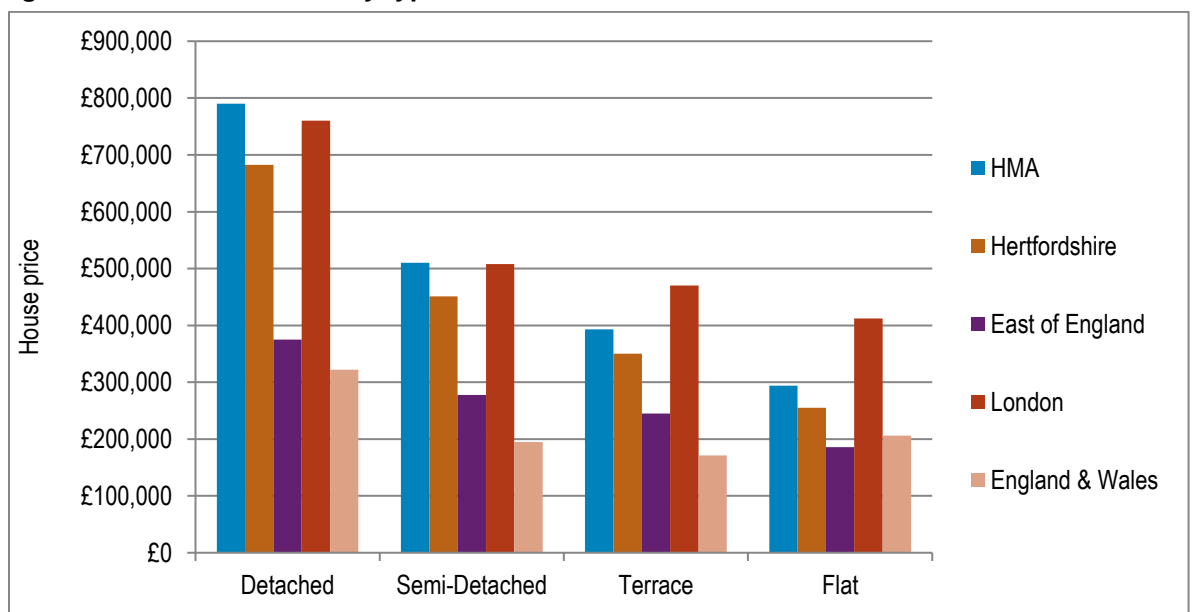
Source: Land Registry 2018 (DCLG Table 582 and Land Registry annual records)

- 4.24 Over the 5 years to Q3 2017, the HMA has seen an increase of 47% (9% per annum (pa)) compared to 24% (5% pa) nationally; 42% (8%pa) regionally and 44% (8%pa) in London. Across the different authorities, Dacorum and Watford have seen the strongest increase (both above 55%) over the last 5 years.
- 4.25 Over the 10 years to Q3 2017, housing values in South West Hertfordshire overall have grown by 58%. This is above the regional (44%) and national (28%) equivalents but below London's (65%). For the same period, the HMA has seen an annual growth rate of 5%, the same as the London rate.
- 4.26 Across the different authorities, Dacorum (66%) and Hertsmere (63%), have seen the highest growth in housing values. It should be noted though that even in Three Rivers, where the prices have seen the lowest growth (46%), the rate is above the national and regional equivalents.
- 4.27 Finally, house prices have increased by 113% across the HMA over the 15 years to Q3 2017. Similar to the last 10 years, the rates are above those of the wider comparators and just below London's equivalent. The growth in individual authorities varies between 125% (Three Rivers) and 143% (Hertsmere), which are all above all the wider comparators.

Prices by Type

4.28 Figure 6 shows the distribution of house prices by type of property across the HMA and the wider comparators. Across most typologies, house prices in the study area are above all the wider comparators. The exception being that flats and terraced homes in the study area cost less than the equivalent in London.

Figure 6: House Price by type 2017



Source: Land Registry 2018

4.29 The median house price for detached properties in the HMA is £790,000; for semi-detached £510,000, for terraced properties £393,000 and flats £294,000. These relate somewhat to the size of properties.

4.30 The HMA prices for semi-detached and terrace properties and flats are exceeded only by their equivalents in London. Detached properties in the HMA are more expensive even than those in London. This may be connected to the amount of garden space and other land connected with the home.

Rental Values

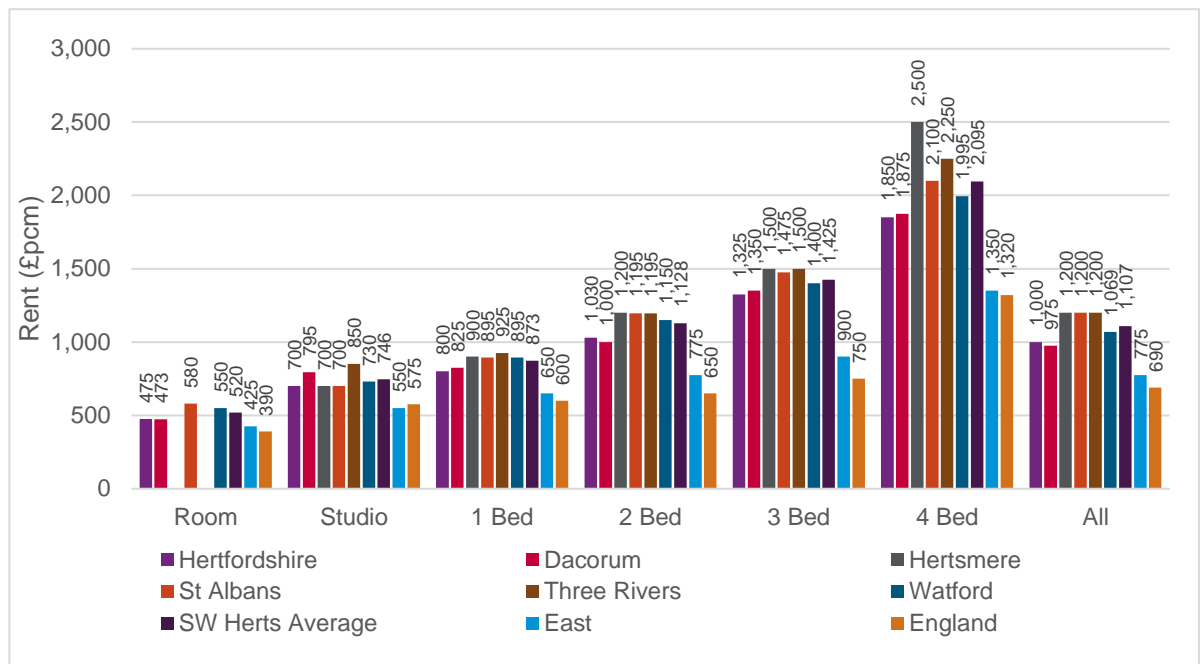
4.31 Median Rental values in the HMA have been recorded at £1,135⁹ per calendar month (pcm) in the year to September 2017 through 4,770 transactions recorded by the Valuation Office Agency.

⁹ average of the HMA authorities

Median rents have increased by 32% since 2011. The lower quartile equivalent has reached £920 pcm.

4.32 Figure 7 shows the average rent for different sizes of property. The figure illustrates a premium for larger properties in Hertsmere and smaller rooms in St. Albans and studios in Three Rivers.

Figure 7: Monthly Rents by Size (Year to Sept 2018)

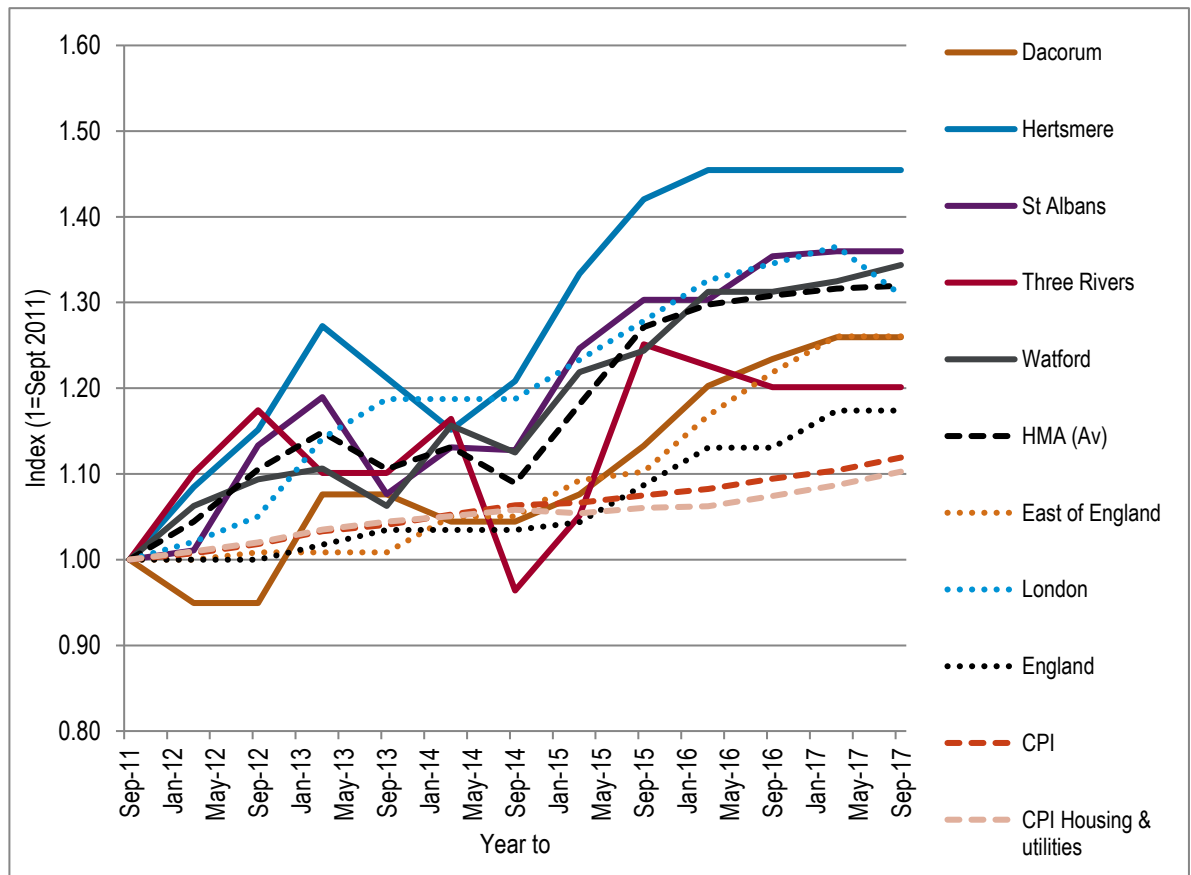


Source: VOA Data, 2019

4.33 In contrast, prices for 2 and 4 bedrooms in Dacorum are substantially below average. However, in all cases, the cost of rental properties in each of the study area’s local authorities exceeds the average for both the East of England region and England as a whole.

4.34 The median rental prices in the HMA are significantly above all the comparators including the general Consumer Price Index (CPI) and the Housing CPI. As such, there has been real-time growth in rents over the period since 2011 and this growth is significant over time. Recently the rental growth in the HMA has exceeded London’s equivalent as Figure 8 illustrates.

Figure 8: Rental Growth (indexed to 2011)



Source VOA 2017

4.35 As Figure 8 indicates, Hertsmere has seen the highest growth (45%) in rental values across the HMA authorities. This is followed by St. Albans (36%) and Watford (34%). The highest median values in the year to September 2017 were in Hertsmere, St. Albans and Three Rivers – all at £1,200 pcm.

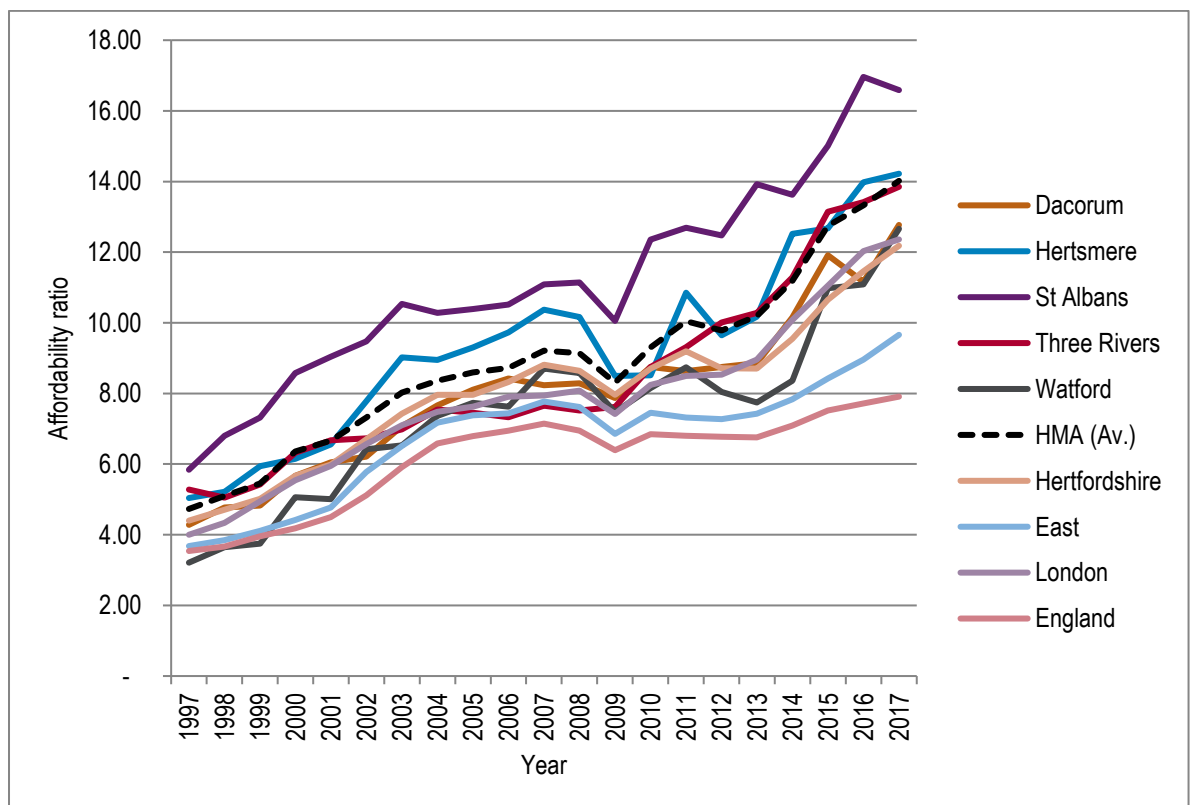
Affordability Ratio

4.36 The ratio of median house price to median gross annual workplace-based earnings for South West Hertfordshire was 14.02¹⁰ in 2017. Over the last 20 years, this has increased by 196%, compared to the national equivalent of 123%, regional of 163% and London's 209%. More recently, over the last 10 years, the HMA's affordability ratio has increased by 52%, just 4% below London's equivalent. This compares to a national increase of 11% and a regional one of 24%.

¹⁰ average of the HMA authorities

4.37 Figure 9 shows the deteriorating affordability since 1997 across the HMA and the wider comparators. St. Albans has constantly experienced affordability pressures since 1997, followed by Hertsmere. Watford, however, has seen the most significant increase in its ratio since 1997 (294%).

Figure 9: Affordability ratio change 1997-2017



Source: ONS 2018

4.38 The lower quartile affordability ratio is the ratio of lower quartile house prices to lower quartile gross annual workplace-based earnings. In South West Hertfordshire (as an average), the ratio was 15.15 in 2017. This has seen an increase of 205% over the last 20 years and 41% over the last 10 years. This is above all the comparators except London where the increases are 234% and 49% respectively.

4.39 Table 24 lists in detail the change in workplace-based affordability ratios over the last 10 and 20 years i.e. the ratios between earnings generated by those working in an area and the house prices in the same area.

Table 24: Workplace-based affordability ratio 2017

	Median Ratio			LQ Ratio		
	2017 ratio	20 years change	10 years change	2017 ratio	20 years change	10 years change
Dacorum	12.77	198%	55%	13.40	207%	42%
Hertsmere	14.22	182%	37%	15.11	185%	13%
St. Albans	16.59	184%	50%	18.78	228%	67%
Three Rivers	13.85	162%	81%	14.54	152%	60%
Watford	12.66	294%	46%	13.94	276%	29%
HMA (Av.)	14.02	196%	52%	15.15	205%	41%
Herts	12.18	177%	38%	13.00	193%	34%
East	9.66	163%	24%	9.78	166%	15%
London	12.36	209%	56%	13.23	234%	49%
England	7.91	123%	11%	7.26	103%	1%

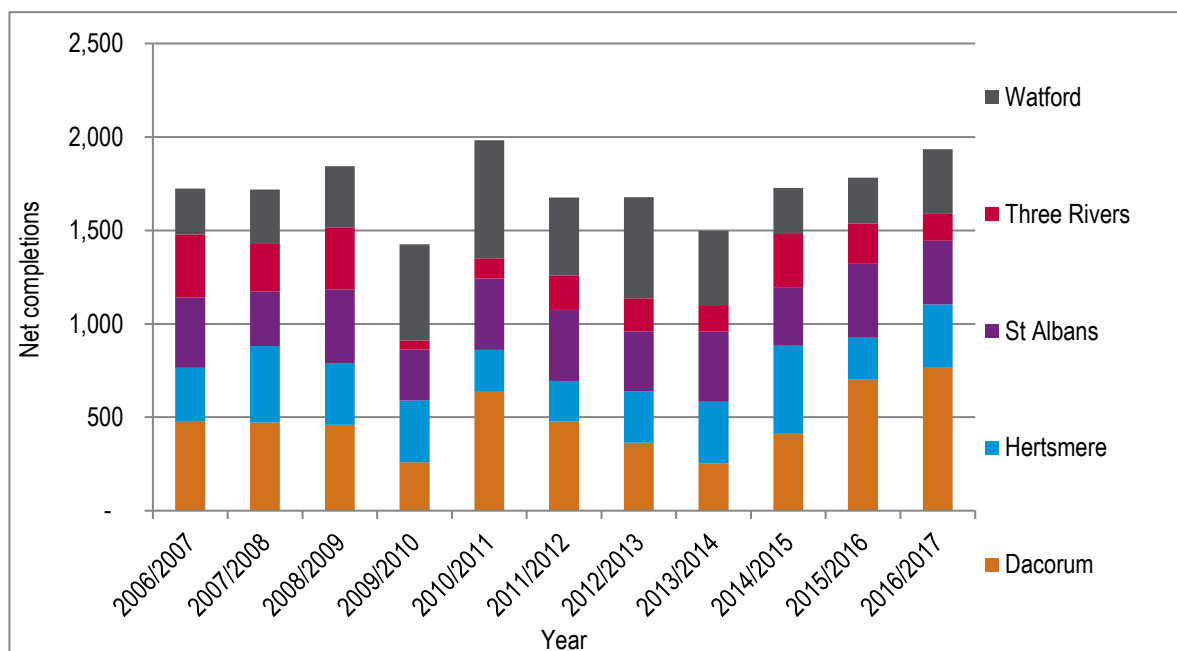
Source: ONS 2018

- 4.40 This shows that the ability of workers in South West Herts to live close to their place of work has diminished significantly over the last 20 years. Watford has seen affordability worsen at a faster rate than anywhere else in the HMA.

Completions

- 4.41 Data has been drawn out from the HMA Authorities' Monitoring Reports 2016/17 and older versions as appropriate. Figure 10 shows that cumulatively since 2006 a total of 18,988 new homes have been built across the HMA at an average of 1,726 dwellings per annum.
- 4.42 All the authorities have cumulatively exceeded their current housing requirements. It is also evident that the recession has not impacted the market dramatically, as between 2009 and 2013 the average annual provision was 1,700 dwellings per annum in the HMA, which is only very slightly less than the average for the longer period 2006-2017. This reveals that the market is very strong across the HMA.

Figure 10: Net Completions 2006-2017



Source: AMRs 2016/17

Affordable housing completions

- 4.43 Each of the local authorities has provided information about the size profile of affordable housing completions over the 2013-18 period. This information is shown in Table 25 and includes both rented and intermediate housing, although it should be noted that most homes (80%) are for rent, with around 60% of these being social rents.
- 4.44 The data shows that all areas have seen most of the delivery being of smaller (1- and 2-bedroom) properties. This is particularly the case in St. Albans with 93% of delivery being of this size. Whilst the analysis in this report does support a need for smaller affordable homes, recent delivery would suggest that this type of property has been delivered disproportionately (relative to other sizes). There is, therefore, a case for the local authorities to consider encouraging the delivery of a higher number of larger units (3+-bedrooms), as is suggested by the data modelling in this report.

Table 25: Completions by bedroom 2013-2018

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
1-Bed	32%	19%	41%	21%	38%
2-Bed	48%	56%	53%	53%	49%
3-Bed	18%	21%	7%	24%	13%
+4-Bed	3%	4%	0%	2%	0%

Source: AMRs 2016/17

- 4.45 Some limited data was also provided by the local authorities about the pipeline of affordable housing (i.e. housing with planning permission that is yet to be built). This again shows a strong focus on smaller homes, which reinforces the view above that moving forward the Councils need to encourage the delivery of a higher number of larger units.

Qualitative Commentary

- 4.46 A primary research exercise was carried out in September 2018 by way of consulting various estate agents to provide commentary in establishing the market housing demand in the area.

- 4.47 Twenty-one local estate agents in the region provided their views on housing demand in the area. Agents from across South West Hertfordshire were able to give an insight into different sub-markets within Dacorum, Hertsmere, St. Albans, Three Rivers and Watford.

- 4.48 The estate agents were informed of the reason for the call and were able to confirm their market knowledge in the relevant surrounding areas. Their views were based on their evidence of sales and lettings in their locality. The following agents provided their views:

- Connells Estate Agents (Marlowes, Hemel Hempstead)
- David Doyle (St John's Road, Hemel Hempstead)
- Orchid Estates (St John's Road, Hemel Hempstead)
- Taylors Estate Agents (Marlowes, Hemel Hempstead)
- Connells (The Parade, Watford)
- Your Move Garston (St. Albans Road, Watford)
- Gibbs Gillespie (Odeon Parade, High St, Rickmansworth)
- The Rodgers Partnership (Park Lane, Harefield)
- Iain Andrews (Whippendell Road, Watford)
- Warren Anthony Estate Agents (Market Street, Watford)
- Imagine Estate and Letting Agents (Wilmington Close, Watford)
- Haart Estate Agents (High Street, Abbots Langley)
- Connells Estate Agents (Cunningham Way, Leavesden)
- Daniels Estate Agents (London Road, St. Albans)
- Aubrey & Finn Estate Agent Sales & Letting St. Albans (Victoria Street, St. Albans)
- Collinson Hall Estate Agents (Victoria Street, St. Albans)
- Raine and Co, (Darkes Lane, Potters Bar)
- Duncan Perry Estate Agents, (The Broadway, Potters Bar)
- Carrington (Shenley Rd, Borehamwood)
- Imagine (High St, Bushey)
- Aitchisons (Watling Street, Radlett)

- 4.49 Please note that the agents may have different experiences and opinions on the market, and in some instances can contradict each other. The agents also work across various price-points within

the market and thus indicative prices can vary. All of the anecdotal evidence is to be read alongside the empirical evidence elsewhere in this chapter. In some cases, this can provide inconsistent evidence.

Sales Agents

- 4.50 There was a consensus that the housing market in South West Hertfordshire is uncertain. In many of the sub-markets, particularly in Watford, agents felt that market values had peaked in 2016 and are now reducing. Although some agents suggested that there had been some recovery in the market in recent months, there was a general agreement that prices were similar to, if not slightly below the equivalent of a year ago. All agents agreed that prices were lower than in 2014.
- 4.51 Agents noted a lack of interest from investors in the current market and that recently more investors were selling off their existing properties than investing in new ones. There still appears to be activity in the market, although some vendors are having to reduce their asking prices.
- 4.52 South West Hertfordshire has a diverse profile of buyers. First-time buyers, families and retired people from both inside the area and those moving in from other areas, most commonly London, are very common buyers across the market.
- 4.53 Agents highlighted that the most interest in the market was from those wanting a more rural location with a community/village feel, whether that be in comparison to London or in comparison to the buyers' existing locations within South West Hertfordshire.

Sub-Markets

- 4.54 In the Watford sub-market, sales were noted as being similar to a year ago; whilst one agent recorded a 1% increase, others emphasised that the market was incredibly slow due to the impact of the increase in interest rates and the uncertainty surrounding Brexit in the area. These factors have, according to local agents, led to a lack of investment in the market.
- 4.55 One agent stated that market values had decreased by 5% over the past year as a result. There was a consensus that properties were still selling in Watford when vendors lowered their prices enough.
- 4.56 This situation was also found to be the case in the Three Rivers area where agents felt that the market was stable, but prices had decreased in recent months, with Brexit being suggested as the cause of lack of interest from buyers. In comparison with 2014, agents felt that the market was slower in all areas, as one agent estimated a 10% drop in prices since last year.

- 4.57 In St. Albans, estate agents described the market as slow, although some agents felt the market had stabilised somewhat over the past 12 months. They stated that market values were considerably lower than in 2014/15. The recent summer months had been slower than usual, and agents were yet to see an improvement in market conditions. They blamed a lack of confidence in the market for putting off buyers, causing market values to fall recently as vendors have been forced to lower their asking prices by 10-15%.
- 4.58 In Dacorum, agents stated that vendors had also been under pressure to lower their prices due to a decrease in the number of people looking to buy property at the current asking prices in the area. Similarly, agents in Hertsmere noted that market prices have reduced over the past year and are much lower than those four years ago as the market has become less inflated. They did note that help with stamp duty was bringing some first-time buyers to the market in the area.
- 4.59 In Watford, one agent noted that the budget of first-time buyers is usually within the region of £300,000, with the support of help to buy schemes. The agent highlighted the disparity between this value and the £320,000 typical asking price of vendors; the agent felt this disparity is the cause of the slow market in the area. These buyers are noted as typically being within the 25-35 age range and looking for 2-bed properties, often houses, close to a train station due to the dominant priority of good access to London for work and social purposes.
- 4.60 Central and West Watford are popular with these buyers due to the new shopping centre. One agent suggested that some people are drawn to the locality due to Watford FC. West Watford is noted as appealing to first-time buyers due to more affordable house prices west of the town centre, although another agent highlighted the popularity of smaller flats in the town centre.
- 4.61 Similarly, in Dacorum, agents noted that the smaller, more affordable properties were most popular with first-time buyers. The larger 3 to 4-bed properties were noted as appealing to buyers in the 30-50 age range, who often were looking for a detached or semi-detached property with a garden for their family – this is a common theme across South West Hertfordshire.
- 4.62 Dacorum was also noted as a popular commuter location by agents, as buyers are aware they can get more for their money. Hemel Hempstead was noted as being extremely popular with buyers: other popular locations include properties close to the train station, especially for first-time buyers, and areas near the town centre.
- 4.63 The typical profile of buyers in the Three Rivers area is dominated by the 30-50 age range. Agents noted that they were interested in a diverse range of properties dependent upon their needs and circumstances. Town centre areas were noted as being popular with first-time buyers, who often favour the areas in Three Rivers with good transport links and good access to schools.

- 4.64 Agents also stated that rural areas appealed to buyers who were looking for a community feel. Batchworth was noted as being popular due to the older style properties available and the picturesque appearance.
- 4.65 The market in St. Albans is dominated by younger buyers in the 27-40 age range. These buyers were noted as often being young professionals moving out of London, who typically look for the two-bed houses and cottages in the area. City centre areas were noted as being popular by estate agents, especially with younger buyers looking for properties close to train stations, suitable for commuting into London. In particular, Victoria Street and all the areas with access to good schools and a station are popular with younger buyers and first-time buyers. These buyers typically look for 2 to 3- bed properties within the region of £400,000 - £600,000. Agents noted that this had led to an under-supply of 2-bed properties in the area, especially those in the £425,000 - £475,000 price range, as lower-priced homes tend to have a broader demand.
- 4.66 The housing market in Potters Bar is considered more affordable compared to other parts of South West Herts. These prices are attracting first-time buyers and up-sizers to the area. The profile of these buyers is typically those in their mid-20s to 40s who are a combination of people already residing in South West Herts and those looking to relocate from London for more affordable housing and a different lifestyle.
- 4.67 These first-time buyers are typically purchasing 2 and 3-bedroom semi-detached dwellings in villages such as South Mimms, Ridge and Shenley with the purchase price ranging from £400,000 to £480,000.
- 4.68 There are also semi-detached and detached housing products on the market that are of a higher value than what first-time buyers are typically paying. They are attractive to family households and people relocating from London to retire in the area.
- 4.69 While there is family accommodation, there is not a huge supply of four-bedroom dwellings and as a result, there is not a large market for them. There is a lot of development activity in the form of extensions within the villages, supplying larger homes.
- 4.70 The development of flats is predominantly occurring in Potters Bar and Borehamwood (including the Elstree Way Corridor) with one agent suggesting the market was becoming saturated. In the last five years, there has been strong activity in the supply of flats, in well-serviced locations, particularly around Potters Bar station, which has attracted interest from both older persons and first-time buyers.
- 4.71 A recent development by Linea Homes on a former pub site is delivering 39 flats (including some affordable units). The development has experienced interest from first-time buyers who want access

to services and transport connections to jobs in Central London and also older persons economising but with proximity to services. New two-bedroom flats in Potters Bar are reported to be on the market with values between £450,000 to £500,000.

- 4.72 An issue in Potters Bar is the significant oversupply of purpose-built retirement houses consisting of a mix of old and new build stock. The retirement houses that are being sold are mostly new stock, such as the new development on Mandeville Court.
- 4.73 However, retirement homes are on the market for a longer period than other housing products. It was noted that this may be attributed to supply exceeding demand and a shift in the needs of older people and alternative options in the area such as newly built flats.
- 4.74 In Watford, the demographics of buyers are diverse. The high number of train stations in the Borough means that those without a car often choose to concentrate around the town centre areas close to a station, whilst areas further from the centre are popular with those with a car for commuting purposes. These latter areas often appeal to families due to the good commuter links and the availability of green spaces.
- 4.75 In Watford, new large developments are coming forward with a high proportion of 1 and 2-bed flats. This could lead to market implications in Watford with more smaller housing options coming onto the market than 2-3 bed typologies. Agents noted the biggest issue in Watford is the low availability of affordable properties due to a sharp rise in property values in the period up to 2016.
- 4.76 In Dacorum, agents felt that there was a mix of property available on the current market and did not feel there was a specific undersupply of any particular property type or style other than bungalows. However, it was noted that there was a slowing demand from buy to let investors in the area. Agents felt this was due to the poor climate for buying, possibly due to Brexit negotiations. They also felt that there was a lack of properties under the stamp duty threshold available in the area. One agent noted that in Hemel Hempstead it is incredibly rare for anything to come onto the market at less than £200,000. They did also note that there appeared to be a relative oversupply of two-bed properties on the market.
- 4.77 In Hertsmere, agents noted a slight undersupply of 2 and 3-beds and new builds. There has been a recent focus on the provision of 1-bed properties in the area. Even when new builds sales are available in the area, they tend to be predominantly focused upon providing small (i.e. 1 to 2-bed) properties.
- 4.78 An agent that was dealing with new builds in Hertsmere stated that they were performing badly and that they hadn't sold any in the past month, whereas four years ago they were selling 6-7 new-build

properties a month. However, another agent stated that in the past when they had smaller new build properties, typically 1-2 bedrooms, they had sold well.

- 4.79 There were some notable differences within Hertsmere with locations such as Radlett and to a lesser extent Bushey having a considerably more affluent market in comparison to Potters Bar and Borehamwood. The area was described by one agent as having a lot of microbubbles.
- 4.80 The Radlett market was driven by several industries including the media (adjacency to some studios) football (adjacency to some football club training facilities) as well as access to the City. Both Radlett and Bushey also have access to several private schools.
- 4.81 In these areas, there was seen to be a lack of mid-range homes albeit the mid-range (£750k-£1m) is still higher than elsewhere and in Bushey a lack of 1-bed flats. Elsewhere in Hertsmere, there was said to be an over-supply of smaller 1 and 2-bedroom flats.
- 4.82 In Three Rivers some agents felt that there had been a disproportionate supply of flats recently, with a comparable undersupply of 2 and 3-bed modern and/or semi-detached properties. One agent felt that there was a considerable undersupply of the larger higher-end properties in the region of £700,000 - £900,000, noting that when they did become available they sold very quickly. Agents noted that there was limited buy to let investment in Three Rivers as some investors have begun to sell off their properties recently.
- 4.83 An agent in Leavesden reported that a recent new-build development had sold exceptionally well, with a lot of investors purchasing new-build flats. However, the interest from investors has since reduced due to the increases in stamp duty that have reduced the benefits of having a second home; which they felt had been exacerbated by the current political climate and uncertainty surrounding Brexit negotiations.
- 4.84 Estate agents in St. Albans also noted new-builds had performed well in the past in the area but also felt the political climate and uncertainty may prevent the market from improving over the next 12 months.
- 4.85 Agents in Dacorum stated they had not dealt with any new build developments recently and they felt that buyers looking for smaller properties would be unwilling to pay the premium prices these properties come at in the current climate. In the past, they noted that those interested in new build properties were usually families looking for 3 to 4-bed properties. Agents felt that a sustained demand from people moving out of London would prevent the market from crashing any further in Dacorum.

- 4.86 In Watford, new build developments were reported as selling at a rate of 3 properties per month by one agent with little interest from investors due to high stamp duty and political uncertainty. Agents felt that the market is likely to continue to struggle in Watford, with no view of an imminent upturn in the next two years.

Lettings Agents

- 4.87 The majority of estate agents in South West Hertfordshire described the lettings market as buoyant and were more positive about the current climate than those covering sales.
- 4.88 The lettings market in Dacorum is busy. Typically, demand is from young professionals who seek the smaller 2 to 3-bed properties in the area. Agents reported that rents had been stable in the area recently, and they felt that this would continue due to most of the houses on the rental market being 2 to 3-bed properties and therefore being suitable to meet the current rental demand in the area.
- 4.89 Similarly, in Three Rivers, agents reported that the rental market is stable with high demand for 1 and 2-bed properties. Agents stated that the demographics of those interested are mixed. Rents have been decreasing in the area, but agents felt the market would ultimately stabilise.
- 4.90 Agents described the market as buoyant in St. Albans and more active than the sales market. They suggested that a wide mix of people in terms of age and occupation look to rent in the area, causing a diverse demand for property. The most popular properties in St. Albans are the 2- to 3-beds homes in proximity to the city centre. Despite the strong market, rents are reported to be increasing at only 1-2% per year, which agents felt that this is likely to remain the same over the next 2 years.
- 4.91 Estate agents in Watford were least hopeful about the rental market, reporting falling prices and a lack of investment in the area. One agent reported rental prices decreasing by 5% per year. Agents felt that prices in the area had previously become heavily inflated over a short period, leading to a subsequent crash in the market, which they did not envisage improving over the next 24 months.
- 4.92 In Dacorum, areas around train stations were reported as being most popular due to the easy commute into London. They also noted that some people were unable to afford these properties so were forced to rent properties further away from the station than they desired. This was particularly the case in Hemel Hempstead.
- 4.93 In Watford town centre, the number of sharers has notably increased due to the high cost of average rents (£1,200pm); an income of at least £36,000 would be required to be able to afford this but the average wage in Watford is relatively low.

- 4.94 In Dacorum, estate agents reported limited interest from investors (principally buy to let) for all types of property, this was also reported to be the case in Three Rivers, with investors being seen to sell off their investments in the area during recent months. Smaller investors made up the small amount of investors' interest in Three Rivers, typically looking for smaller (i.e. 1- to 2-bed) properties as a stable income, alike to a pension.
- 4.95 This lack of investment is also referred to in St. Albans, where only small investors are active in the current market, who are typically seeking 2 to 3-bed properties available at the best possible value for money.
- 4.96 The most popular price band of properties in Watford range between £600 and £800 pcm. There is a reported low turnover of properties on the rental market in Watford, with one estate agent reporting only 1 or 2 new properties coming onto the rental market each month with a high number of properties simply being recycled. According to agents that was due to the high cost of moving and the lack of investment in the current market. Yields were noted at being 3% on average, with any investors tending to be small scale, older investors looking to invest excess cash flow and typically looking for leaseholds.
- 4.97 Although the Bushey market is notably different from Watford, in that it is more affluent, many of the Watford agents also cover this area. It was noted that the lettings market is busier than the year previous as more people are looking to move on and the tenant fee ban makes this more attractive.
- 4.98 Elsewhere in the Hertsmere market, most agents suggested that rents have decreased over the last 2 years or so. In Borehamwood, this was because of saturation in the flats market while in Radlett it was seen as being linked to Brexit.
- 4.99 It was noted that a high percentage of professional couples are looking to rent in Hertsmere with 2- or 3-bedroom homes with a garden being in highest demand. Around 60% of these renting already lived in the area with the other 40% moving to the area principally from London, the area's excellent transport links being the main draw.
- 4.100 Radlett tends to be more affluent and therefore has fewer people renting. However, those rental properties which are available tend to be the poorer quality homes, but even these achieve prices on a par with mid-range properties in Borehamwood.
- 4.101 As with elsewhere in the study area, changes to stamp duty have reduced the number of buy to let investors. This has reduced the number of homes being made available to let.

Private Sector Landlords

- 4.102 An online survey of local private sector landlords in South West Hertfordshire was conducted in the Autumn of 2018. The respondents were contacted by the councils using their landlord database. There was a total of 26 respondents to the survey.
- 4.103 The landlords responding were typically those owning a small number of properties, smaller freeholds with most commonly (at 48%) owning between 2-5 properties. 72% of landlords owned fewer than 6 properties, and 92% owned fewer than 11. The remaining 8% owned over 11 properties.
- 4.104 Of those who responded, 44% had homes located in Hemel Hempstead, 28% in St. Albans and 16% in Watford. Multiple answers were possible. Additionally, 8% of landlords owned homes in Harpenden, Kings Langley and Rickmansworth. 20% of landlords filled in responses in the "Other" category indicating other smaller settlements in the study area.
- 4.105 Despite post-Brexit fears, the majority (64%) of landlords indicated that the current market is similar to 2016 in terms of rents achieved and the ability to let. 24% of landlords indicated that the market was slightly better or much better, whereas 12% indicated that the market was worse.
- 4.106 Landlords were also asked to profile their tenants and it was noted that 20% were reported to be young professionals and 32% are young families. None of the landlords had students as tenants, but 10% of landlords have had unemployed tenants. 66% of landlords said that they do or are open to renting to LHA claimants.
- 4.107 Around 44% of landlords indicated that benefit changes would dissuade them from renting to LHA recipients. However, 56% would be encouraged or have a neutral reaction to benefit changes in their outlook on LHA recipients.
- 4.108 Landlords reported that the majority (68%) of tenants were previously residing in South West Hertfordshire. 24% of tenants were moving from London or elsewhere in Hertfordshire. Around 8% of tenants were moving from elsewhere in the South East or East regions. None of the tenants had moved from overseas.
- 4.109 There was also a fairly buoyant market according to the landlords who responded. Once advertised, 76% of properties were fully let within one month of being advertised, with the remainder taking over one month to become fully let.
- 4.110 In terms of demand, all the landlords responding indicated that 2-3 bedrooms were ideal for a rental house. No landlords said they had experienced tenant demand for a flat with more than 2 bedrooms. Only around 10% of new tenants were thought to be downsizing to their current property.

- 4.111 Around 44% of tenants stay in the home they have rented between 3-5 years. 30% stay between 1-2 years, whereas 22% of tenants stay longer than 5 years. Only 4% stay less than one year in their property.
- 4.112 When asked about gaps in supply, 65% of landlords indicated that there is a lack of one- and two-bedroom properties. Perhaps reflecting this, 52% of landlords indicated that there is a demand for build-to-rent properties in the area.
- 4.113 44% of landlords intended to maintain the same number of properties in their portfolio over the next five years, while 20% wanted to expand or significantly expand the number of properties in that time. This would indicate a fairly positive view of the rental market in SW Hertfordshire.

Market Signals: Key messages and recommendations

- This update does not fully consider market signals on the basis that much of the evidence has not changed since the 2016 SHMA was published. It remains the case that there are some signs of market signals pressures evident across the market which is impacted by its proximity to the Capital. In particular:
 - House prices in the HMA are 91% above the national average, 55% above the regional and just 6% below London's 2017 housing values.
 - Over the 5 years to Q3 2017, the HMA has seen an increase in house prices of 47% compared to 44% nationally; 42% regionally and 44% in London.
 - Over the 10 and 15 years to Q3 2019, housing values in South West Hertfordshire have grown above both the regional and national equivalents but just below London's growth.
 - Rents have grown since 2011 by 32% reaching £1,135 pcm which is similar to London's median rent and well above the wider comparators, including the general Consumer Price Index (CPI) and the Housing CPI.
 - All the affordability ratios examined herein suggest that there are affordability pressures across the HMA. Both median and lower quartile workplace-based rates are above all the comparators including London's average.

- Stakeholder engagement reveals that:
 - Sales Market:**
 - The uncertain market currently due to an increase in interest rates and the uncertainty surrounding Brexit.
 - Prices have been static and sales volumes have decreased compared to 2016 and 2014 (1 and 4 year previous).
 - Limited investors' activity – mainly small local investors currently.
 - Diverse profile of buyers from first-time and young professionals, to families and retirees.
 - Most popular properties are those with 2- and 3- bedrooms in proximity to train stations.
 - Lack of new build provision in the market.
 - Rental Market:**
 - Appears stronger compared to the sales market and it is very active even in the current political climate.
 - Tenants' profile: a wide mix of demographics similar to the sales market.
 - According to agents the most sought after properties are 1-2 bed homes near train stations and 2-3 beds in more rural areas with good transport links.
 - Lack of new builds in the market.
 - Renters are typically young professionals and families.
 - The rental market is fairly buoyant despite Brexit.

- In summary, there are some severe affordability issues in South West Hertfordshire. This is addressed through the standard methodology specifically the 40% uplift within steps 2 and 3.

- **Recommendation: There is no requirement to make any further uplifts to housing need or the housing requirement related to market signals.**

5 AFFORDABLE HOUSING NEED

Introduction

- 5.1 This section updates the analysis of the need for affordable housing in South West Hertfordshire originally contained in the 2016 SHMA. This is in particular to reflect the changed definition of affordable housing in Government policy. The old definition was set out in Annex 2 of the 2012 NPPF and stated:

***“Affordable housing:** Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.*

Social rented housing is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents 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 the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

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”

- 5.2 The NPPF2 definition is slightly wider than the previous NPPF definition; in particular, a series of ‘affordable home ownership’ options are considered to be affordable housing. Again, this is set out in Annex 2 of the 2019 NPPF and states:

***Affordable housing:** 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) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.*

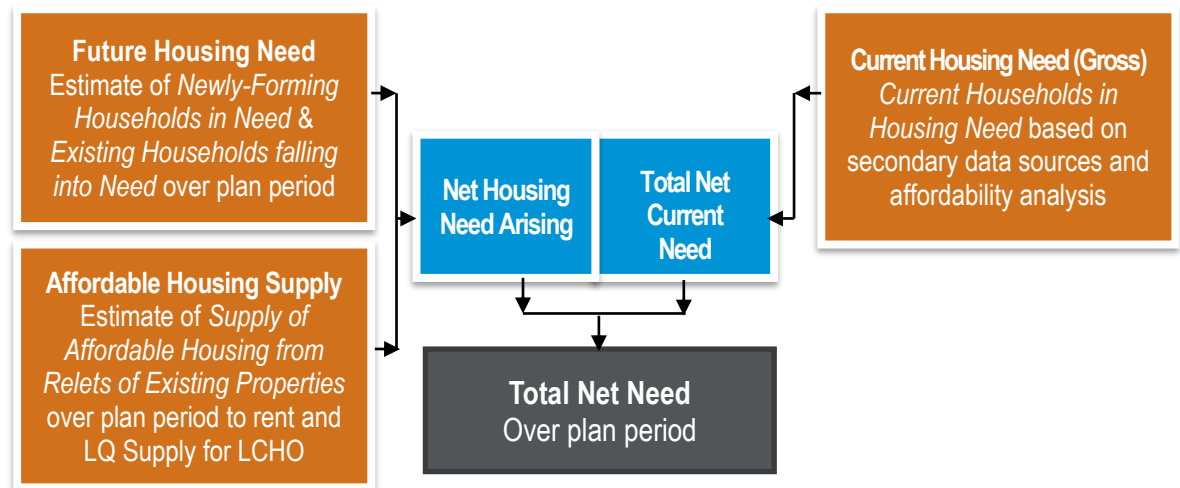
*c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.*

*d) **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.*

- 5.3 The opportunity has also been taken to update aspects of the analysis to a 2020 base (including data on house prices/rents, incomes, levels of new household formation and the supply of affordable housing). The analysis looks at need in the 16 years from 2020 to 2036, to be consistent with other analysis developed in the report.
- 5.4 The analysis would also deal with any historic backlog of affordable housing. Therefore, local authorities with a Local Plan start date prior to 2020 should still only seek to address the current and future need from 2020 onwards as set out herein.
- 5.5 A methodology is set out in Planning Practice Guidance (PPG) for assessing affordable need (within the Housing and economic need assessment guidance). This is largely the same as the previous PPG method and does not address the additional (affordable home ownership) definition.

- 5.6 The analysis below is split between the affordable need to rent and expanded definition of affordable homes to buy. In both cases the broad approach is summarised in Figure 11:

Figure 11: Approach to Affordable Housing Need



- 5.7 The main differences in the approach to assessing the need for affordable homes to rent and affordable homes to buy are the affordability thresholds and the supply. Because the target groups are based on different earnings thresholds there is no overlap (double-counting) between the two groups.
- 5.8 The affordability assumptions of those requiring affordable housing to rent are those households that cannot reasonably afford to rent in the market based on lower quartile rental values. The affordability of those requiring affordable housing to buy is those households that cannot reasonably afford to buy in the market but can afford to rent. What is termed as reasonable is set out below.
- 5.9 The supply calculation for affordable housing to rent is based on the re-let supply of affordable homes. Unlike previous calculations, this now excludes the resale of intermediate properties.
- 5.10 In the absence of any guidance on this issue, the supply analysis of those requiring affordable housing to buy is based on 50% of lower quartile market sales (12.5% of all sales) sales in each local authority. By definition, a quarter of all sales are sold at a level at or below the lower quartile house price used as the benchmark for affordability.
- 5.11 However, we recognise that not all of this supply will be available to all those households falling in the earnings gap between being able to rent and buy. For example, some homes will be age-restricted and others will be in an uninhabitable state. It is not known exactly what percentage of such homes would be available, but we have therefore assumed for modelling purposes that half of the lower quartile stock would be unavailable.

- 5.12 The affordable homes for rent analysis includes both social and affordable rental accommodation. This type of accommodation is likely to address those in the most acute need for affordable housing.
- 5.13 The breakdown of this need by the size of home is considered in the following chapter.

Welfare Reforms

- 5.14 The Welfare Reform Act introduced several policies which are likely to impact the demand for affordable housing. Realistically this would impact the need going forward, but this has not been reflected in the modelling, as the full impact is an unknown. The policy changes including the following:
- Household benefit cap;
 - Linking Local Housing Allowance (LHA) rates to Consumer Price Index (CPI) from 2013; and
 - Size criteria for calculating Housing Benefit in the social rented sector (under-occupancy charge)

Household Benefit Cap

- 5.15 The household benefit cap limits the total household welfare payments, excluding Working Tax Credit and Disability Living Allowance/Personal Independence Payment, to £26,000 (£500 per week) for couple and lone parent households and £18,600 (£350 per week) for single-person households. It is structured to increase incentives for households to work.
- 5.16 The Government estimated that 67,000 households would be affected by these changes, with the greatest impact being in London and the South East. To address the benefit cuts, households might seek to increase their income by working more hours or reducing their rent or non-rent expenditure. Larger households or those in high rent areas have been particularly affected, with some households seeking to move to cheaper locations. This might impact the demand for social rental homes in locations such as Dacorum and Watford.

Local Housing Allowance

- 5.17 The Housing Benefit (Amendment), 2012, introduced a requirement to set a maximum rent in the social rented sector using the LHA size criteria and made changes to the time and circumstances in which a case subject to LHA is reviewed.
- 5.18 LHA rates are used to calculate Housing Benefit for tenants renting from private landlords. Low-income households living in the Private Rented Sector (PRS) can claim LHA to assist in meeting their housing costs and the level of assistance available is determined in relation to rents in the Broad Rental Market Area (BRMA) in which a property lies. The 2015 LHA rates identify that these payments cannot be higher than £260.64 for a 1-bedroom property, £302.33 for a 2-bedroom property, £354.46 for a 3-bedroom property, £471.02 for a 4-bedroom property.

- 5.19 The Welfare Reform Act noted that increases in LHA rates will be restricted to the growth in inflation, as measured by the CPI, with rates being set annually rather than monthly. It is expected that this will exert downward pressure on rents, particularly in areas where LHA claimants form a significant proportion of the PRS and may encourage some LHA claimants to move to cheaper areas.
- 5.20 The movement towards Universal Credit to provide one streamlined payment will end the option of Housing Benefit payments being paid directly to landlords unless exceptional circumstances exist; this may make benefit claimants less attractive as tenants and could potentially restrict the supply of PRS accommodation for certain household groups, increasing need for socially rented accommodation.
- 5.21 Anecdotally private landlords are becoming increasingly reluctant to take on benefit tenants. A relatively recent report by Shelter¹¹ (Shut out: The barriers low-income households face in private renting June 2017) confirmed this:

“There is significant reluctance among private landlords to let to LHA claimants. Although a large portion of the private rental market has historically been hostile towards housing benefit claimants, survey data suggests that landlord reluctance has increased.”

Housing Benefit Size Criteria in the Social Rented Sector

- 5.22 The Welfare Reform Act (Amendment), 2012, introduced restrictions on how much Housing Benefit working-age households in the social rented sector could claim based on the size of the household compared to the size of the property; previously Housing Benefit has been based on the size of the property rather than the household. This change has particularly impacted on working-age households who are under-occupying their homes. The policy focuses on reducing the benefits bill, increasing mobility in the social housing sector and making better use of the existing social housing stock. This would, therefore, increase the demand for smaller, socially rental homes.
- 5.23 The applicable maximum Housing Benefit which households can claim is reduced by nationally set proportions based on the number of rooms households have which they don't require (a 14% reduction for one spare bedroom or a 25% reduction for two or more spare bedrooms).
- 5.24 At the time of amending the Act, the Government estimated that the change of policy would impact on 67,000 households nationally – 32% of all working-age households in receipt of Housing Benefit. The amendment identified that the average cost to affected households would be a reduction in Housing Benefit of £13 per week in 2013/14.

¹¹ https://england.shelter.org.uk/data/assets/pdf/file/0004/1391701/2017_06_-_Shut_out_the_barriers_low_income_households_face_in_private_renting.pdf

- 5.25 The shared accommodation or single room rate was extended to under 35-year-olds (this formerly applied to under 25-year-olds). This has severely impacted the choice available to this age group and also the ability to move people through supported accommodation to their own tenancies.
- 5.26 These welfare reforms are unlikely to change the calculation of affordable housing need, but they will change the format of that need. For example, there may well be a shift away from AHN being met in the PRS towards other providers.
- 5.27 As stated, they may also have wider impacts such as people working more hours or reducing expenditure. It will also shift demand away from both smaller (due to size criteria) and larger homes (due to benefit caps) towards medium-sized properties.

Affordable Need to Rent

- 5.28 The method for studying the need for affordable housing to rent has been enshrined in Strategic Housing Market Assessment (SHMA) guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy). The analysis below follows the methodology and key data sources in guidance and can be summarised as:
- Current need (an estimate of the number of households who have a need now and based on a range of data modelled from local information);
 - Projected newly forming households in need (based on household projections using the 2016-population projections applied to 2014-based household formations rates (based on the latest population projections and more robust household formation rates) along with an affordability test to estimate numbers unable to afford the market);
 - Existing households falling into need (based on studying the types of households who have needed to access social/affordable rented housing and based on past lettings data);
 - These three bullet points added together indicate the gross need (the current need is divided by 16 to identify the need over the 2020-36 period). If other periods are used then the current need should be divided across that period;
 - Supply of affordable housing (an estimate of the likely number of lettings that will become available from the existing social housing stock – drawing on data from CoRe¹²); and
 - Subtracting the supply from the gross need provides an estimate of the overall (annual) need for affordable housing
- 5.29 Each of these stages is described below. Also, much of the analysis requires a view about affordability to be developed. This includes looking at house prices and private rents along with estimates of local household incomes. The following sections first address these issues.

¹² The continuous recording of lettings and sales in social housing in England (referred to as CoRe) is a national information source that records information on the characteristics of both private registered providers and local authority new social housing tenants and the homes they rent

Local Prices and Rents

- 5.30 An important part of the affordable needs model is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and is thus defined as having an ‘affordable housing need’.
- 5.31 To establish affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes); establishing, in numerical terms, the overall need for affordable housing.
- 5.32 The analysis below considers the entry-level costs of housing to both buy and rent across the study area. The approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to establish lower quartile prices and rents – using a lower quartile figure is consistent with the PPG and reflects the entry-level point into the market.
- 5.33 Data from the Land Registry for the year to September 2019 (i.e. Q4 of 2018 and Q1-Q3 of 2019) shows estimated lower quartile property prices in the area by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £194,000 for a flat in Dacorum, rising to £680,000 for a detached home in Watford. Looking at the lower quartile price across all dwelling types, the analysis shows a lower quartile ‘average’ price of between £291,000 (Watford) and £377,000 (St. Albans).

Table 26: Lower quartile cost of housing to buy – year to September 2019

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Flat/maisonette	£194,000	£272,000	£250,000	£239,000	£220,000
Terraced	£300,000	£373,000	£399,000	£336,000	£326,000
Semi-detached	£370,000	£446,000	£493,000	£421,000	£402,000
Detached	£549,000	£666,000	£627,000	£660,000	£680,000
All dwellings	£293,000	£335,000	£377,000	£334,000	£291,000

Source: Land Registry

- 5.34 Note that Watford has a higher lower quartile house price for all types than Dacorum but a lower overall lower quartile. This is due to the profile of homes being sold i.e. Watford has a higher percentage of sales in lower value flatted properties than Dacorum. Conversely, Dacorum has a higher percentage of sales in higher value detached properties. In both cases, these would skew the overall figures, upwards in the case of Dacorum and downwards in Watford.

- 5.35 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to September 2019. The rental data is based on information about dwelling sizes (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) of between £850 (Dacorum & Watford) and £1,013 (Hertsmere) per month.

Table 27: Lower quartile private rents by size (year to September 2019) – per month

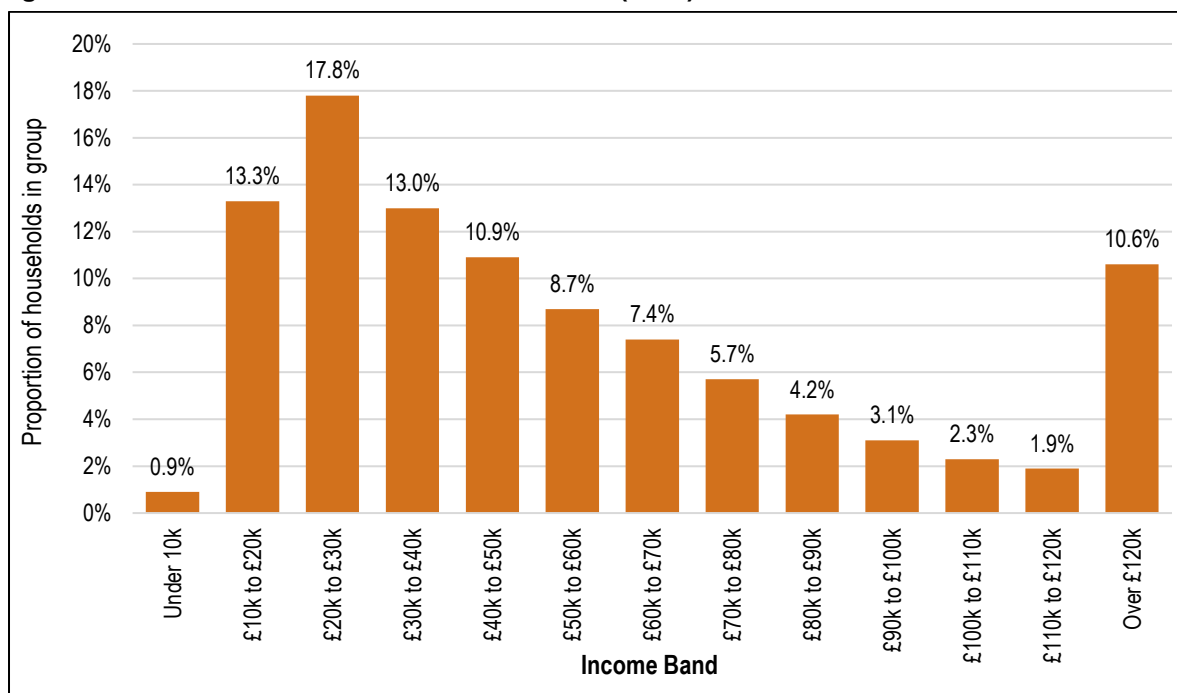
	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Room only	£450	£485
Studio	£675	£688	£650	£675	£650
1-bedroom	£750	£850	£800	£850	£800
2-bedrooms	£925	£1,100	£1,000	£1,095	£1,050
3-bedrooms	£1,200	£1,400	£1,300	£1,375	£1,300
4+-bedrooms	£1,595	£1,950	£1,850	£1,750	£1,625
All properties	£850	£1,013	£950	£1,000	£850

Source: Valuation Office Agency

Incomes

- 5.36 Following on from the assessment of local housing costs it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been modelled based on some different sources of information to provide both an overall average income and the likely distribution of income. The key sources of data include:
- ONS modelled income estimates (published in April 2018 with a 2015/16 base) – this information is provided for middle layer super output areas (MSOA) and is therefore used to build up to local authority areas;
 - English Housing Survey (EHS) – to provide information about the distribution of incomes; and
 - Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed since the ONS base date.
- 5.37 Drawing all of this data together, an income distribution for 2018 has been constructed. Figure 12 shows the income distribution estimated across the study area.
- 5.38 To assess affordability (see below), a household's ability to afford private rented housing without financial support has been studied. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, based on existing incomes.

Figure 12: Distribution of household income (2018) – South West Herts



Source: Derived from a range of data as discussed

- 5.39 Overall the average (mean) income is estimated to be around £58,500, with a median income of £44,200; the lower quartile income of all households is estimated to be £25,600. Table 28 shows the same information for individual local authorities – this shows the highest incomes are estimated to be in St. Albans and the lowest in Watford. For clarity, the incomes used are based on residents based incomes rather than workplace-based.
- 5.40 This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

Table 28: Estimated household income (2018) – local authorities

	Dacorum	Herts- mere	St. Albans	Three Rivers	Watford	South West Herts
Mean	£54,500	£57,400	£67,600	£58,900	£52,400	£58,500
Median	£41,500	£43,700	£51,400	£44,800	£39,900	£44,200
Lower quartile	£24,000	£25,300	£29,700	£25,900	£23,100	£25,600

Source: Derived from a range of data as discussed

Affordability

- 5.41 Therefore to assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households

in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner-occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying).

- 5.42 This analysis, therefore, brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 5.43 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).
- 5.44 The threshold of income to be spent on housing should be set by asking the question 'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy?'
- 5.45 The choice of an appropriate threshold is, therefore, judgement based. The key consideration to understand here is that local income levels are not setting the threshold but are simply being used to assess how many can or can't afford market housing. It is important to consider what residual income is left after households have paid for housing.
- 5.46 At £850-£1,000 per calendar month, lower quartile rent levels in South West Herts are relatively high in comparison to those seen nationally. This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (in areas for instance where private rents are lower).
- 5.47 Across England, the lowest lower quartile rents are around £400 per month (areas with rents at or below this level include Hull and Liverpool and there were a total of 20 local authorities with lower quartile rents not exceeding £400 per month).
- 5.48 If these areas are considered to be at the bottom end of the range (i.e. 25% of income to be spent on housing) then this would leave a residual income of £1,200 per month. With the same residual income applied to Dacorum (as an example), the gross household income required to afford an

£850 PCM lower quartile rent would be £2,050 and so the percentage spent on housing would be 41%.

- 5.49 However, it needs to be considered that the cost of living in South West Herts is likely to be higher than in cheaper parts of England and so a pragmatic approach to determining a reasonable proportion of income has been to take a midpoint between the bottom (25%) and the equivalent residual income figure (41% if looking at Dacorum). In this example, a threshold of 33% would, therefore, be considered as reasonable.
- 5.50 There are however differences in housing costs in different parts of the study area and so this analysis has been carried out for all local authorities individually. Below are the affordability thresholds used in the analysis for each location:
- Dacorum – 33%
 - Hertsmere – 35%
 - St. Albans – 35%
 - Three Rivers – 35%
 - Watford – 33%
- 5.51 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent to ensure a sufficient level of residual income.
- 5.52 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 5.53 For the purposes of this assessment, the income thresholds for owner-occupation assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis.
- 5.54 Table 29 shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable ‘gap’ in between the incomes needed to rent and to buy in all locations (most notably in St. Albans).

Table 29: Estimated Household Income Required to Buy and Privately Rent by LA

	To Buy	To Rent (Privately)
Dacorum	£58,600	£30,700
Hertsmere	£67,000	£34,400
St. Albans	£75,400	£33,000
Three Rivers	£66,800	£34,100
Watford	£58,200	£30,700

Source: Based on Housing Market Cost Analysis

- 5.55 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households (which has consistently been shown to be the case in the English Housing Survey and the Survey of English Housing). Assumptions about income levels for specific elements of the modelling are the same as in previous assessments of affordable need within the 2016 SHMA.
- 5.56 There are also a wide variety of other factors that could increase or decrease the number of households who can access housing in the market. Although the need for affordable housing is driven by rental costs, access to market purchase also depends on factors such as access to mortgages or level of deposit available/required.
- 5.57 It should be recognised that a key challenge in assessing affordable housing need using secondary sources is the lack of information available regarding households' existing savings, or money available from other sources (e.g. assistance from parents). This is a key factor in affecting the ability of young households to purchase housing particularly in the current market context where a deposit of at least 10% is typically required for the more attractive mortgage deals.
- 5.58 Targeted engagement with local agents has identified that a high percentage of first-time buyers receive assistance from friends or family in raising a deposit. On average the agents suggest a figure of around 60% although the actual figures reported ranged from 25% to 95% of first-time buyers. Factors which influence this range include the location (higher rates of assistance in more expensive areas), age, and ethnicity.
- 5.59 This is not however specifically taken account of in the modelling as there is no way to gauge the true level of assistance nor does it mean that such households are not in affordable housing need based on their earnings.
- 5.60 For the affordability testing in this report, however, it is likely to be the case that many households who do not have sufficient savings to purchase have sufficient income to rent housing privately

without support (where a more limited deposit will be required). Therefore, the impact of deposit issues on the overall assessment of affordable housing need is limited.

- 5.61 In terms of the private rental market, access has also been curtailed through benefit caps and a move to Universal Credit. There are also issues relating to delays in payments, payments going to households, not landlords and therefore difficulties in households' budgeting which can mean they are unable to make rent payments.

Current Affordable Housing Need to Rent

- 5.62 In line with PPG paragraph 020 (Reference ID: 2a-020-20190220), the current need (estimated as of 2020) for affordable housing has been based on considering the likely number of households with one or more housing problems.
- 5.63 Housing registers of the local authorities have not been used as each of the Local Authorities appears to be using very different allocations policies and assessments to be allowed onto the register which means it will not be consistent across the HMA.
- 5.64 Nor will the housing registers portray the true extent of affordable housing need as some people who are in need may not place themselves on the register. This is likely to be those in low priority groups such as single males. Nevertheless, as stated in paragraph 6.35, housing registers can be used as a guide to the mix of affordable housing going forward.
- 5.65 Similarly, the model does not include any historic backlog in the delivery of affordable housing. Any historic backlog (or indeed over-delivery) will be picked up by the extent of the current affordable housing need as if delivery was higher this would lead to fewer people being excluded from this group based on their existing tenure i.e. those already in affordable housing.
- 5.66 Table 30 sets out the categories in the PPG and the sources of data being used to establish numbers.

Table 30: Main sources for assessing the current unmet need for rented affordable housing

Category	Source	Notes
Homeless households (and those in temporary accommodation)	MHCLG Live Table 784	Total where a duty is owed but no accommodation has been secured PLUS the total in temporary accommodation
Households in overcrowded housing	Census table LC4108EW	The analysis was undertaken by tenure and updated by reference to national changes (from the English Housing Survey (EHS))
Concealed households	Census table LC1110EW	Number of concealed families (with dependent or non-dependent children)
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households – tenure estimates updated by reference to the EHS
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-023]

- 5.67 It should be noted that there may be some overlap between categories (such as overcrowding and concealed households, whereby the overcrowding would be remedied if the concealed household moved). The data available does not enable an analysis to be undertaken to study the impact of this and so the figures presented may include a small element of double counting. Additionally, some of the concealed households may be older people who have moved back in with their families and might not be considered as being in need.
- 5.68 Table 31 shows the initial estimate of the number of households within the study area with a current affordable housing need. These figures are before any consideration of affordability has been made and has been termed ‘the number of households in unsuitable housing’. Overall, the analysis suggests that there are currently 20,132 households living in unsuitable housing (or without housing).
- 5.69 We also recognise that these are a point in time assessment of affordable housing need and that these may well change over time. For that reason, it is important to undertake regular updates to this assessment.

Table 31: Estimated number of households living in unsuitable housing in SW Herts (2020)

Category of 'need'	Households
Homeless households and those in Temporary Accommodation	573
Households in overcrowded housing	11,003
Concealed households	2,678
Existing affordable housing tenants in need	860
Households from other tenures in need	5,018
Total	20,132

Source: CLG Live Tables, Census (2011) and data modelling

5.70 The data modelling estimates the number of households in unsuitable housing by tenure. In taking this estimate forward into affordability modelling, households already living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The analysis also excludes 90% of owner-occupiers under the assumption (which is supported by analysis of survey data) that the vast majority of those who currently own property will be able to afford market housing once savings and equity are taken into account.

5.71 A final adjustment is to slightly reduce the unsuitability figures in the private rented sector to take account of student-only households – such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be allocated affordable housing (student needs are essentially assumed to be transient). Once these households are removed from the analysis, the remainder is taken forward for affordability testing.

5.72 Table 32 shows it is estimated that 10,734 households were living in unsuitable housing (excluding current affordable housing tenants and the majority (90%) of owner-occupiers) as of 2020.

Table 32: Unsuitable housing by tenure and numbers to take forward into affordability modelling - 2020

	In unsuitable housing	Number to take forward for affordability testing
Owner-occupied	5,284	528
Affordable housing	4,583	0
Private rented	7,013	6,955
No housing (homeless/concealed)	3,251	3,251
Total	20,132	10,734

Source: CLG Live Tables, Census (2011) and data modelling

5.73 Having established this figure, it needs to be considered that a number of these households might be able to afford market housing without the need for subsidy. For example, they may be able to afford a smaller home or to rent rather than service a mortgage.

- 5.74 For an affordability test, an adjusted version of the income data set out in Figure 12 has been used, with the distribution adjusted to reflect a lower average income amongst households living in unsuitable housing.
- 5.75 For the modelling the income distribution reflects a reduced income to 88% of the figure for all households has been used to identify the proportion of households whose needs could not be met within the market (for households currently living in housing) (i.e. the distribution in Figure 12 but with the earnings brackets on the x-axis reduced to 88% e.g. under £8,800 rather than under £10,000).
- 5.76 A lower figure (of 42%) has been used to apply an affordability test for the concealed/homeless households who do not currently occupy housing (i.e. the distribution in Figure 12 but with the earnings brackets on the x-axis reduced to 42% e.g. under £4,200 rather than under £10,000).
- 5.77 These two percentage figures (88% and 42%) have been based on a consideration of typical income levels of households who are in unsuitable housing (based mainly on estimates in the private rented sector within the English Housing Survey) along with typical income levels of households accessing social rented housing (for those without accommodation). These figures are considered to be best estimates and are likely to approximately reflect the different income levels of different groups with a current housing problem.
- 5.78 Based on that set out above just over half of households with a current need are estimated to be likely to have insufficient income to afford market housing and so the estimate of the total current need for rented affordable housing is reduced to 5,604 households in the study area.

Table 33: Estimated Current Rented Affordable Housing Need

	In unsuitable housing (taken forward for affordability test)	% Unable to Afford Market Housing (without subsidy)	Revised Gross Need (including Affordability)
Dacorum	2,129	52.6%	1,120
Hertsmere	2,074	55.1%	1,142
St. Albans	2,209	45.4%	1,003
Three Rivers	1,276	57.0%	727
Watford	3,046	52.9%	1,612
South West Herts	10,734	52.2%	5,604

Source: CLG Live Tables, Census (2011), data modelling and affordability analysis

Affordable Need to Rent from Newly-Forming Households

- 5.79 The number of newly-forming households has been estimated through demographic modelling using the 2016-based Subnational Population Projections (SNPP) and applying household formation assumptions from the 2014-based Subnational Household Projections (SNHP).
- 5.80 This is considered to provide the most robust figures to use in establishing a trend based position. The 2016-based SNPP is the most up-to-date population projection whilst applying the 2014-based SNHP data takes account of longer-term trends in household formation within different age groups (using the formation rates from the 2016-based SNHP would risk building in a further degree of suppressed household formation).
- 5.81 An alternative approach would have been to link new household formation to the projections developed linking to the Standard Method. This, however, is not considered appropriate as the whole point of the Standard Method is to improve affordability and therefore to include an inflated number of households forming would create a potential double count (i.e. those additional households are technically expected to be more likely to be able to afford housing). In addition, as the Standard Method includes an uplift to migration, with additional in-migrants arguably being less likely to need or be eligible for affordable housing.
- 5.82 The numbers of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with the formation of younger households. As shown in Table 34, it is estimated that 5,198 new households will form each year to 2036.
- 5.83 In looking at the likely affordability of newly-forming households, data has been drawn from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with the analysis of English Housing Survey data at a national level).
- 5.84 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly-forming households. The adjustments have been made by changing the distribution of income by bands such that the average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). On this basis, Table 34 below shows the estimated numbers of newly forming households with an affordable housing need.

Table 34: Estimated Level of Rented Affordable Housing Need from Newly Forming Households (per annum 2020-2036)

	No. of new households p.a.	% unable to afford	Total in need
Dacorum	1,304	43.7%	570
Hertsmere	814	46.7%	380
St. Albans	1,299	37.4%	486
Three Rivers	800	45.0%	360
Watford	981	45.6%	448
South West Herts	5,198	43.2%	2,243

Source: Projection Modelling/affordability analysis

- 5.85 The assessment suggests that overall around 43% of newly-forming households in SW Herts will be unable to afford market housing (to rent) and that an annual average total of 2,243 new households will have a need in each year to 2036.

Existing Households Falling into Affordable Housing Need to Rent

- 5.86 The second element of newly arising need is existing households falling into need. This element of the calculation reflects households who are residing in market accommodation now requiring affordable housing. This can happen for several reasons but can include job loss, redundancy or illness resulting in a household no longer being able to afford their current home.
- 5.87 To assess this, trend information from CoRe¹³ has been used. This looked at households who have been housed in affordable homes over the past three years – this group will represent the flow of households onto the Housing Register over this period.
- 5.88 To avoid double-counting newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another affordable rented property (i.e. those already in affordable housing need). By excluding these groups, we will effectively be isolating those existing households falling into need. An affordability test has also been applied.
- 5.89 This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that '*Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)*'.

¹³ **Continuous Recording of Social Housing Lettings and Sales System** is the MHCLG system to record sales and lettings of social housing.

- 5.90 Following the analysis through suggests a need arising from 924 existing households each year from 2020 to 2036 as shown in Table 35.

Table 35: Estimated level of Housing Need from Existing Households (per annum 2020-2036)

	Number of Existing Households falling into Need	% of Need
Dacorum	353	38.2%
Hertsmere	133	14.4%
St. Albans	197	21.3%
Three Rivers	77	8.4%
Watford	163	17.7%
South West Herts	924	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing Through Relets

- 5.91 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 5.92 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from the CoRe system has been used to establish past patterns of social housing turnover. This shows that around 89% of lettings are re-lets with 11% being properties being let for the first time. The calculations do not include the latter as this is effectively the future supply being calculated.
- 5.93 The calculations also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that only lets to new households in needs are included.
- 5.94 Based on past trend data it has been estimated that 1,523 units of social/affordable rented housing are likely to become available each year moving forward. While the number of lets may on a year on year basis (historically and in future) fluctuate and may also increase as supply increases no alternatives have been modelled. The absolute number (1,523 per annum) has been applied to the modelling for the remainder of the plan period.

Table 36: Analysis of past social/affordable rented housing supply (per annum 2016/17 – 2018/19)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Total lettings	1,124	415	588	258	417	2,802
% as non-newbuild	88.0%	91.3%	92.4%	89.7%	86.2%	89.3%
Lettings in existing stock	989	379	544	231	359	2,502
% non-transfers	63.6%	60.3%	55.7%	57.5%	63.9%	60.9%
Total lettings to new tenants	630	228	303	133	230	1,523

Source: CoRe

- 5.95 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. However, these have not been included within the modelling in this report as it distorts the true scale of demand. However, the local authorities can include long-term vacancies within the supply position along with any other homes yet to be built.
- 5.96 Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock); as of 2017, CLG data shows low numbers of vacant social rented stock across the study area.
- 5.97 Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Affordable Housing Need to Rent

- 5.98 Table 37 shows the overall calculation of annual affordable housing need to rent over the period 2020-2036. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis shows that for the period 2020-2036 there is a need for 1,994 dwellings per annum. The annual net need for a local plan period is calculated as follows:

$$\text{Net Need} = \text{Current Need/Plan Period (Years)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Table 37: Estimated Annual Level of Affordable/Social Rental Housing Need (2020-2036)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Current need (divided across 16 year period)	70	71	63	45	101	350
Newly forming households	570	380	486	360	448	2,243
Existing households falling into need	353	133	197	77	163	924
Total Gross Need	993	585	745	483	712	3,517
Supply	630	228	303	133	230	1,523
Net Need	363	356	443	350	482	1,994

Source: Census/CoRe/Projection Modelling and affordability analysis

- 5.99 For authorities with a plan period other than 2020-2036, the current need as stated in the final column of Table 33 should be divided by the number of years in the plan period. This will impact the total gross need, but the other numbers are calculated on a per annum basis so will not change.
- 5.100 Table 38 shows how the estimates in this report compare with those in the previous SHMA (2016) (which took a 2013 base). Overall, this report shows a lower level of affordable need although it should be noted that in both cases the level of need is shown to be quite substantial.

Table 38: Estimated Annual Level of Affordable Need (for households unable to rent in the market)– comparing SHMA and updated assessment

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	South West Herts
SHMA	366	434	617	357	617	2,391
Updated assessment	363	356	443	350	482	1,994
Difference	-3	-78	-174	-7	-135	-397

Source: Census/CoRe/Projection Modelling and affordability analysis and SHMA (Table 39)

- 5.101 While not a like for like comparison it equates to around 50% of the housing need identified in the standard methodology. This would justify the local authorities seeking to attain as much affordable housing as viably possible.
- 5.102 However, that maximum needs to be judged through a separate viability study which considers the mix of affordable housing by tenure and size, as well as some indication of the cost for which such housing might be expected to be rented and sold.
- 5.103 The viability analysis will also need to take account of any proposals for M4(2) and possible M4(3) optional technical standards. These technical standards are considered further in Chapter 7.

Expenditure Assumptions

- 5.104 This section provides scenarios which examine the impact of different expenditure assumptions on the overall affordable housing need to rent. The above analysis is based on affordability assumptions of 33%-35% of income spent on housing. Scenarios based on 25% and 40% of income on housing costs have been provided based on the range of assumptions of what is termed “affordable”.
- 5.105 As per the previous analysis, for those authorities whose plan period differs from the 2020 to 2036 period, the current need should be divided by the number of years in the plan period being used. This will also impact the calculation of the gross and net need all the other factors are shown on a per annum basis.

Table 39: Estimated Annual Level of Affordable/Social Rental Housing Need (2020-2036) – 25% of household income on expenditure

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Current need	87	90	83	57	125	441
Newly forming households	756	518	687	494	585	3,040
Existing households falling into need	395	149	233	87	181	1,046
Total Gross Need	1,238	757	1,003	637	891	4,527
Supply	630	228	303	133	230	1,523
Net Need	609	529	700	505	661	3,004

Source: Census/CoRe/Projection Modelling and affordability analysis

- 5.106 The analysis based on 25% of household income going to household costs increases the affordable housing need by around 50% to 3,004 per annum. In contrast increasing expenditure to 40% reduces the need 25% to 1,488 per annum

**Table 40: Estimated Annual Level of Affordable/Social Rental Housing Need (2020-2036)
– 40% of household income on expenditure**

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Current need	59	64	53	41	85	302
Newly forming households	464	334	400	314	365	1,877
Existing households falling into need	313	125	177	72	146	832
Total Gross Need	836	522	631	426	596	3,011
Supply	630	228	303	133	230	1,523
Net Need	206	294	328	293	366	1,488

Source: Census/CoRe/Projection Modelling and affordability analysis

Split Between Social and Affordable Rented Housing

- 5.107 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will, therefore, require some form of rented housing at a cost below typical market rates, in this case, lower quartile rates. The analysis below seeks to provide some advice about a possible split between affordable and social rented housing.
- 5.108 Typically, there are two main types of rented affordable accommodation (social and affordable rented) with the analysis below initially considering what a reasonable split might be between these two tenures.
- 5.109 An analysis has been undertaken to compare the income distribution of households with the cost of different products. For affordable rented housing, it has been assumed that this would be available at a cost which is 80% of the established lower quartile costs set out earlier in this section.
- 5.110 Any household able to afford a rent between 80% of the market and the full market cost is assumed able to afford an affordable rent, with other households only able to afford a social rent; which would, therefore, be households paying less than 80% of the lower quartile market rent.
- 5.111 The analysis identifies that 13% of the group of households unable to afford market housing to rent would fall in the gap between the market and 80% of the market – there is some limited variation by local authority.
- Dacorum – 13%
 - Hertsmere – 13%
 - St. Albans – 15%
 - Three Rivers – 13%
 - Watford – 12%

5.112 Using the income distribution profile for St Albans as an example 15% households in Affordable Housing Need (i.e. earn less than the £33,000 required to rent privately (see Table 29)) but still earn enough at rents based on a 20% discount. The remaining 85% of those earning below £33,000 would still be reliant on a social rental product.

5.113 The table below also shows the rent levels assumed; it is quite possible that (for example) 80% of market rent would be higher than the figures modelled below and if that were the case then a lower proportion of households would be able to afford.

Table 41: Estimated need for affordable rented housing at 80% of market rents and the assumed relevant rent levels (per month)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
1-bedroom	£600	£680	£640	£680	£640
2-bedrooms	£740	£880	£800	£876	£840
3-bedrooms	£960	£1,120	£1,040	£1,100	£1,040
4+-bedrooms	£1,276	£1,560	£1,480	£1,400	£1,300
% of need for affordable rented	13%	13%	15%	13%	12%

Source: Affordability analysis

5.114 The finding that 13% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. For example, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent (as long as the full rent is covered by Housing Benefit) – hence a higher proportion of affordable rented housing might be appropriate.

5.115 On the flip side, providing more social rents might enable households to return to work more easily, as a lower-income would potentially be needed to afford the lower social (rather than affordable) rent.

5.116 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need.

5.117 Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, affordable rented housing is likely more viable and therefore a greater number of units could be provided.

5.118 Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult –

essentially if tenants of the same home are paying a different rent for the same property and services.

5.119 On this basis, it is not recommended that the Councils have a rigid policy for the split between social and affordable rented housing, although the analysis is clear that both tenures of homes are likely to be required in all areas.

5.120 However, if the Councils do seek to adopt a policy then it should be kept in mind that the splits given above are indicative and the local authorities will be free to choose an alternative split of social and affordable rental properties to reflect local viability or local priorities. This evidence should also be kept under review to ensure any changes in demand, as demonstrated by their housing departments or housing register, are considered.

Affordable Private Rent

5.121 Annex 2 of the NPPF includes within its definition of affordable housing for rent a distinct affordable private rent sector which is expected to be the normal form of affordable housing applicable to Build to Rent schemes. Specifically, the NPPF states:

“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).”

5.122 There is separate guidance on build to rent schemes (for which there is limited but growing demand see Chapter 8). Paragraph 2 of the guidance Reference ID: 60-002-20180913) relates to the provision of affordable housing on build to rent schemes. It reiterates the NPPF and states:

“Affordable private rent and private market rent units within a development should be managed collectively by a single build to rent landlord.

20% is generally a suitable benchmark for the level of affordable private rent homes to be provided (and maintained in perpetuity) in any build to rent scheme. If local authorities wish to set a different proportion they should justify this using the evidence emerging from their local housing need assessment, and set the policy out in their local

plan. Similarly, the guidance on viability permits developers, in exception, the opportunity to make a case seeking to differ from this benchmark.

National affordable housing policy also requires a minimum rent discount of 20% for affordable private rent homes relative to local market rents. The discount should be calculated when a discounted home is rented out, or when the tenancy is renewed. The rent on the discounted homes should increase on the same basis as rent increases for longer-term (market) tenancies within the development.”

5.123 Paragraph 3 of the PPG (Reference ID: 60-003-20180913) goes on to state how affordable private rent should be calculated. It states that “Affordable private rent should be set at a level that is at least 20% less than the private market rent (inclusive of service charges) for the same or equivalent property”. Noting that the market rent should be defined by the adopted standard of the Royal Institute of Chartered Surveyors.

5.124 Paragraph 4 of the PPG (Reference ID: 60-004-20180913) does give an allowance for developers of build to rent schemes to provide other forms of affordable housing if agreed with the local authority. These other routes include “commuted payment and/or other forms of affordable housing” as per the NPPF and “The details of this must be set out in the section 106.”

5.125 There is also some potential for the proportion of affordable private rent and level of discount to be flexed which paragraph 5 of the PPG sets out (Reference ID: 60-005-20180913):

Both the proportion of affordable private rent units, and discount offered on them can be varied across a development, over time. Similarly it should be possible to explore a trade off between the proportion of discounted units and the discount(s) offered on them, with the proviso being that these should accord with the headline affordable housing contribution agreed through the planning permission. All options should be agreed jointly between the local authority and the developer as part of the planning permission, and set out in a section 106 agreement. Guidance on viability confirms that viability studies for build to rent schemes can be customised in this way.

5.126 Given the scale of identified affordable housing need as with other affordable rental products the affordable housing contribution from build to schemes should be maximised to the level which viability permits. Although as per the NPPF such developments are exempt from providing 10% of the homes to be available for affordable home ownership.

Affordable Housing Need – To Buy

5.127 Using the previously established method to look at affordable need, it was estimated that there is a need for 1,994 units per annum – this is for subsidised housing at a cost below that to access the private rented sector (i.e. for households unable to access any form of market housing without some

form of subsidy). It would be expected that this housing would be delivered primarily as social/affordable rented housing.

- 5.128 The revised NPPF introduces a new category of household in affordable housing need and widens the definition of affordable housing (as found in the NPPF – Annex 2). This includes starter homes, discounted market sales housing and other affordable routes to home ownership.
- 5.129 In reality, the Councils will need to consider any specific offers of different tenures against local housing costs and affordability. This would include considering the cost to buy, whether or not a discount is sufficient as well as the overall likely outgoings of a household (for rent, mortgage and service charges) to judge whether shared ownership is affordable or not.
- 5.130 As Table 42 sets out there are just over 2,200 households in the gap between renting and buying and there are a range of products that can fit in this gap – all of these could be considered as ‘affordable’ if the level of discount or equity share is at the right level.
- 5.131 Although this report has examined the need for affordable homes to buy collectively it is considered that discounted market sales housing and shared ownership would be the most suitable products. However, other forms of affordable home ownership (such as Starter Homes) might also be appropriate. Thus, any developed policies within Local Plans should ensure all of these typologies are covered.
- 5.132 This section considers the level of need for all these types of dwellings in South West Hertfordshire. The NPPF states “Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership, unless this would exceed the level of affordable housing required in the area, or significantly prejudice the ability to meet the identified affordable housing needs of specific groups.” (NPPF2, para 64).
- 5.133 The Planning Policy Guidance of February 2019 confirms a widening definition of those to be considered as in affordable need; now including ‘*the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration*’. However, at the time of writing, there is no guidance about how the number of such households should be measured.
- 5.134 The methodology used in this report, therefore, draws on the previous method and includes an assessment of current needs, projected need (newly forming and existing households) and an estimate of the supply of housing. The key difference is that in looking at affordability, an estimate of the number of households in the ‘gap’ between buying and renting is used. To study current need,

an estimate of the number of households living in the private rented sector (PRS) has been established, along with the same (rent/buy gap) affordability test.

- 5.135 For the supply of affordable home ownership, analysis of Land Registry data has been undertaken with the supply figure taken to be the number of homes sold at below lower quartile prices. However, it is the case that market housing is not allocated in the same way as social/affordable rented homes (i.e. anyone can buy a home as long as they can afford it and it is also possible that many lower quartile homes would be sold to households able to afford more, or potentially to investment buyers).
- 5.136 A broad further assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting i.e. the very cheapest accommodation.
- 5.137 In coming to this supply assumption, we recognise that not all of the lower quartile supply will be available to all those households falling in the earnings gap between being able to rent and buy. For example, some homes will be age-restricted and others will be in an uninhabitable state. It is not known exactly what percentage of such homes would be available we have therefore assumed for modelling purposes that half of the lower quartile stock would be unavailable.
- 5.138 In looking at current need, the start point is the number of households living in private rented accommodation; as of the 2011 Census, some 30,791 households were living in the sector in South West Herts. Data from the Survey of English Housing (EHS) suggests that since 2011, the number of households in the PRS has risen by about 22% - if the same proportion is relevant to South West Herts then the number of households in the sector would now be around 37,600.
- 5.139 Additional data from the EHS suggests that 60% of all PRS households expect to become an owner at some point (22,500 households if applied to SW Herts) and of these some 25% (5,600 households) would expect this to happen soon. This has been used as a proxy for the current need with the remaining 75% of the 16,900 used as a component of the future need.
- 5.140 The figure of 5,600 is therefore taken as the number of households potentially with a current need for affordable home ownership before any affordability testing. The remaining households who expect to buy, but in a period of more than 2-years are picked up in the modelling as existing households falling into need (again with an affordability test applied) i.e. future need.
- 5.141 The affordability test used when looking at affordable home ownership is essentially the same as for the main analysis but looks at households who have an income in the gap between renting and buying.

- 5.142 Table 42 shows that following the stages of analysis there is an estimated net need for 1,194 units of affordable home ownership per annum. This figure should be seen as indicating the potential demand for such accommodation, as it should be remembered that all of the households picked up in this analysis will be able to afford market housing in the private rented sector without subsidy.

Table 42: Estimated Annual Need for Affordable Home Ownership (2020-2036)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Current need	25	18	34	14	26	118
Newly forming households	410	260	512	259	303	1,743
Existing households falling into need	76	55	103	41	79	355
Total Gross Need	511	333	649	315	408	2,217
Supply	263	186	265	153	156	1,023
Net Need	248	147	385	162	252	1,194

Source: Range of data sources as described

- 5.143 As per the analysis for affordable homes to buy, for those authorities whose plan period differs from the 2020 to 2036 period, the current need should be divided by the number of years in the plan period being used. This will also impact the calculation of the gross and net need. All the other factors are shown on a per annum basis.
- 5.144 The level of identified need equates to around 30% of the overall housing need (4,043 per annum). Based on this analysis it seems reasonable to suggest that the Councils could consider seeking at least 10% of all housing (on larger sites) to be affordable home ownership (as set out in the NPPF2).
- 5.145 However, given that the main analysis of affordable need to rent also showed a notable level of need (equating to 50% of all dwellings), and one involving households who cannot afford anything in the market without subsidy, it is not considered that there is any basis to increase the provision of affordable home ownership above the 10% figure as to exceed this would be to reduce the supply of affordable homes to rent.
- 5.146 There is effectively a trade-off between delivering a greater number of affordable homes or fewer affordable homes but those homes addressing the most acute needs. This is because typically affordable homes to buy are more viable than affordable homes to rent.
- 5.147 It should be noted that the finding of a 'need' for affordable home ownership does not have any impact on the overall need for housing. As is clear from both the NPPF2 and PPG, the additional group of households in need is simply a case of seeking to move households from one tenure to

another (in this case from private renting to owner-occupation); there is, therefore, no net change in the total number of households, or the overall number of homes required.

- 5.148 It is also the case that whilst schemes such as Help to Buy are technically full market products, they also help meet the demand for low-cost home ownership products. Indeed, that particular scheme has had a fair bit of success in terms of allowing households with limited deposits to access the market.
- 5.149 In South West Hertfordshire the Help to Buy scheme is typically in the form of a 20% Equity Loan which means that buyers only need to raise a 5% cash deposit and a 75% mortgage to make up the rest. Targeted engagement with local agents has also supported the helpful impact of the Help to Buy scheme. One agent noted that 100% of reservations at a development in Hemel Hempstead (Breffani Court) fell under the Help to Buy scheme.

Other Types of Affordable Home Ownership Products

- 5.150 Annex 2 of the NPPF lists a wide range of subsidised routes to home ownership including:
- Starter Homes,
 - Discounted Market Sales Housing and
 - Other Affordable Routes to Home Ownership including
 - Shared Ownership
 - Relevant Equity Loans
 - Other Low-Cost Homes for Sale and
 - Rent to Buy
- 5.151 The analysis above covers the demand for all of these as it is based on those who are unable to buy market accommodation.
- 5.152 The most appropriate of these in the context of SW Hertfordshire are Shared Ownership and Discount Market Sale as these will reach the widest and lowest-earning population base. This is particularly the case if these are sold at the recommended prices set out in the following section.
- 5.153 However, should the local authorities receive any application for the other tenure types (relevant equity loans, other low cost homes and rent to buy) these should be judged on their merits. This will ensure that the widest range of products is available to the market.
- 5.154 Both starter homes and discount market sales have the same price points (at least 80% of market rates) and as such meet the needs of the same group. The main difference between the two is that the discount for discounted market sales remains in place in perpetuity.
- 5.155 Furthermore, there have been no starter homes built since 2014 when the concept was launched. The lack of delivery was attributed to the necessary secondary legislation not having been enacted,

according to the National Audit Office.¹⁴ Until such a time as the secondary legislation is approved, it is unnecessary for local authorities to plan for starter homes.

- 5.156 The NPPF also refers to “entry-level exception sites” which are not a form of affordable housing but “A site that provides entry-level homes suitable for first-time buyers (or equivalent, for those looking to rent),” This definition is to be read in line with paragraph 71 of the NPPF. which states:

“Local planning authorities should support the development of entry-level exception sites, suitable for first-time buyers (or those looking to rent their first home), unless the need for such homes is already being met within the authority’s area. These sites should be on land which is not already allocated for housing and should:

a) comprise of entry-level homes that offer one or more types of affordable housing as defined in Annex 2 of this Framework; and

b) be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in this Framework, and comply with any local design policies and standards.”

- 5.157 There is, therefore, no need to examine the need for exception sites but rather that such sites should meet the criteria above. This would suggest that such sites do not have to provide 10% affordable home ownership but should be 100% affordable, assuming that first-time buyers or equivalents are in affordable housing need.
- 5.158 It will, however, be for the developer to choose the mix they provide, provided they meet the affordable housing definition. It should also be the case that where affordable housing is provided it is also priced at a point which is affordable. What constitutes “affordable” is explored below.
- 5.159 Other “equity-loan” schemes such as Help To Buy have been very successful in supporting younger households onto the housing ladder and in particular to buy homes larger and more quickly than they would have without it.
- 5.160 According to government data,¹⁵ around 38% of new-build sales have been supported by Help to Buy, equating to 4% of all sales, although within more expensive areas (such as London and the East of England) this number is lower.
- 5.161 However, they have also been criticised for being used by those who would have been able to buy a home in any case (31%); 19% were not first-time buyers and 4% had incomes of more than £100,000. Therefore, to ensure that affordable homes to buy are targeted at those most in need this type of accommodation could be avoided. In any case, the scheme is planned to end in 2023.

¹⁴ <https://www.nao.org.uk/wp-content/uploads/2019/11/Investigation-into-starter-homes.pdf>

¹⁵ <https://www.nao.org.uk/wp-content/uploads/2019/06/Help-to-Buy-Equity-Loan-scheme-progress-review.pdf>

- 5.162 For Rent to Buy schemes, it should be ensured that initial rents are set an “affordable” level which includes repair and maintenance responsibilities. There should also be an agreed length of the tenancy before an option to buy or continue to rent again over an agreed period.
- 5.163 The Government has also recently announced a consultation on a further tenure type known as “First Homes”. These “First Homes” are described as flats and homes sold with a discount of at least 30% to local people who want to stay in the community where they live or work but are struggling to purchase a home at market prices. However, it will be for local authorities to set a larger discount to ensure the homes are affordable to local people on a site by site basis. This would then revert to the same level of discount as discount market sales, as set out later in this chapter.
- 5.164 They will be prioritised for first-time buyers, serving members and veterans of the Armed Forces, and key workers, such as nurses, police and teachers. Additionally, the discount will be applied in perpetuity much like discounted market sales.
- 5.165 From the consultation documentation, it is apparent that this type of housing will form part of the affordable homes to buy calculation and would, therefore, be part of the minimum 10% of all new homes as affordable home ownership.

How Much Should Affordable Housing Cost?

- 5.166 The analysis above has studied the overall need for affordable housing, looking at the need for those who cannot afford to rent privately as well as those who fall in the gap between renting and buying.
- 5.167 The analysis in this section discusses the costs at which different types of housing should be made available for them to be genuinely affordable. As social rent is set nationally this report has not examined how much that should cost.
- 5.168 The cost of affordable rent is analysed as is the cost of discount market sales and shared ownership. As the cost of starter homes is the same as discount market sales, the prices set out below can also be applied to that tenure.

The current cost of affordable housing to rent

- 5.169 The current cost of social rental products in South West Hertfordshire is based on a formula set by central government. This is broadly based on the value of the property, relative to local income levels and the size of the property.
- 5.170 The table below shows average social and affordable rents (taken from the Regulator of Social Housing (RSH)) and compares these with lower quartile and median market rents for all size of properties in SW Herts.

Table 43: Comparison of rent levels for different products

	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	Median market rent	AR as % of LQ	AR as % of median
Dacorum	£472	£752	£850	£1,000	88%	75%
Hertsmere	£512	£776	£1,013	£1,225	77%	63%
St. Albans	£483	£885	£950	£1,200	93%	74%
Three Rivers	£497	£715	£1,000	£1,250	72%	57%
Watford	£506	£761	£850	£1,005	90%	76%

Source: RSH and ONS

- 5.171 This analysis shows that social rents are considerably lower than affordable rents; the analysis also shows that affordable rents are on average around 84% a lower quartile market rent and 69% of median rents.
- 5.172 Current government guidance on setting affordable rents¹⁶ states that “Properties let by registered providers are not subject to the Local Housing Allowance. Nevertheless, providers should have regard to the local market context, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located, when setting affordable rents.”
- 5.173 Table 44 shows LHA limits in the six Broad Rental Market Areas (BRMAs) covering South West Herts HMA (the vast majority, although not all, of the study area, is within the South West Herts BRMA). As per the Guidance, the issue of LHA limits should be a key consideration when setting rent levels for any new developments as should the BRMA in which any specific scheme sits. Local Housing Allowance are updated each year and the costs should be updated to amend these¹⁷.

¹⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf

¹⁷ <https://www.gov.uk/guidance/build-to-rent> <https://lha-direct.voa.gov.uk/>

Table 44: Maximum Local Housing Allowance (Housing Benefit) by location and property size (January 2019)

	1-bedroom	2-bedroom	3-bedrooms
Aylesbury	£568	£703	£886
Chilterns	£649	£839	£1,024
South West Herts	£696	£879	£1,103
Outer North London	£891	£1,106	£1,366
South East Herts	£654	£832	£1,028
North West London	£854	£1,082	£1,352

Source: Valuation Office Agency

5.174 However, setting rents at these levels would potentially require low income working families (including some key workers) to claim housing benefit to be able to afford their rent. If affordable rental properties were to be pitched at a level which was truly affordable to those on a lower income, then the analysis below considers what might be a 'Living Rent' which is the level of rent suitable for low income working families. These calculations are based on research by JRF/Savills and use the following methodology:

- Annual Survey of Hours and Earnings (ASHE) lower quartile earnings;
- Adjustment for property size by recognised equivalence model;
- Starting rent set at 28% of net earnings; and
- Rent set at Local Housing Allowance (LHA) limits where calculations show a higher figure

5.175 The analysis in Table 45 shows living rents would start at about £380 for a 1-bedroom home in Dacorum, rising to around £700 for homes with 3-bedrooms in Hertsmere (the Living Rent method only goes up to 3-bedrooms).

Table 45: Living rents (per month) –2018

	1-bedroom	2-bedroom	3-bedrooms
Dacorum	£377	£491	£604
Hertsmere	£434	£564	£694
St. Albans	£423	£550	£677
Three Rivers	£410	£532	£655
Watford	£419	£544	£670

Source: ASHE and Living Rents methodology

5.176 It is not recommended that the local authorities implement policies which restrict rents to Living Rents, these are provided for reference only. However, if rents were to be set at these lower levels it would allow more working households to afford their accommodation without relying on housing benefits.

5.177 It is recognised that charging at living rent levels will reduce the viability of affordable housing delivery and therefore the number of homes potentially provided will also be reduced. Therefore, a

decision is to be made about the tenure split within the rented part of the affordable sector such that there will be some homes provided at social rents and some at affordable rents.

- 5.178 The analysis above sets out a range of potential rent levels based on particular criteria (the income of low-income households and LHA levels). Rents set at the bottom of this range would be affordable to a greater proportion of those households in need however rents at the upper end are likely to deliver more units. There is clearly a decision to be made by local authorities about balancing the quantum of affordable housing to be delivered and the rent levels to be charged.
- 5.179 The discussion above relates to housing that will be provided by either the Council or Registered Providers. It is possible that some affordable housing will come forwards through Build to Rent schemes. Build to Rent schemes are subject to their own PPG. Paragraph 3 of the PPG (Reference ID: 60-003-20180913) states that affordable private rents should be set at least 20% below the private market rents. It is considered that this is a reasonable start point for this type of housing. However, as such accommodation is potentially capped at LHA these rents should not exceed the maximum LHA.

Cost of affordable housing to buy

- 5.180 Table 46 indicates the cost of lower quartile homes to buy by different size and local authorities. This has been garnered from internet research and is not a complete sample but based on a snapshot. As such it should be treated with caution.

Table 46: Lower quartile cost of housing to buy by size – year to September 2019

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
1-bedroom	£199,000	£237,000	£241,000	£200,000	£208,000
2-bedroom	£266,000	£304,000	£343,000	£302,000	£296,000
3-bedroom	£368,000	£427,000	£486,000	£450,000	£405,000
4-bedroom	£537,000	£589,000	£691,000	£557,000	£571,000
All dwellings	£293,000	£335,000	£377,000	£334,000	£291,000

Source: Derived from Internet Price Search

- 5.181 This data can be used to benchmark the potential discount for discounted market sales and shared ownership homes to make them truly affordable.
- 5.182 The NPPF Annex 2 definition of affordable housing suggests AHO products should be made available at a discount of at least 20% from Open Market Value (OMV). The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that AHO housing is more expensive than that typically available in the open market (i.e. lower quartile homes). This is particularly the case when this discount is applied to new homes

which already attract a new-build premium. Alternatively, this level of discount might make housing 'affordable' to only a very small number of households, and those with the least acute needs.

- 5.183 The preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are set out as a range with the bottom end being based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting. The upper level is set based on the estimated lower quartile price to buy a home. Setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option.

Table 47: Affordable Home Ownership Prices (Year to September 2019)

		1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Dacorum	Lower Limit	£135,000	£167,000	£217,000	£288,000
	Upper Limit	£199,000	£266,000	£368,000	£537,000
	Midpoint	£167,000	£217,000	£292,000	£412,000
 					
Hertsmere	Lower Limit	£144,000	£187,000	£237,000	£331,000
	Upper Limit	£237,000	£304,000	£427,000	£589,000
	Midpoint	£191,000	£245,000	£332,000	£460,000
 					
St. Albans	Lower Limit	£139,000	£173,000	£225,000	£321,00
	Upper Limit	£241,000	£343,000	£486,000	£691,000
	Midpoint	£190,000	£258,000	£356,000	£506,000
 					
Three Rivers	Lower Limit	£145,000	£187,000	£234,000	£298,000
	Upper Limit	£200,000	£302,000	£450,000	£557,000
	Midpoint	£172,000	£244,000	£342,000	£428,000
 					
Watford	Lower Limit	£144,000	£190,000	£235,000	£293,000
	Upper Limit	£208,000	£296,000	£405,000	£571,000
	Midpoint	£176,000	£243,000	£320,000	£432,000

Source: GLH Analysis based on VOA and HMLR Data

- 5.184 In some cases, the range is quite wide and in general, it is recommended that the final purchase price of a home should not exceed the midpoint of the range shown above (with ideally homes also being available at a price below this midpoint and close to the lower limit figures).
- 5.185 Looking at the purchase price for affordable home ownership in Table 47 and taking 2-bedroom Affordable Home Ownership in Dacorum as an example it can be seen that for housing to be affordable it would need to be priced in the range of £167,000 to £266,000 – the midpoint of this

range is £217,000. It is suggested that the price of an AHO product should ideally be set at no more than this midpoint if there are to be a reasonable number of households able to afford it.

- 5.186 It is often expected that the cost of AHO is to some extent determined by its discount to Open Market Value (OMV) with the NPPF definition expecting a discount of at least 20% and the proposed 'First Homes' looking at a figure of 30%. It is impossible in this report to set out exactly what level of discount makes homes affordable as this will depend on the actual OMV of any particular product. However, it is possible to provide some indicative figures – these are calculated as the midpoint price for AHO set out above compared with a notional OMV for a newbuild home; the estimates of the newbuild cost are based on lower quartile prices with a 15% newbuild premium (which is the typical premium seen nationally).
- 5.187 Table 48 shows that a discount in the range of about 25% to 36% would be required to make AHO affordable with typically higher discounts being needed for larger homes as they are relatively more expensive. These percentage figures are broadly in line with the latest Government expectation in terms of First Homes.

Table 48: Estimated percentage discount required from Open Market Value to make Discounted Home Ownership Affordable

	1-bed	2-bed	3-bed	4-bed
Dacorum	27%	29%	31%	33%
Hertsmere	30%	30%	32%	32%
St. Albans	31%	35%	36%	36%
Three Rivers	25%	30%	34%	33%
Watford	26%	29%	31%	34%

Source: GLH Analysis of VOA and Internet Data

- 5.188 The local authorities are also required to ensure that discounted market sales homes remain discounted in perpetuity. This can be achieved through mechanisms agreed through the Section 106 Agreement which should set out disposal and occupancy restrictions
- 5.189 The burden can be placed on the occupier: when they decide to sell their homes, they are required to notify the local authority of their intention to sell, which is known as an Availability Notice. Typically, the council can decide to have the first refusal, but if it does not have a suitable buyer meeting their eligibility criteria the home may be sold to anyone without restriction.
- 5.190 However, the property will still need to be sold with the same percentage discount previously received and any prospective buyers must also be eligible but may live anywhere.
- 5.191 Some Local Authorities expect confirmation of the current value via three written valuations and applying the discount. The vendor will need to inform the selling estate agents of the restrictions

by supplying them with a copy of the S106 agreement detailing the rate of discount to assess what the maximum sales value at which the property can be sold.

5.192 Another form of affordable home ownership is shared ownership. The analysis below looks at what level of equity share might be needed to make such housing affordable. The example calculation is based on the following key assumptions:

- OMV¹⁸ at lower quartile price plus 15% (reflecting likelihood that new build homes will have a premium attached and that they may well be priced slightly above a LQ level)
- 10% deposit
- Rent at 2.75% pa on unsold equity
- Repayment mortgage over 25-years at 4%
- A service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes)
- The total cost per month to be equivalent to the cost of renting in the private sector

5.193 The analysis suggests that generally, an equity share of not more than about 25% would potentially be affordable for most sizes of homes in most areas. The exception seems to be St. Albans where the likely OMV of housing makes it difficult to see how a shared ownership product could have a level of outgoings equivalent to accessing the private rented sector. This does not mean that shared ownership should not be provided in St. Albans (clearly such a product has some advantages, such as lower deposit requirements). However, it does suggest that shared ownership schemes are likely to mainly be available to households with higher incomes (within the rent/buy gap).

5.194 It should be noted that these figures are based on a specific estimate of OMV (for whole local authorities) and a specific set of assumptions. Similar calculations would need to be carried out for any specific scheme to test affordability.

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<https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/lowerquartilehousepriceformationalandsubnationalgeographi esquarterlyrollingyearhpssadataset15>

Table 49: Estimated Affordable Equity Share by Size of Dwelling – Dacorum

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£228,850	£305,900	£423,200	£617,550
Share	22%	17%	22%	12%
Equity bought	£51,034	£50,504	£93,527	£72,871
Mortgage Needed	£45,930	£45,454	£84,174	£65,584
Monthly Cost of Mortgage	£243	£240	£444	£346
Retained Equity	£177,816	£255,396	£329,673	£544,679
Monthly Rent on Retained Equity	£407	£585	£756	£1,248
Service Charge	£100	£100	£0	£0
Total Cost	£750	£925	£1,200	£1,595

Table 50: Estimated Affordable Equity Share by Size of Dwelling – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£272,550	£349,600	£491,050	£677,350
Share	19%	23%	23%	24%
Equity bought	£50,967	£80,758	£111,468	£161,548
Mortgage Needed	£45,870	£72,682	£100,322	£145,393
Monthly Cost of Mortgage	£242	£384	£530	£768
Retained Equity	£221,583	£268,842	£379,582	£515,802
Monthly Rent on Retained Equity	£508	£616	£870	£1,182
Service Charge	£100	£100	£0	£0
Total Cost	£850	£1,100	£1,400	£1,950

Table 51: Estimated Affordable Equity Share by Size of Dwelling – St. Albans

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£277,150	£394,450	£558,900	£794,650
Share	10%	0%	1%	1%
Equity bought	£26,468	-£1,578	£7,825	£11,761
Mortgage Needed	£23,821	-£1,420	£7,042	£10,585
Monthly Cost of Mortgage	£126	-£7	£37	£56
Retained Equity	£250,682	£396,028	£551,075	£782,889
Monthly Rent on Retained Equity	£574	£908	£1,263	£1,794
Service Charge	£100	£100	£0	£0
Total Cost	£800	£1,000	£1,300	£1,850

Table 52: Estimated Affordable Equity Share by Size of Dwelling – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£230,000	£347,300	£517,500	£640,550
Share	39%	23%	15%	18%
Equity bought	£90,620	£80,921	£76,849	£114,658
Mortgage Needed	£81,558	£72,829	£69,164	£103,193
Monthly Cost of Mortgage	£431	£385	£365	£545
Retained Equity	£139,380	£266,379	£440,651	£525,892
Monthly Rent on Retained Equity	£319	£610	£1,010	£1,205
Service Charge	£100	£100	£0	£0
Total Cost	£850	£1,095	£1,375	£1,750

Table 53: Estimated Affordable Equity Share by Size of Dwelling – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
OMV	£239,200	£340,400	£465,750	£656,650
Share	26%	20%	20%	7%
Equity bought	£61,714	£69,101	£94,547	£48,920
Mortgage Needed	£55,542	£62,191	£85,093	£44,028
Monthly Cost of Mortgage	£293	£328	£449	£232
Retained Equity	£177,486	£271,299	£371,203	£607,730
Monthly Rent on Retained Equity	£407	£622	£851	£1,393
Service Charge	£100	£100	£0	£0
Total Cost	£800	£1,050	£1,300	£1,625

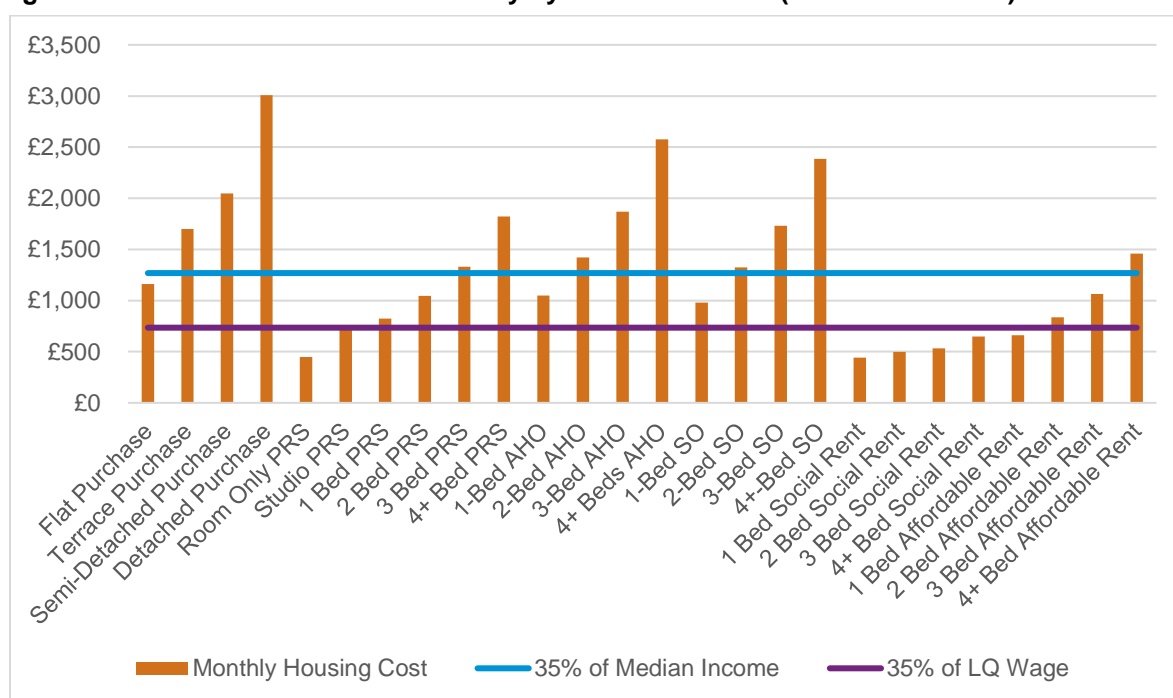
The Cost of Housing Versus Incomes

- 5.195 To draw each of these strands together Figure 13 illustrates the cost of different types and sizes of market and affordable accommodation (based on our recommendations) in comparison to affordable amounts of local earnings.
- 5.196 This figure provides a rough illustration of what is and is not affordable to the local population. This is based on some assumptions relating to mortgage costs for purchase properties including discounted market sale and the Equity Share of Shared Ownership (10% deposit, paid over 25 years and 4% interest using an online mortgage calculator).
- 5.197 The AHO costs are based 80% of OMV and the Shared Ownership Costs on 100% of OMV and a 50% equity share. In both instances, there is £100 per month service charge for 1 and 2-bedroom

homes only. The costs of social and affordable rents are taken from the Regulator of Social Housing (RSH)

5.198 As Figure 13 illustrates, only flats are affordable to buy for those with median earnings in SW Hertfordshire. There is also difficulty in accessing larger homes in all other tenures except for Social Rent.

Figure 13: Costs Versus Affordability by Tenure and Size (SW Hertfordshire)



Source: ASHE, VOA, HMLR and GLH Analysis

5.199 However, it is also clear that those with lower quartile earnings would only be able to afford room-only rates in the PRS. They are however able to afford all but the largest social and affordable rents without spending more than 35% of income. Local authority level analysis is provided within Appendix B. Conclusions on affordability are based on where people live, not where they work.

Linking the need for affordable housing to the overall need for housing

5.200 Paragraph 24 of The PPG concerning housing and economic development needs assessments (Reference ID: 2a-024-20190220) states that:

“The total affordable housing need can then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, taking into account the probable percentage of affordable housing to be delivered by eligible market housing led developments. An increase in the total housing figures included in the

plan may need to be considered where it could help deliver the required number of affordable homes.”

- 5.201 There is no set methodology for how to do this, but other areas have used a nominal 5% or 10% uplift to the housing need when developing their housing requirement. Alternatively, the current Local Plan policy seeks between 35% to 45% affordable housing on eligible developments although delivery is less as not all schemes are eligible (normally due to size). Notwithstanding the sensitivities set out above the level of affordable housing need in the core analysis (1,994) equates to around 49% of overall housing need (4,043).
- 5.202 There is, therefore, some justification for the local authorities to seek to increase total housing to help deliver the required number of affordable homes. This should, however, be considered in the round including the key point explored in the previous SHMA that many of those households picked up as having an affordable housing need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 5.203 It is possible to investigate this in some more detail by re-running the model and excluding those households already living in accommodation. This is shown in Table 54 which identifies that excluding the needs of these households would lead to a reduced level of affordable need of around 852 homes per annum.
- 5.204 This figure is theoretical and should not be seen to be minimising the need (which is acute). It does, however, serve to show that there is a substantial difference in the figures when looking at overall housing shortages.

Table 54: Estimated Annual Need for Affordable Housing (social/affordable rented) excluding households already in accommodation – South West Herts

	Excluding existing households	Including existing households
Current need	132	350
Newly forming households	2,243	2,243
Existing households falling into need	0	924
Total Gross Need	2,375	3,517
Re-let Supply	1,523	1,523
Net Need	852	1,994

Source: Range of data sources as described

- 5.205 The analysis is arguably even more complex than this – it can be observed that the main group of households in need is newly forming households. These households are already included within

demographic projections and so the demonstrating of a need for this group again should not be seen as over and above any need derived through the normal process of looking at LHN.

- 5.206 Indeed, only the 132 per annum current need is shown in Table 54 in addition to demographic projections (as the other groups are all newly forming and picked up in the projections) and this scale of uplift will already have been included in figures when moving from a start point demographic need to an LHN.
- 5.207 Additionally, the supply of affordable housing is based on relets of existing social/affordable rented housing. It is, however, the case that some supply of private rented accommodation will be affordable to those failing to meet the income thresholds set out in this report. This is simply because the threshold is set at a lower quartile rent, and therefore by definition a quarter of all rents must be below this level.
- 5.208 Those households falling into need for affordable housing to buy should not be seen as implying any overall additional need for housing in the study area. Nevertheless, it should also be noted that the analysis has (to provide some outputs) assumed that half of lower quartile homes for sale would be available to meet this need as per the earlier analysis.
- 5.209 If it were assumed that all LQ homes were available, then the need would drop from 1,194 homes per annum to just 171. Again, this should not be seen as minimising the need but is included to emphasize the difficulty in trying to link a modelled level of affordable need to overall housing delivery.
- 5.210 This information would suggest that the Local Authorities should consider an increase in overall housing delivery which in turn will increase the delivery of affordable housing. However, having fully considered all of the information it would be reasonable to conclude that such an increase would not be necessary.

Affordable Housing Need: Key messages and recommendations

- Analysis has been undertaken to estimate the need for affordable housing in the 2020-2036 period. The analysis is split between affordable housing to rent and affordable housing to buy.
- As this includes an assessment of current need then it would, therefore, address the historic backlog.
- Much of the analysis of affordable housing need to rent requires assumptions about affordability. A simplified version of our assumptions is the number of households whose incomes are, based on reasonable assumptions, insufficient to afford lower quartile rents. These are set out below:

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Lower Quartile Rents	£850	£1,013	£950	£1,000	£850
Expenditure Assumptions	33%	35%	35%	35%	33%
Income threshold	£30,700	£34,400	£33,000	£34,100	£30,700

- Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely to have lower average incomes than existing households).
- The overall calculation of rented affordable housing need over a plan period is based on the following formula.

$$\text{Net Need} = \text{Current Need/Plan Period} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Rented Affordable Housing}$$

- Applying this approach, the analysis shows that 1,994 households will require affordable housing to rent per annum between 2020 and 2036. However, it should be stressed that this report does not provide affordable housing for rent target but merely identifies the scale of the need. The table below sets out the calculation for each local authority for the period 2020-2036. Where plan periods vary from 2020-2036, these figures may need to be adjusted as indicated in the report.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
363	356	443	350	482	1,994

- **Recommendation: Such is the scale of affordable housing need that the local authorities should seek to deliver as much affordable housing to rent as viability allows.**
- Based purely on the proportion of households in affordable housing need that would be able to afford an affordable rent (set at 80% of current lower quartile rents) and those who can only afford housing which is cheaper than that the following proportions of affordable rented property which should be provided as social rent would be appropriate:

- Dacorum – 87%
 - Hertsmere – 87%
 - St. Albans – 85%
 - Three Rivers – 87%
 - Watford – 88%
- The splits given above are indicative and the local authorities will be free to choose an alternative split to reflect local viability or local priorities.
 - The Council's should also seek the maximum viable level of affordable private rental accommodation on build to rent schemes, with a minimum contribution of 20% expected.
 - In examining the need for affordable housing to buy the NPPF states "Where major development involving the provision of housing is proposed, planning policies and decisions should expect at least 10% of the homes to be available for affordable home ownership"
 - The methodology used in this report looks at affordability by estimating the number of households in the 'gap' between buying and renting. For the supply of affordable home ownership, a broad assumption has been used that around half of the lower quartile homes would be available to meet the needs of households with an income in the gap between buying and renting.
 - There is an estimated net need for 1,194 units of affordable home ownership per annum between 2020 and 2036. The table below sets out the calculation for each local authority. These figures should be seen as indicating the potential demand for such accommodation, as all of the households identified will be able to afford a private rented sector home without subsidy.

Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
248	147	385	162	252	1,194

- The identified need for affordable home ownership properties equates to around 30% of the overall housing need (4,043 per annum). However, the need for rented affordable housing is about 50% of all dwellings and this involves households who cannot afford anything in the market without subsidy. Therefore, there is no basis to increase the provision of affordable home ownership above the NPPF's 10% figure, as to exceed this would reduce the supply of affordable social rental homes.
- As per the PPG local authorities should consider an increase in housing requirements where it could help deliver the required number of affordable homes. However, based on information set out herein it would be reasonable to conclude that after consideration it is not necessary to increase housing delivery.
- **Recommendation: Based on this analysis it seems reasonable to suggest that the Councils could consider seeking 10%, but no more, of all housing (on larger sites) to be affordable home ownership (as set out in the NPPF2).**
- However, there is effectively a trade-off between delivering more affordable homes to buy or delivering fewer affordable homes to rent (due to lower viability), but the latter should be given priority as it makes provision for those that are more in need.

- **Recommendation: In the context of SW Hertfordshire Shared Ownership and Discount Market Sales are the most appropriate of the low-cost home ownership products as these will reach the widest and lowest earnings population base. This is particularly the case if these are sold at the recommended prices.**
- However, should the local authorities receive applications for the other tenure types (relevant equity loans, other low cost homes, rent to buy and affordable housing private rent) these can be judged on their merits. This will ensure that the widest range of products is available to the market.
- The analysis in this report also identifies the costs of different types of affordable housing for them to be genuinely affordable.
- Local authorities should consider the rent levels for affordable rents. Whilst affordable rents are not capped at LHA limits it is the case that government policy states that the relevant LHA should be a consideration when setting rent levels. The Councils may also wish to reduce these further to ensure a greater number of low-income working families can access these products.
- At present the maximum Local Housing Allowance (Housing Benefit) by location and property size (January 2019) are as follows:

	1-bedroom	2-bedroom	3-bedrooms
Aylesbury	£568	£703	£886
Chilterns	£649	£839	£1,024
South West Herts	£696	£879	£1,103
Outer North London	£891	£1,106	£1,366
South East Herts	£654	£832	£1,028
North West London	£854	£1,082	£1,352

- Affordable private rental units within build to rent developments should be priced at least 20% below market rates. It is considered that this is a reasonable start point for this type of housing. However, as such accommodation is potentially capped at LHA rates these rents should not exceed the maximum LHA.
- In examining the cost for low-cost home ownership products, the preferred approach in this report is to set out a series of affordable purchase costs for different sizes of accommodation. These are set out as a range with the bottom end being based on equivalising the private rent figures into a house price so that the sale price will meet the needs of all households in the gap between buying and renting.
- The upper level is set based on the estimated lower quartile price to buy a home. Setting higher prices would mean that such housing would not be available to households for whom the Government is seeking to provide an 'affordable' option.
- **Recommendation: The final purchase price of a discount market sales homes should not exceed the midpoint of the range shown below (with ideally homes also being available at a price below this midpoint and close to the lower limit figures).**

		1-bedroom	2-bedrooms	3-bedrooms	4+ bedrooms
Dacorum	Lower Limit	£135,000	£167,000	£217,000	£288,000
	Upper Limit	£199,000	£266,000	£368,000	£537,000
	Midpoint	£167,000	£217,000	£292,000	£412,000
Hertsmere	Lower Limit	£144,000	£187,000	£237,000	£331,000
	Upper Limit	£237,000	£304,000	£427,000	£589,000
	Midpoint	£191,000	£245,000	£332,000	£460,000
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	Midpoint	£190,000	£258,000	£356,000	£506,000
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	Upper Limit	£200,000	£302,000	£450,000	£557,000
	Midpoint	£172,000	£244,000	£342,000	£428,000
Watford	Lower Limit	£144,000	£190,000	£235,000	£293,000
	Upper Limit	£208,000	£296,000	£405,000	£571,000
	Midpoint	£176,000	£243,000	£320,000	£432,000

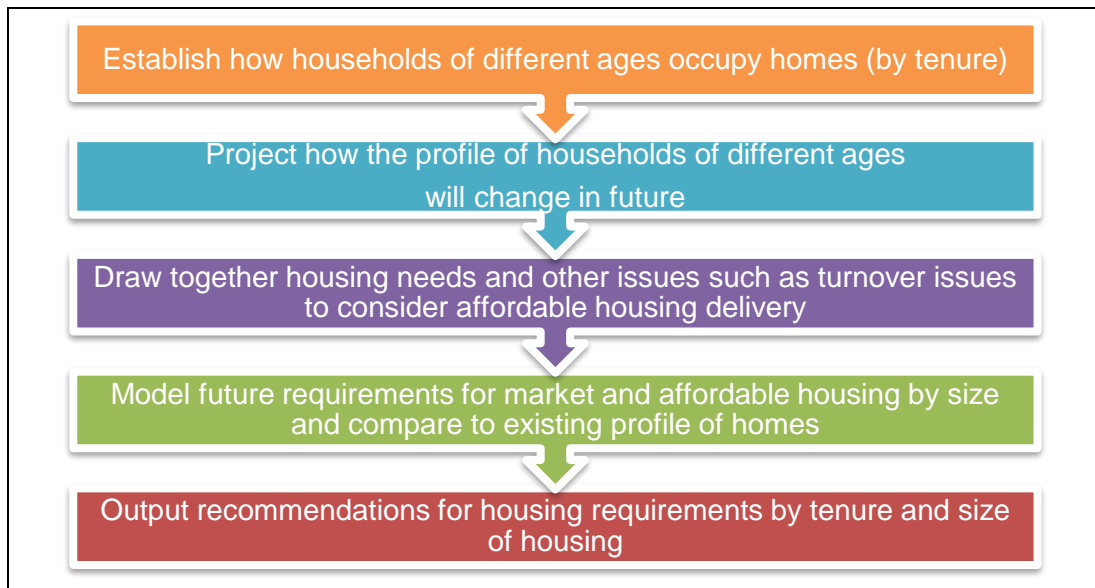
- This report also examines the potential cost and level of equity share that might be needed to make shared ownership housing affordable (see Tables 49 to 53). The analysis suggests that generally, an equity share of not more than about 25% would potentially be affordable for most sizes of homes in most areas, although there are issues in St Albans when this tenure does not appear to be affordable to the target group.

6 HOUSING MIX

Introduction

- 6.1 A further area of analysis is around the mix of housing required in different tenures. The revised NPPF says 'the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies'; this includes families with children.
- 6.2 The PPG does not provide any guidance about this topic although the previous PPG did say (paragraph 2a-021) that 'plan makers can identify current numbers of families, including those with children, by using the local household projections'.
- 6.3 This section, therefore, looks at a range of statistics concerning families (generally described as households with dependent children) before moving on to look at how the numbers are projected to change moving forward.
- 6.4 The analysis finishes by looking at the mix of housing required (covering all household groups and tenures); this analysis takes account of the way different groups occupy housing and links to projections of change in household types and ages.
- 6.5 A range of background data is initially set out along with the approach to modelling the need for housing of different sizes. The approach uses information about how different households occupy accommodation by tenure and size based on the age of the head of the household.
- 6.6 There is a range of factors which influence housing demand. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of the demand for different types, tenures and sizes of homes.
- 6.7 It is also important to understand that the housing market is influenced by macro-economic factors, such as access to mortgages and who is delivering homes as well as the housing market conditions at a regional and local level.
- 6.8 Demographic changes are however expected to be a key long-term driver. It is reasonable to consider the implications of demographic trends (and in particular changes in the age structure of the population) as a starting point for considering what mix of housing might be needed over the period to 2036.
- 6.9 Figure 14 describes the broad methodology employed in housing market modelling. Data is drawn from a range of sources including the 2011 Census and the demographic projections.

Figure 14: Stages in the Housing Market Model



- 6.10 Essentially, the model starts with the current profile of housing (as of 2020 to align with other analysis) in terms of size (bedrooms) and tenure (for the second method). Within the data, information is available about the household type or age of households and the typical sizes of homes they occupy.
- 6.11 By using demographic projections, it is possible to see which age groups are expected to change in number, and by how much. On the assumption that occupancy patterns for each age group (within each tenure where relevant) remain the same, it is, therefore, possible to work out what the profile of housing should be at a point in time in the future (2036 in terms of this assessment).
- 6.12 By subtracting the current profile of housing from the projected profile, it is possible to calculate the net change in housing needed (by size). Many of the tables to follow therefore have a '2020' heading and a '2036' one; the difference between the figures in these two columns is the net change in households over the 16 years (if the assumptions used play out). Conventionally, the main outputs are presented as a percentage need for each size of home within each tenure category.
- 6.13 It should be noted that the modelled approach reflects current occupancy patterns by age of the household reference person (head of a household). However, this may not be the best use of accommodation and therefore may not best meet local needs. For example, it would perpetuate the current levels of under-occupation.
- 6.14 It is a reasonable policy choice to ensure optimal use of the existing stock. This would require the delivery of additional smaller, high-quality, homes than the modelling would suggest (or specialist

accommodation) which would encourage downsizing from under-occupied properties. The larger properties are thus freed up for family accommodation.

- 6.15 Our conclusions take the outputs from the models and augment these with other evidence (such as that related to turnover of smaller affordable homes, the acute need for family-sized affordable homes and the under-occupation of private homes) to get to a recommended mix.
- 6.16 However, it will ultimately be for the Council(s) to write into policy the approach which best meets their local circumstance. This could be, for example, a desire for further downsizing or a pragmatic approach to a constrained housing supply both of which would see a greater proportion of smaller homes being built.

Background Data

- 6.17 The number of families in the study area (defined for this assessment as any household which contains at least one dependent child¹⁹) totalled 73,700 as of the 2011 Census, accounting for 32% of households. This proportion is slightly higher than both the regional and national average.
- 6.18 For individual local authorities, there is relatively little difference between individual local authority areas in terms of the overall proportion of households with dependent children; however, Watford does show the highest proportions of both lone parent and 'other' households²⁰.

¹⁹ A dependent child is any person aged 0 to 15 in a household (whether or not in a family) or a person aged 16 to 18 in full-time education and living in a family with his or her parent(s) or grandparent(s). It does not include any people aged 16 to 18 who have a spouse, partner or child living in the household.

²⁰ Unrelated multi-person adult households e.g. house shares. HMOs

Table 55: Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other households	All other households	Total	Total with dependent children
Dacorum	No.	10,914	2,520	3,997	1,227	41,280	59,938	18,658
	%	18.2%	4.2%	6.7%	2.0%	68.9%	100.0%	31.1%
Hertsmere	No.	7,864	1,378	2,727	1,088	26,721	39,778	13,057
	%	19.8%	3.5%	6.9%	2.7%	67.2%	100.0%	32.8%
St. Albans	No.	13,058	1,842	2,751	1,058	37,431	56,140	18,709
	%	23.3%	3.3%	4.9%	1.9%	66.7%	100.0%	33.3%
Three Rivers	No.	7,071	1,283	2,105	892	23,757	35,108	11,351
	%	20.1%	3.7%	6.0%	2.5%	67.7%	100.0%	32.3%
Watford	No.	6,671	1,376	2,639	1,243	24,752	36,681	11,929
	%	18.2%	3.8%	7.2%	3.4%	67.5%	100.0%	32.5%
South West Herts	No.	45,578	8,399	14,219	5,508	153,941	227,645	73,704
	%	20.0%	3.7%	6.2%	2.4%	67.6%	100.0%	32.4%
East of England	%	19.2%	4.0%	6.4%	2.2%	68.2%	100.0%	31.8%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: Census (2011)

6.19 Table 56 shows how the number of households with dependent children changed from 2001 to 2011. Overall there was only a notable increase in the number of households with dependent children, increasing by 12% (7,928) compared to a 7.3% increase in all households. Within this, there was a large increase in the number of cohabiting couples (33%), lone parents (35%) and 'other' households (25%), and a marginal increase in married couples (2%). "Other households" include dwellings where two or more unrelated adults share accommodation.

Table 56: Change in households with dependent children (2001-11) – South West Herts

	2001	2011	Change	% change
Married couple	44,536	45,578	1,042	2.3%
Cohabiting couple	6,307	8,399	2,092	33.2%
Lone parent	10,529	14,219	3,690	35.0%
Other households	4,404	5,508	1,104	25.1%
Total with dependent children	65,776	73,704	7,928	12.1%
Households with no dependent children	146,449	153,941	7,492	5.1%
Total	212,225	227,645	15,420	7.3%

Source: Census (2001 and 2011)

6.20 At a local authority level, the growth in households with dependent children has been largest in Watford both in percentage terms (22.5%) and absolute terms (2,192). The smallest growth was in

Dacorum again in percentage (5.7%) and absolute terms (1,008). Notably, Watford has the lowest starting point and Dacorum the highest, so this is perhaps not unexpected.

Table 57: Change in households with dependent children (2001-11) – Local Authority

	Dacorum		Hertsmere		St. Albans		Three Rivers		Watford	
	Change	%	Change	%	Change	%	Change	%	Change	%
Married couple	-984	-8.3%	-78	-0.2%	1,533	2.9%	9	0.0%	562	1.7%
Cohabiting couple	649	34.7%	305	3.8%	500	4.3%	359	5.1%	279	4.6%
Lone parent	1,101	38.0%	634	59.1%	447	33.3%	470	50.9%	1,038	94.6%
Other households	242	24.6%	226	10.8%	152	6.6%	171	10.5%	313	19.6%
Total with dependent children	1,008	5.7%	1,087	9.1%	2,632	16.4%	1,009	9.8%	2,192	22.5%
Households with no dependent children	3,022	7.9%	822	3.2%	849	2.3%	660	2.9%	2,139	9.5%
Total	4,030	7.2%	1,909	5.0%	3,481	6.6%	1,669	5.0%	4,331	13.4%

Source: Census (2001 and 2011)

6.21 Table 58 shows the projected change to the number of children (aged Under 15) from 2020 to 2036 as indicated by the population projection linked to the standard method. The projections see a notable increase (11.8%) in the number of children as migrant families associated with the additional homes tend to be of child-bearing age.

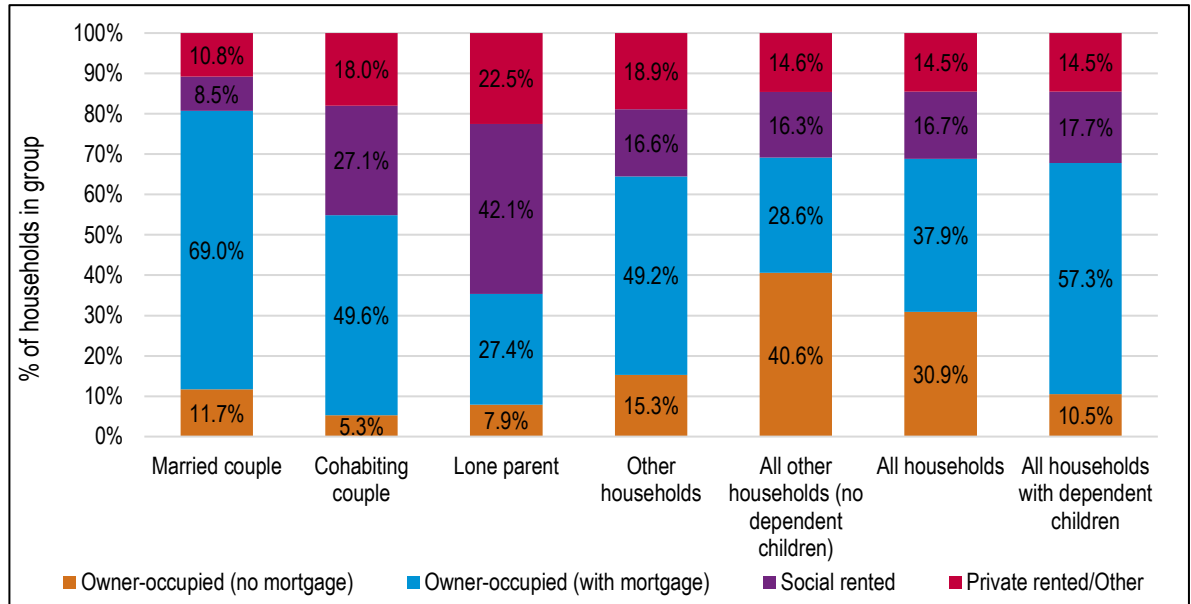
Table 58: Estimated change in the population aged 15 and under (2020-2036) – South West Herts

	Population aged 15 and under		Change (2020-2036)	% change from 2020
	2020	2036		
Dacorum	32,304	36,115	3,812	11.8%
Hertsmere	22,612	25,430	2,818	12.5%
St. Albans	33,607	36,749	3,141	9.3%
Three Rivers	19,491	21,796	2,305	11.8%
Watford	22,144	25,406	3,263	14.7%
South West Herts	130,158	145,496	15,338	11.8%

Source: ONS and derived from demographic modelling

6.22 Figure 15 shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only 35% of lone parent households are owner-occupiers compared with over 80% of married couples with children.

Figure 15: Tenure of households with dependent children – South West Herts



Source: Census (2011)

- 6.23 As well as households containing dependent children there will be other (non-dependent) children living as part of another household (typically with parents/grandparents). Table 59 shows the number of households in the study area with non-dependent children.
- 6.24 In total, some 10% of households (22,700) contained non-dependent children as of 2011. This may to some degree highlight the difficulties faced by young people in accessing housing. Ineligibility for social housing, lower household incomes and the unaffordability of owner-occupation for such age groups all contribute to the current trend for young people moving in with or continuing to live with parents. The proportion of households with non-dependent children in the study area is very slightly higher to that seen in other areas.

Table 59: Households with non-dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	All other households	Total	Total with non-dependent children
Dacorum	No.	3,619	304	1,999	54,016	59,938	5,922
	%	6.0%	0.5%	3.3%	90.1%	100.0%	9.9%
Hertsmere	No.	2,659	229	1,574	35,316	39,778	4,462
	%	6.7%	0.6%	4.0%	88.8%	100.0%	11.2%
St. Albans	No.	3,166	219	1,693	51,062	56,140	5,078
	%	5.6%	0.4%	3.0%	91.0%	100.0%	9.0%
Three Rivers	No.	2,444	152	1,232	31,280	35,108	3,828
	%	7.0%	0.4%	3.5%	89.1%	100.0%	10.9%
Watford	No.	2,003	168	1,272	33,238	36,681	3,443
	%	5.5%	0.5%	3.5%	90.6%	100.0%	9.4%
South West Herts	No.	13,891	1,072	7,770	204,912	227,645	22,733
	%	6.1%	0.5%	3.4%	90.0%	100.0%	10.0%
East of England	%	5.9%	0.5%	3.2%	90.5%	100.0%	9.5%
England	%	5.6%	0.5%	3.5%	90.4%	100.0%	9.6%

Source: Census (2011)

- 6.25 Table 60 shows that the number of households with non-dependent children increased at a greater rate than changes to other households from 2001 to 2011. In total, the number of households with non-dependent children increased by 1,916 (a 9.2% increase) with around two-thirds of this being in lone parent households.

Table 60: Change in households with non-dependent children (2001-11) – SW Herts

	2001	2011	Change	% change
Married couple	13,597	13,891	294	2.2%
Cohabiting couple	687	1,072	385	56.0%
Lone parent	6,533	7,770	1,237	18.9%
Total with non-dependent children	20,817	22,733	1,916	9.2%
All other households	191,408	204,912	13,504	7.1%
Total	212,225	227,645	15,420	7.3%

Source: Census (2001 and 2011)

- 6.26 At a local authority level St. Albans had the highest growth in households with non-dependent children. The lowest growth was in Dacorum. Only Watford had a higher level of growth in all households than in households with non-dependent children

Table 61: Change in households with non-dependent children (2001-11) – Local Authority

	Dacorum		Hertsmere		St. Albans		Three Rivers		Watford	
	Change	%	Change	%	Change	%	Change	%	Change	%
Married couple	6	0.2%	120	4.7%	1	0.0%	117	5.0%	50	2.6%
Cohabiting couple	90	42.1%	94	69.6%	104	90.4%	41	36.9%	56	50.0%
Lone parent	373	22.9%	175	12.5%	357	26.7%	168	15.8%	164	14.8%
Total with non-dependent children	469	8.6%	389	9.6%	462	10.0%	326	9.3%	270	8.5%
All other households	3561	7.1%	1520	4.5%	3019	6.3%	1343	4.5%	4061	13.9%
Total	4030	7.2%	1909	5.0%	3481	6.6%	1669	5.0%	4331	13.4%

Source: Census (2001 and 2011)

6.27 The growth nationally can be attributed to worsening affordability which has meant children not being able to move out of their family homes in the same numbers as they once had. This is also reflected in the reduced household formation rates explained earlier in this report.

Projected Changes to Family Households

6.28 As well as looking at the number of households with dependent children, the characteristics of these households and how numbers have changed over time, it is possible to use household projections to see how the number of these households is likely to change moving forward. This information is provided for each of the local authorities within Appendix C

6.29 The official household projections use a range of household typologies with three categories for dependent children depending on the number of children. Unfortunately, the projections no longer look at projecting lone parent households separately from other households with children.

6.30 The initial analysis has been undertaken to consider what the profile of households might be with dwelling delivery in line with the Standard Method – this is shown in Table 62. This shows a significant positive change in the number of households with dependent children, increasing by 18,200 households (22%) over the 16 years – the most notable increase is in households with one dependent child.

Table 62: Change in household types 2020-2036 (linked to Standard Method) – SW Herts

	2020	2036	Change	% change
One-person household (aged 65 and over)	29,867	40,571	10,703	35.8%
One-person household (aged under 65)	41,093	53,393	12,300	29.9%
Couple (aged 65 and over)	28,246	42,903	14,658	51.9%
Couple (aged under 65)	29,776	26,420	-3,356	-11.3%
A couple and one or more other adults: No dependent children	20,100	25,716	5,616	27.9%
Households with one dependent child	35,558	45,376	9,818	27.6%
Households with two dependent children	34,886	42,116	7,229	20.7%
Households with three dependent children	12,412	13,564	1,152	9.3%
Other households	15,623	20,973	5,350	34.2%
TOTAL	247,561	311,032	63,471	25.6%
Total households with dependent children	82,856	101,056	18,200	22.0%

Source: Demographic projections

- 6.31 Table 63 looks at projected changes to the number of households with dependent children in each local authority when linking to the Standard Method housing need. The analysis shows that all areas are projected to see substantial increases; particularly in Watford where the projected increase in the number of households with dependent children is over 28%.

Table 63: Change in number of households with dependent children 2020-2036 (linked to Standard Method) – local authorities

	2020	2036	Change	% change
Dacorum	20,612	25,316	4,704	22.8%
Hertsmere	14,152	16,898	2,746	19.4%
St. Albans	20,810	25,010	4,200	20.2%
Three Rivers	12,758	15,228	2,470	19.4%
Watford	14,525	18,604	4,079	28.1%
South West Herts	82,856	101,056	18,200	22.0%

Source: Demographic projections

- 6.32 The growth in the number of households with dependent children primarily arises as a result of natural growth and families relocating to South West Hertfordshire (particularly those priced out of London) seeking more affordable and diverse housing choice.

Current Stock of Housing by Size and Tenure

- 6.33 It should be noted that the current stock of housing (by size) can have a notable impact on the outputs of the modelling and Table 64 shows a comparison of the size profile of accommodation in

a range of areas in three broad tenure groups as of 2011. This shows that South West Herts has a fairly typical stock profile when compared with other locations and does not indicate any strong reason to adjust modelled outputs to compensate for any apparent stock imbalances.

Table 64: Number of bedrooms by tenure and a range of areas (2011)

		South West Herts	East of England	England
Owner-occupied	1-bedroom	5%	4%	4%
	2-bedrooms	21%	22%	23%
	3-bedrooms	43%	46%	48%
	4+-bedrooms	31%	29%	25%
	TOTAL	100%	100%	100%
Social rented	1-bedroom	32%	30%	31%
	2-bedrooms	31%	33%	34%
	3-bedrooms	34%	33%	31%
	4+-bedrooms	4%	4%	4%
	TOTAL	100%	100%	100%
Private rented	1-bedroom	27%	21%	23%
	2-bedrooms	41%	38%	39%
	3-bedrooms	23%	30%	28%
	4+-bedrooms	9%	11%	10%
	TOTAL	100%	100%	100%

Source: Census 2011

- 6.34 Table 65 shows the same information for the five local authorities. This shows that there are some differences across locations, although generally, these are not particularly significant. Of note, however, is the relatively low proportion of 4+-bedroom homes in the market stock in Watford (21% of the stock compared with 31% across the study area). Watford also has a higher than average proportion of 1-bedroom across all sectors.

Table 65: Number of bedrooms by tenure and sub-areas (2011) – local authorities

		Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Owner-occupied	1-bedroom	4%	5%	4%	4%	8%	5%
	2-bedrooms	19%	23%	19%	21%	25%	21%
	3-bedrooms	44%	44%	39%	43%	46%	43%
	4+-bedrooms	32%	28%	38%	32%	21%	31%
	TOTAL	100%	100%	100%	100%	100%	100%
Social rented	1-bedroom	30%	31%	32%	37%	33%	32%
	2-bedrooms	30%	34%	31%	29%	30%	31%
	3-bedrooms	35%	31%	33%	33%	34%	34%
	4+-bedrooms	5%	4%	4%	2%	4%	4%
	TOTAL	100%	100%	100%	100%	100%	100%
Private rented	1-bedroom	26%	21%	26%	20%	35%	27%
	2-bedrooms	42%	40%	42%	42%	40%	41%
	3-bedrooms	24%	27%	22%	28%	20%	23%
	4+-bedrooms	9%	12%	9%	10%	6%	9%
	TOTAL	100%	100%	100%	100%	100%	100%

Source: Census 2011

Current Housing Register

- 6.35 The current housing register, while not used for the affordable housing need calculations, can be used as a guide to the mix of affordable housing going forward. Although this should be monitored, and any significant changes responded to.
- 6.36 What is clear is that for most authorities, especially Dacorum, the need for smaller dwellings (1 and 2-bedrooms) are most prominent. Although Hertsmere, St. Albans and Watford also need 3-bedroom homes. There are very few households on the housing register in any local authority requiring 4+ bedrooms.

Table 66: Housing Register by Size of Home Required (2020)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
1-bedroom	65%	25%	32%	51%	39%
2-bedrooms	23%	38%	34%	30%	29%
3-bedrooms	10%	34%	31%	17%	28%
4+-bedrooms	2%	3%	4%	2%	4%
TOTAL	100%	100%	100%	100%	100%

Source: MHCLG, 2019

- 6.37 It should also be reiterated that while the need is greatest for 1 and 2-bedroom properties these sizes also have the greatest turnover. This is reflected in our overall conclusions.
- 6.38 This report does not provide an HMA wide figure as the local authorities have different criteria to each other as a result the numbers would be skewed by those local authorities that have a more open policy than those with a more restrictive policy. For example, Dacorum has over 10 times more people on their register than Hertsmere.

Mix by Age of Household Reference Person

- 6.39 As stated in the introduction to this chapter the model looks at the ages of the Household Reference Person (HRP – often called the head of household) and how these are projected to change over time for different tenures. The sub-sections to follow describe some of the key analysis.

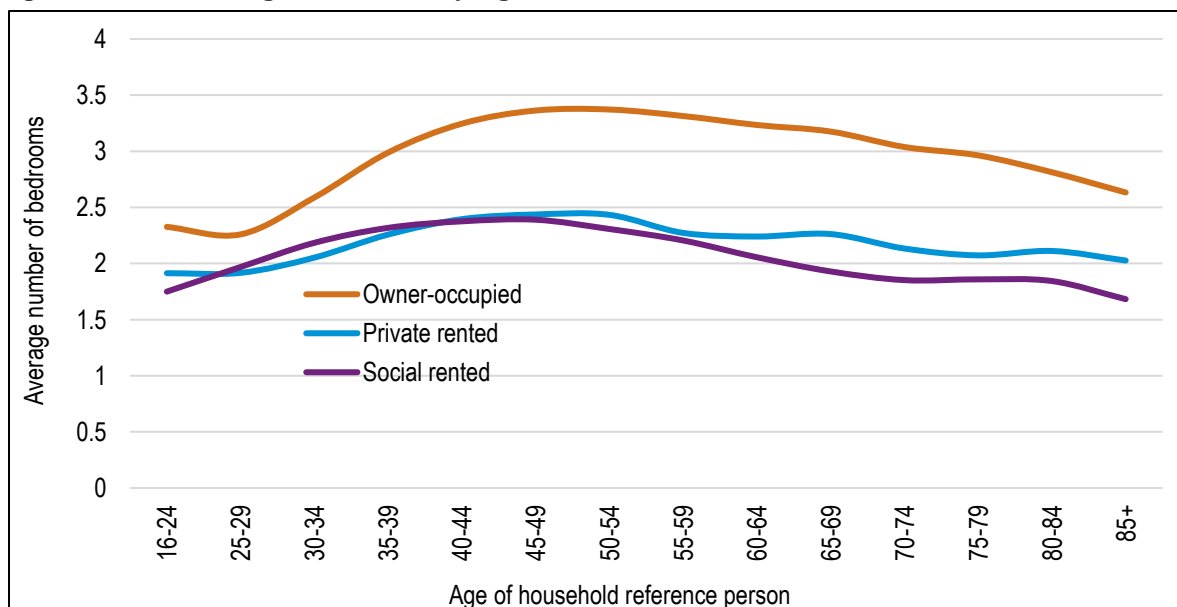
Understanding how Households Occupy Homes

- 6.40 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households can buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 6.41 The size of housing which households occupy relates more to their wealth and age than to the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single-person households does not automatically translate into a need for smaller units.
- 6.42 That said, issues of supply can also impact occupancy patterns, for example, it may be that a supply of additional smaller bungalows (say 2-bedrooms) would encourage older people to downsize but

in the absence of such accommodation, these households remain living in their larger accommodation.

- 6.43 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the 'bedroom tax').
- 6.44 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table CT0621 which provides relevant data for all local authorities in England and Wales from the 2011 Census).
- 6.45 Figure 16 shows an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group across the HMA. The figures for each local authority are provided in Appendix D.
- 6.46 In the owner-occupied sector, the average size of accommodation rises over time to typically reach a peak around the age of 45; a similar pattern (but with smaller dwelling sizes) is seen in both the social and private rented sector. After peaking, the average dwelling size decreases – as typically some households downsize as they get older.

Figure 16: Average Bedrooms by Age and Tenure – South West Herts



Source: Derived from ONS Commissioned Table CT0621 (census 2011)

- 6.47 In terms of the analysis to follow, the outputs have been segmented into three broad categories. These are market housing, which is taken to follow the occupancy profiles in the owner-occupied sector; affordable home ownership, which is taken to follow the occupancy profile in the private rented sector (this is considered reasonable as the Government's desired growth in home ownership is largely driven by a wish to see households move out of private renting) and affordable (rented) housing, which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include affordable rented housing.
- 6.48 It should, however, be noted that this approach essentially assumes the current occupancy profile continues in future. It may well be the case that in going forward the Councils seek to shift away from the existing profile towards something that makes better use of the existing stock. For example, the delivery of smaller homes might encourage downsizing and therefore release additional larger homes into the market. This would have the intended consequence of potentially reducing the need for larger homes.

Tenure Assumptions

- 6.49 The housing market model has been used to estimate the future need for different sizes of property over the 16 years from 2020 to 2036. The model works by looking at the types and sizes of accommodation occupied by different ages of residents and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier).
- 6.50 It is, therefore, necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of the market and affordable housing. For modelling purposes, the analysis assumes that 40% of net completions are either affordable housing (rented) or affordable home ownership and therefore that 60% are market housing (designed to be sold for owner-occupation). This is broadly based on the typical existing policies across SW Herts which range from seeking 35% to 45% affordable housing. There is no assumption about private rented housing, although it is possible that some of the market (owner-occupied) housing will end up in this sector.
- 6.51 Within the 40% affordable/affordable home ownership a split of 75:25 has been used; this means an estimated total of 30% of completions as affordable housing (rented) and 10% as affordable home ownership. It should be stressed that these figures are not policy targets. Policy targets for affordable housing on new development schemes in some cases are above this, but not all sites deliver policy-compliant affordable housing provision and some delivery is on sites below affordable housing policy thresholds. Equally, some housing development is brought forward by Registered

Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. The figures used are not a policy position and have been applied simply to provide outputs from the modelling process.

6.52 To confirm, it has been assumed that the following proportions of different tenures will be provided moving forward:

- Market housing – 60%
- Affordable home ownership – 10%
- Social/affordable rent – 30%

Projected changes by age of HRP

6.53 Table 67 shows projected changes by age of HRP, it can be seen that the vast majority of changes are projected to occur in older age groups (+60). There is also a significant percentage increase in the youngest age groups (16-29). The information for each of the local authorities is set out in Appendix E.

Table 67: Projected change in households by age of household reference person – South West Herts - Linked to Standard Method

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	4,066	5,324	1,258	30.9%
25-29	11,993	15,440	3,447	28.7%
30-34	19,087	21,771	2,684	14.1%
35-39	23,370	27,259	3,889	16.6%
40-44	25,259	29,992	4,733	18.7%
45-49	25,189	29,656	4,468	17.7%
50-54	25,315	29,024	3,709	14.7%
55-59	24,467	27,579	3,112	12.7%
60-64	19,960	25,170	5,210	26.1%
65-69	16,886	23,616	6,729	39.8%
70-74	17,151	23,290	6,139	35.8%
75-79	12,903	18,688	5,785	44.8%
80-84	10,587	14,826	4,239	40.0%
85 & over	11,327	19,395	8,068	71.2%
Total	247,561	311,032	63,471	25.6%

Source: Demographic projections

Key Findings: Market Housing

6.54 There is a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are

expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 16 years from 2020 to 2036.

Model

- 6.55 When looking at a demographic projection based on housing delivery linked to the Standard Method, it can be seen that the number of households in the market sector would be projected to increase by 38,082. The estimated size profile required is still focused on 2- and 3-bedroom homes but there is a very slightly higher need shown for larger (4+ bedroom) accommodation than 2-bedrooms.

Table 68: Estimated Size of Dwellings Needed 2020 to 2036 – Market Housing –Standard Method – South West Herts

	2020	2036	Additional households 2020-2036	% of additional households
1-bedroom	8,593	10,621	2,028	5%
2-bedrooms	36,040	44,533	8,493	22%
3-bedrooms	73,981	90,629	16,648	44%
4+-bedrooms	53,655	64,568	10,913	29%
Total	172,268	210,351	38,082	100%

Source: Housing Market Model

- 6.56 The statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people; a move towards smaller family households (i.e. one child instead of two) might shift the mix downwards slightly.
- 6.57 In determining policies for housing mix, policy aspirations are also relevant – this might, for example, include a desire to increase sustainable development and to meet sub-regional planning goals.
- 6.58 Local authorities can, in considering which sites to allocate, take into account what type of development would likely be delivered on these sites. They can also guide housing mix implicitly through policies on development densities.

Key Findings: Affordable home ownership

- 6.59 Table 69 shows an estimate of the need for different sizes of affordable home ownership based on the analysis of demographic trends. The data suggests in the period between 2020 and 2036 that the main need is again for homes with 1- or 2-bedrooms, although the proportions in the 3-bedroom category are also notable.

Table 69: Estimated Size of Dwellings Needed 2020 to 2036 – affordable home ownership –Standard Method – South West Herts

	2020	2036	Additional households 2020-2036	% of additional households
1-bedroom	8,959	10,655	1,696	27%
2-bedrooms	13,871	16,471	2,600	41%
3-bedrooms	8,050	9,555	1,505	24%
4+-bedrooms	3,006	3,551	546	9%
Total	33,886	40,233	6,347	100%

Source: Housing Market Model

Key Findings: Affordable Housing (rented)

- 6.60 Table 70 shows an estimate of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2020 and 2036 that the main need is for smaller homes with 1- or 2-bedrooms. Although again there is a notable need for 3-bedroom dwellings
- 6.61 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific local shortages. Also, it should be noted that smaller properties (i.e. 1-bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst the delivery of larger properties can help reduce waiting times for families and to meet the needs of family households who may be a higher priority and to manage the housing stock by releasing supply of smaller properties.
- 6.62 The data shows that relative to the current profile there is a slight move towards a greater proportion of 1-bedroom homes being needed; this will in part be related to the ageing population and the observation that older person households are more likely to occupy smaller social rental dwellings.

Table 70: Estimated Size of Dwellings Needed 2020 to 2036 – affordable housing (rented) –Standard Method – South West Herts

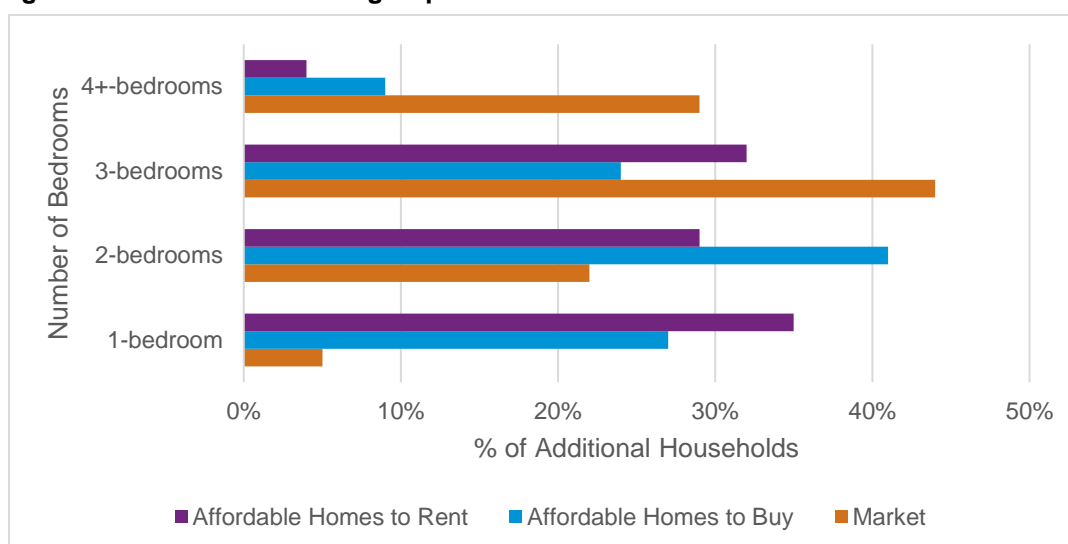
	2020	2036	Additional households 2020-2036	% of additional households
1-bedroom	13,499	20,180	6,681	35%
2-bedrooms	12,339	17,868	5,530	29%
3-bedrooms	13,903	20,042	6,139	32%
4+-bedrooms	1,666	2,357	692	4%
Total	41,407	60,448	19,041	100%

Source: Housing Market Model

6.63 However, in moving this modelled output forward to a recommended mix it is worthwhile considering the impact of the removal of the spare bedroom subsidy. The removal of this subsidy means that if tenants are willing and able to pay the higher rent, they are charged for having a spare room. This is likely to shift the mix towards smaller homes than the modelled outputs based purely on previous occupancy rates.

6.64 Figure 17 summarises the above data in both the market and affordable sectors under the modelling exercise. The analysis clearly shows the different profiles in the three broad tenures with affordable housing being more heavily skewed towards smaller dwellings, and affordable home ownership sitting somewhere in between the market and affordable housing.

Figure 17: Size of housing required 2020 to 2036 – South West Herts



Source: Housing Market Model

Local Authority Modelling Outputs

6.65 Whilst the analysis above has focused on outputs for the whole of South West Herts the data has been built up from analysis at a local authority level. Tables 70 to 72 provide outputs of this analysis in terms of the sizes of accommodation estimated to be required in each of the three broad tenures by local authority area.

6.66 The key conclusion is that there are no substantial differences between the local authorities meaning that it would be reasonable to apply the strategic conclusions for the HMA across each of the local authorities, although as set out later local authorities are free to move away from this.

6.67 In the market sector, the analysis shows the main need for three-bedroom homes in all areas. When looking at differences, notably, there is a slightly higher need shown for 4+-bedroom homes in St.

Albans and a lower need in Watford. In contrast, Watford shows the highest need for 1-bedroom homes (although this is still only 8% of the total).

Table 71: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Market Sector

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	4%	20%	45%	31%
Hertsmere	6%	26%	44%	25%
St. Albans	5%	20%	40%	35%
Three Rivers	5%	23%	43%	30%
Watford	8%	24%	47%	21%
South West Herts	5%	22%	44%	29%

Source: Housing Market Model

6.68 In the affordable home ownership tenure, the analysis shows the main need to be for 2-bedroom homes with a roughly equal split between 1- and 3-bedroom homes. There is estimated to be a modest need for homes with 4+-bedrooms. There is relatively little difference between locations in terms of the modelled outputs, although Watford does generally show a need for smaller homes than other areas.

Table 72: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Affordable Home Ownership

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	26%	41%	24%	8%
Hertsmere	22%	41%	26%	11%
St. Albans	27%	42%	21%	9%
Three Rivers	21%	41%	28%	9%
Watford	35%	39%	20%	6%
South West Herts	27%	41%	24%	9%

Source: Housing Market Model

6.69 In the social/affordable rented sector, the key finding is that there is a higher need for smaller homes in all areas. The highest need for 1-bedroom homes is shown to be in Three Rivers, with Dacorum and Watford showing the highest needs for 3+-bedroom homes. Overall, however, locational differences are not substantial.

Table 73: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Social/Affordable Rented Housing

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	34%	28%	34%	5%
Hertsmere	34%	33%	30%	3%
St. Albans	34%	30%	32%	3%
Three Rivers	40%	27%	31%	2%
Watford	35%	27%	34%	4%
South West Herts	35%	29%	32%	4%

Source: Housing Market Model

Recommended Mix by Tenure

- 6.70 Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there is a range of factors which should be taken into account in setting policies for provision.
- 6.71 This is particularly the case in the affordable rented sector where there are typically issues around the demand for and turnover of 1-bedroom homes (as well as allocations to older person households) – e.g. 1-bedroom homes provide limited flexibility for households (e.g. a couple household expecting to start a family) and as a result, can see relatively high levels of turnover – therefore, it may not be appropriate to provide as much 1-bedroom stock as is suggested by the modelling exercise.
- 6.72 At the other end of the scale, conclusions also need to consider that the stock of 4-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for affordable 4+-bedroom homes is typically quite small, the ability for these needs to be met is even more limited.
- 6.73 For this reason, it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of 1-bedroom homes required is reduced slightly from these outputs with a commensurate increase in 4+-bedroom homes also being appropriate.
- 6.74 There is thus a range of factors which are relevant in considering policies for the mix of affordable housing (rented) sought through development schemes. At a study-area-wide level, the analysis would support policies for the mix of social/affordable housing (rented) of:
- 1-bed properties: 30%
 - 2-bed properties: 35%
 - 3-bed properties: 25%
 - 4+-bed properties: 10%

- 6.75 However, the Council may wish to overlay other factors such as the number and length of time a household is in temporary accommodation/waiting list e.g. if there is an acute immediate need for larger family homes at that time the Council may decide to move away from this recommended position.
- 6.76 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households, together with the limited flexibility which 1-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.
- 6.77 The need for affordable housing of different sizes may vary by area (at a more localised level) and over time including the impact of the spare bedroom subsidy. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties. The evidence showing a broadly balanced stock across areas does not suggest any strong need to have a different mix by location.
- 6.78 In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested. Based on the analysis it is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following strategic mix of affordable home ownership is suggested:
- 1-bed properties: 25%
 - 2-bed properties: 40%
 - 3-bed properties: 25%
 - 4+-bed properties: 10%
- 6.79 When looking at smaller areas (i.e. individual local authorities) the evidence does suggest a potential need for a slightly smaller profile of homes to be provided in Watford (possibly a slight shift towards 1-bedroom homes at the expense of homes with 3+-bedrooms). Overall, however, the differences between areas are not considered to be substantial and it will be for the Councils to decide the final approach.
- 6.80 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile; this sees a slightly larger recommended profile compared with other tenure groups. The following mix of market housing is suggested:
- 1-bed properties: 5%
 - 2-bed properties: 20%
 - 3-bed properties: 45%
 - 4+-bed properties: 30%

- 6.81 As with affordable homes ownership, the modelling does potentially identify a slightly smaller mix of housing being needed in Watford compared with other locations (mainly a shift to 3-bedroom homes from homes with 4+-bedrooms). The localised modelling could, therefore, be used to inform any suggestions about the mix in this location.
- 6.82 Although the analysis has quantified this based on the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the decision-making process.
- 6.83 The housing mix analysis covers all households and tenures. In the affordable sector, it is likely (given the assessment of affordable need) that not all needs will be met and therefore there will be a degree of priority for the Councils to consider when determining an appropriate mix of housing. In general, it would be expected that households with the most acute needs are also likely to be households requiring larger accommodation (e.g. households with children).
- 6.84 Therefore, in determining an appropriate mix, the analysis in this report can be brought together with consideration of the number and characteristics of households on the Housing Register; this might include focusing on households in a reasonable preference category and/or those with a higher number of 'housing need' points. A slightly different mix of housing than is suggested by the modelling above could emerge from such analysis at any point in time.
- 6.85 The mix identified above could inform strategic policies although a flexible approach should be adopted. In applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.

Need/demand for Bungalows

- 6.86 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the study area as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. However, it is typical (where discussions are undertaken with local estate agents) to find that there is a demand for this type of accommodation.
- 6.87 Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available. As a new build option, it is, however, the case that bungalow accommodation is often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a

particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sightlines.

- 6.88 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 6.89 Overall, the Council should consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land-intensive for the amount of floorspace created.

Zero migration housing mix

- 6.90 The analysis below estimates the dwelling requirement by the number of bedrooms for the market, affordable home ownership and social/affordable rented sectors to 2036 based on zero migration.
- 6.91 This indicates the need for residents rather than for all those seeking to move to South West Herts. It is not expected that the Councils plan on this basis, but it gives as an illustration of the change in focus if a constrained supply is necessary. It can also be used as an indication of the mix required should the area be only able to meet a small percentage of its housing need.
- 6.92 Table 74 illustrates greater proportional requirements for larger houses (4+ bedrooms) and less for smaller dwellings (1 bedroom) in the market sector compared to other sectors. Watford (27%) and Dacorum (25%) would have the greatest requirement for 4+ dwellings. The requirement for smaller (1- and 2-bedroom) homes is estimated under this scenario to be 52% in Hertsmere, 46% in Three Rivers and 39% in St. Albans.

Table 74: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Market Sector

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	3%	26%	46%	25%
Hertsmere	9%	43%	43%	5%
St. Albans	8%	31%	50%	11%
Three Rivers	8%	38%	41%	13%
Watford	2%	14%	57%	27%
South West Herts	6%	29%	48%	17%

Source: Housing Market Model

- 6.93 A greater proportion of 1- and 2-bedroom dwellings would be required to meet the needs of affordable home ownership to 2036 in comparison to the unconstrained scenario.

- 6.94 Table 75 illustrates that across South West Hertfordshire, 45% of the dwellings required for affordable home ownership would be 1 bedroom. This figure would decrease to 43% for 2-bedrooms and 12% for 3-bedrooms.
- 6.95 St. Albans would have the greatest requirement for 1-bedroom affordable home ownership dwellings at 65%, followed by Watford (44%). There would be a high requirement for 2-bedroom affordable home ownership dwellings in all areas apart from Watford (although at 28% it is still a notable proportion of the need).
- 6.96 The requirement for larger bedroom dwellings for affordable home ownership would be low. Watford (28%) has the highest requirement for 3+-bedroom affordable home ownership dwellings. The requirement for 4-bedroom dwellings is estimated to be 0% across all the local authorities, with negative values in St. Albans and Three Rivers.

Table 75: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Affordable Home Ownership

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	41%	42%	15%	2%
Hertsmere	33%	49%	12%	7%
St. Albans	65%	47%	-3%	-9%
Three Rivers	34%	56%	16%	-6%
Watford	44%	28%	20%	8%
South West Herts	45%	43%	12%	0%

Source: Housing Market Model

- 6.97 Across South West Hertfordshire, the estimated requirement for social/affordable rented housing would be greatest for 1-bedroom (53%) and 2-bedroom (24%) dwellings. This trend is similar to the proportional split for the affordable home ownership sector with greater requirements for smaller dwellings.
- 6.98 Dacorum would have a high dwelling requirement for 1-bedroom social/affordable rented housing to 2036 at 63%. This trend would remain high for 2-bedroom dwellings in Hertsmere at 34% Watford has the highest need for larger affordable homes over the period to 2036. Larger dwellings (4-bedrooms) would have low requirement levels across all local authorities.

Table 76: Estimated dwelling requirement by number of bedrooms (2020 to 2036) – Social/Affordable Rented Housing

	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms
Dacorum	63%	20%	16%	1%
Hertsmere	48%	34%	17%	1%
St. Albans	49%	28%	22%	1%
Three Rivers	60%	23%	17%	0%
Watford	46%	20%	32%	2%
South West Herts	53%	24%	22%	1%

Source: Housing Market Model

Housing Mix Conclusions

- 6.99 The analysis is based on current occupancy patterns, which might be subject to change in the future. This is particularly likely to be the case for market housing where households historically and currently have an element of choice but with worsening affordability may seek smaller homes than they might traditionally have been expected to do.
- 6.100 To give an example, a middle-income household might previously have sought a 3-bedroom semi-detached home. However, worsening affordability and stricter lending practice might now mean that such households will only be in the market for say a 2-bedroom flat.
- 6.101 In addition, provision of certain types of accommodation may influence the mix needed; for example, if many high-quality units were provided specifically for older persons (e.g. specialist housing or bungalow accommodation) then this might encourage an increased level of downsizing and release additional larger homes into the market. This would have the intended consequence of potentially reducing the need for larger homes.
- 6.102 As the zero net migration scenario shows in meeting local needs (rather than those from in-migrants) there is a greater need for smaller homes. This is due to in-migrants tending to be people of working-age (with their associated children/families) who would typically be expected to seek larger family-sized accommodation.
- 6.103 It is difficult to say to what extent the mix might move away from the modelled data but in developing policy the Councils could make further adjustments to the recommended mix to reflect any local issue and/or political aspirations as they see fit.

Housing Mix: Key messages and recommendations

- Our approach to housing mix starts with the current profile of housing in terms of size and tenure as well as how the age of a household influences the typical sizes of homes they occupy in different tenures.
- These occupancy patterns are then applied to the demographic projections on the assumption that occupancy patterns for each age group (within each tenure) remain the same. This provides us with what the profile of housing mix should be in 2036.
- By subtracting the current profile of housing from the projected profile, it is possible to model the net change in housing needed.
- Whilst the output of the modelling provides estimates of the proportion of homes of different sizes that are needed, there is a range of factors which should be taken into account in setting policies for provision.
- For example, the recommendations in the affordable rented sector should take into account issues around the demand for and high levels of turnover of 1-bedroom homes and the high number of households on the housing register seeking 1-bedroom homes.
- In addition, the stock of 4-bedroom affordable homes is very limited and tends to have a very low turnover. The strategic conclusions recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households.
- In the affordable home ownership and market sectors, a profile of housing that more closely matches the outputs of the modelling is suggested. However, in the market sector, a modest adjustment is made to further support downsizing and better use of the existing stock.
- **Recommendation: The following mix of homes size by tenure is suggested as a strategic mix across the 2020-2036 period. As there are only modest changes at a local authority level this mix can be applied across the HMA and at a local level.**

Size	Market	Affordable Homes to Buy	Affordable Homes to Rent
1-bedroom	5%	25%	30%
2-bedrooms	20%	40%	35%
3-bedrooms	45%	25%	25%
4+-bedrooms	30%	10%	10%

- The mix identified above could inform strategic policies although a flexible approach should be adopted. In applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Councils should also monitor the mix of housing delivered.
- It will ultimately be for the Council(s) to write into policy the approach which best meets their local circumstance. This could be, for example, a desire for further downsizing or a pragmatic approach to a constrained housing supply both of which would see a greater proportion of smaller homes being built.

7 HOUSING NEEDS OF OLDER AND DISABLED PERSONS

Introduction

7.1 Paragraph 61 of the National Planning Policy Framework states that local authorities should assess

“the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to, those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes”.

7.2 The Planning Practice Guidance (PPG) about Housing and Economic Needs no longer sets out the guidance for different types of housing but links to “separate guidance on identifying the housing needs of different groups²¹ and housing needs of older and disabled people²²”.

7.3 Concerning paragraph 61 of the NPPF, this report considers housing for older people and people with disabilities together as there is a strong link between people’s ages and levels of disability. The following chapter then examines the need for different groups.

Older Persons Guidance

7.4 Paragraph 1 of the PPG (Reference ID: 63-001-20190626) concerning Housing for older and disabled people explains why it is important to plan for the needs of older persons

“The need to provide housing for older people is critical. People are living longer lives and the proportion of older people in the population is increasing...Offering older people a better choice of accommodation to suit their changing needs can help them live independently for longer, feel more connected to their communities and help reduce costs to the social care and health systems.”

7.5 Regarding assessing the need for housing specifically for older people, the PPG (Paragraph 4, Reference ID: 63-004-20190626) states the following (which is reflected in this section):

- “The age profile of the population can be drawn from Census data. Projections of population and households by age group can also be used. The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ (Strategic Housing for Older People Analysis Tool), which is a tool for forecasting the housing and care needs of older people. Evidence from Joint Strategic Needs Assessments prepared by Health and Wellbeing Boards can also be useful. The assessment of need can also set out the level of need for residential care homes.”

²¹ <https://www.gov.uk/guidance/housing-needs-of-different-groups>

²² <https://www.gov.uk/guidance/housing-for-older-and-disabled-people>

- 7.6 Also, there have been some relevant planning decisions which have aided the interpretation of the guidance these are set out within Appendix F.

Current Population of Older People

- 7.7 Table 77 provides baseline population data about older persons and compares this with other areas. The data has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards; the data is for 2018 to reflect the latest published data for local authority areas and above.
- 7.8 The data shows when compared with data for other areas that the study area has a slightly lower proportion of older persons. In 2018, it was estimated that 16.8% of the population of the area was aged 65 or over, this compares with a figure of 18.2% nationally and 19.6% across the East of England region.

Table 77: Older Person Population (2018)

	South West Herts		East of England	England
	Population	% of population	% of population	% of population
Under 65	495,682	83.2%	80.4%	81.8%
65-74	52,500	8.8%	10.6%	9.9%
75-84	32,004	5.4%	6.3%	5.8%
85+	15,484	2.6%	2.7%	2.4%
Total	595,670	100.0%	100.0%	100.0%
Total 65+	99,988	16.8%	19.6%	18.2%

Source: ONS 2017 mid-year population estimates

- 7.9 Table 77 shows how the proportion of older people varies across the five local authorities. This analysis shows some difference between locations with the highest proportion of older people being seen in Three Rivers and Hertsmere (18.2%) and the lowest in Watford (13.1%). Even in Three Rivers and Hertsmere, the proportion of older people is not much different from the national average.

Table 78: Older Person Population (2017) – local authorities

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Under 65	127,801	85,264	122,347	76,154	84,116
65-74	14,191	9,824	13,067	8,819	6,599
75-84	8,221	6,136	8,044	5,457	4,146
85+	4,067	2,981	3,915	2,615	1,906
Total	154,280	104,205	147,373	93,045	96,767
Total 65+	26,479	18,941	25,026	16,891	12,651
% 65+	17.2%	18.2%	17.0%	18.2%	13.1%

Source: ONS 2017 mid-year population estimates

Future Change in the Population of Older People

- 7.10 As well as providing a baseline position for the proportion of older persons in the area, population projections can be used to indicate how the numbers might change in the future compared with other areas. Table 79 shows population growth analysis linked to the Standard Method housing need. There is significant ageing of the population with the increase in the population aged over 65 around 44.2% compared to all age groups of 20.3%.

Table 79: Projected Change in Population of Older Persons (2020 to 2036) – South West Herts (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	501,695	578,727	77,032	15.4%
65-74	53,390	71,629	18,239	34.2%
75-84	33,832	48,979	15,147	44.8%
85+	16,136	28,400	12,264	76.0%
Total	605,053	727,735	122,682	20.3%
Total 65+	103,358	149,008	45,650	44.2%

Source: Demographic Projections

- 7.11 The figures set out in Table 79 have been used to derive outputs in the remainder of the older persons analysis unless otherwise stated. This has been undertaken at a local authority level using the following population change.
- 7.12 When looking at individual local authorities it is clear that broadly the same patterns emerge; all locations are projected to see notable increases in the population aged 65 and over, along with modest rises for the younger population.

Table 80: Projected Change in Population of Older Persons (2020 to 2036) – Dacorum (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	129,466	148,860	19,393	15.0%
65-74	14,529	19,360	4,830	33.2%
75-84	8,696	13,208	4,512	51.9%
85+	4,187	7,174	2,988	71.4%
Total	156,878	188,601	31,724	20.2%
Total 65+	27,411	39,742	12,330	45.0%

Source: Demographic Projections

Table 81: Projected Change in Population of Older Persons (2020 to 2036) – Hertsmere (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	85,883	98,591	12,708	14.8%
65-74	10,032	13,320	3,288	32.8%
75-84	6,494	9,725	3,231	49.7%
85+	3,128	5,668	2,540	81.2%
Total	105,538	127,303	21,765	20.6%
Total 65+	19,654	28,712	9,058	46.1%

Source: Demographic Projections

Table 82: Projected Change in Population of Older Persons (2020 to 2036) – St. Albans (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	123,683	140,144	16,461	13.3%
65-74	13,034	16,877	3,843	29.5%
75-84	8,545	11,504	2,959	34.6%
85+	4,030	6,895	2,865	71.1%
Total	149,292	175,420	26,128	17.5%
Total 65+	25,609	35,276	9,667	37.7%

Source: Demographic Projections

Table 83: Projected Change in Population of Older Persons (2020 to 2036) – Three Rivers (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	77,088	87,616	10,528	13.7%
65-74	8,983	12,074	3,090	34.4%
75-84	5,778	8,230	2,452	42.4%
85+	2,789	5,013	2,224	79.7%
Total	94,639	112,933	18,294	19.3%
Total 65+	17,551	25,317	7,766	44.2%

Source: Demographic Projections

Table 84: Projected Change in Population of Older Persons (2020 to 2036) – Watford (linked to Standard Method)

	2020	2036	Change in population	% change
Under 65	85,575	103,517	17,942	21.0%
65-74	6,811	9,999	3,188	46.8%
75-84	4,319	6,313	1,994	46.2%
85+	2,002	3,650	1,648	82.3%
Total	98,707	123,478	24,771	25.1%
Total 65+	13,132	19,962	6,830	52.0%

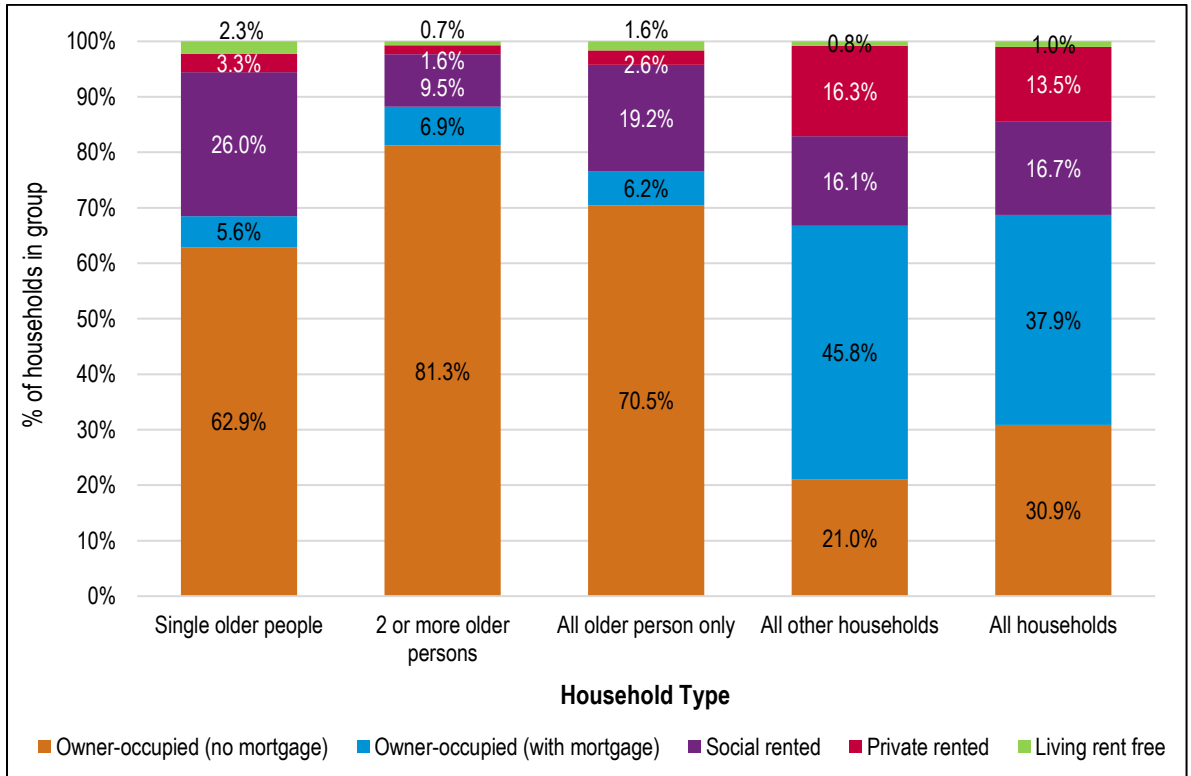
Source: Demographic Projections

Characteristics of Older Person Households

- 7.13 Figure 18 shows the tenure of older person households in 2011 – the data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that older person households are relatively likely to live in outright owned accommodation (71%) and are also slightly more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (3% compared with 14% of all households in the study area).
- 7.14 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.
- 7.15 Given that the number of older people is expected to increase in the future and that the number of single-person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant

equity) may mean that a market solution will also be required to meet their needs. This is considered later in this section.

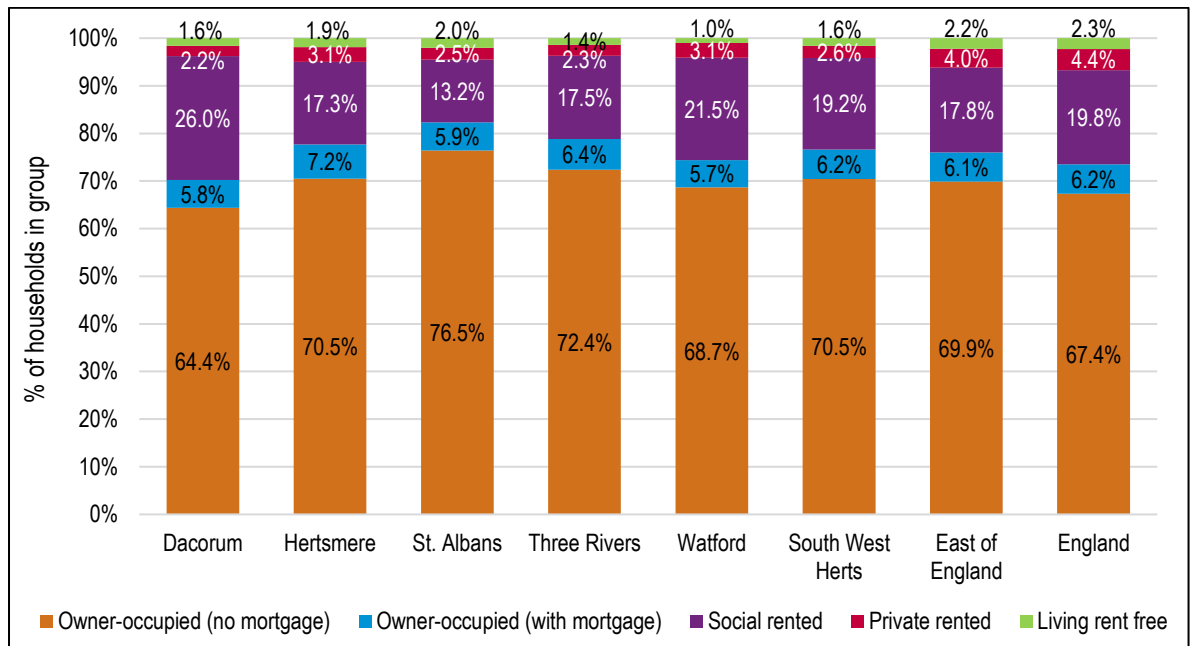
Figure 18: Tenure of older person households – South West Herts



Source: 2011 Census

7.16 When compared with other areas, the analysis shows that the proportion of older person owner-occupiers in South West Herts is slightly higher than other locations (particularly in a national context). However, the general pattern of tenures does not vary significantly across locations.

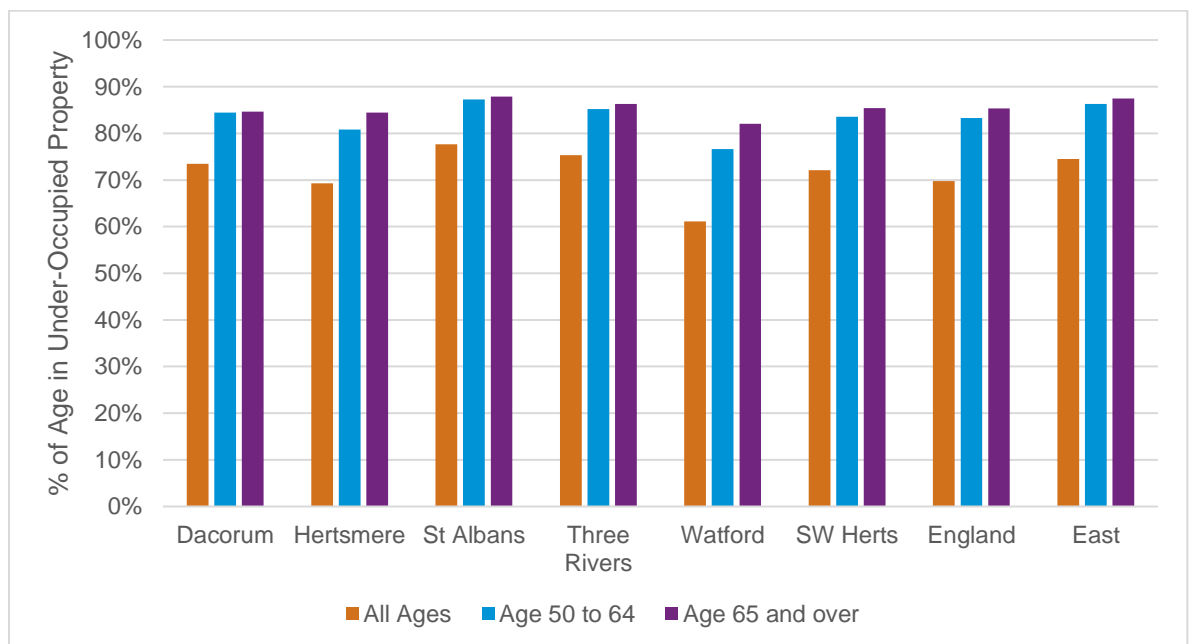
Figure 19: Tenure of older person households – selected areas



Source: 2011 Census

7.17 Older households are also more likely to be under-occupying property compared to other age groups. As Figure 20 demonstrates 85% of those aged over 65 in SW Hertfordshire are in an under-occupied property. This compares to 72% in all age groups across SW Herts and 70% across England.

Figure 20: Percentage of Age Group in Under-Occupied Homes



Source: Census 2011

- 7.18 St. Albans has the highest percentage of older persons in under-occupied homes (88%) with this number falling to 82% in Watford. This is also reflective of the wider trends for all age groups which itself reflects the age of the population and the size of the stock.
- 7.19 If this stock could be used more efficiently then the amount of land required for additional housing would be reduced. This is because smaller properties would be provided, into which older persons could downsize, thus releasing their homes for larger households. Efforts to achieve this could be made through the delivery of a range of house sizes as set out in the previous chapter.
- 7.20 However, there would need to be a consideration for the location of these homes to allow people to remain in their communities. The smaller homes should also be of a high enough quality to attract someone to move out of their long term homes.
- 7.21 One further solution would be to develop retirement villages which would encourage downsizing and reduce the need for additional large accommodation. These should be prioritised in areas with high rates of under-occupation (St. Albans and Three Rivers) but also in locations with good access to services. This would ensure the greatest level of take-up and impact in releasing larger homes.
- 7.22 These villages should provide a range of different house typologies (mainly one- and two-bedroom units) tenures and a level of care which will allow occupants to have a progressive level of care as their needs dictate.
- 7.23 Based on the established need this should focus on providing housing with support with access to temporary additional care also recommended. They should also provide for different levels of income in terms of housing equity and income levels and as far as possible provide for people with dementia and other significant care needs.

Older Persons' Housing and Planning Use Classes

- 7.24 It is worth briefly discussing the Use Classes that Older Persons housing would fall into as there is some lack of clarity (particularly when it comes to extra-care housing). The Use Classes Order sets out different categories of residential use and makes a distinction between residential institutions (Class C2) and dwelling-houses (Class C3) – the C2/C3 distinction is important as it can impact on the ability of a local authority to seek an affordable housing contribution from a development.
- 7.25 As per the recently updated PPG (Paragraph: 014 Reference ID: 63-014-20190626), it will be for the local planning authorities “to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided”.

- 7.26 Typically, accommodation providing high levels of care (nursing and residential care) would be termed as C2 accommodation whereas sheltered and enhanced sheltered/extra care accommodation would typically be classed as C3. This issue was discussed at the recent appeals at The Knowle, Station Rd, Sidmouth and Land at The Elms, Upper High Street, Thame, the details of which are set out in Appendix F.
- 7.27 However, this can get quite complex as typically newer forms of accommodation such as retirement villages contain a mix of both C2 and C3 accommodation. It is also entirely possible that the use class of these units effectively change over time, given changes to the level of care given.
- 7.28 As housing with support and housing with care (C3) are self-contained dwellings, the calculations for housing need and also the housing supply would include these. The Housing Delivery Test rulebook²³ now allows for additional institutional accommodation (C2) to be counted towards meeting a local authority's housing need.
- 7.29 However, it is not a straight 1:1 calculation. The ratio applied to other communal accommodation (C2) is based on the average number of adults in all households. The following rates, therefore, apply in South West Hertfordshire:
- Dacorum- 1.83 bedspaces per dwelling
 - Hertsmere-1.89 bedspaces per dwelling
 - St. Albans- 1.87 bedspaces per dwelling
 - Three Rivers-1.88 bedspaces per dwelling
 - Watford- 1.86 bedspaces per dwelling
- 7.30 There is no reason that local authorities should not seek affordable housing contributions from specialist accommodation as long as this is set out in policy. However, it is recognised that providing affordable housing on specialist schemes, particularly extra-care, will be less viable than in general housing, as they require more expensive fit-out and there are on-going costs and as a result, a lower contribution than from general housing will likely be achievable.
- 7.31 On occasions, some sheltered and extra care housing developers have resisted the inclusion of affordable units within their schemes. An alternative approach may, therefore, be to seek off-site financial contributions in lieu of on-site provision.
- 7.32 In contrast, the local authorities, including Hertfordshire County Council, are not at present building new care homes. Therefore, it may be appropriate to continue to seek the provision of some affordable bedspaces within private developments to meet social care needs.

²³ www.gov.uk/government/publications/housing-delivery-test-measurement-rule-book

Older Persons Housing Needs – Age-Restricted General Market Housing

- 7.33 Plan-makers are required to address the needs of those reaching retirement age over the plan period. To understand the needs of those households falling into the 65-74 age bracket, we start with a consideration of the change in older person population to 2036. As shown in Table 85, the number of households headed by someone aged 65 and 74 years is projected to increase by around 37.8% to 2036.

Table 85: Change in households headed by someone in 65-74 age cohort 2020-2036

	Households 2020	Households 2036	Change in households	% Change
Dacorum	9,431	12,758	3,327	35.3%
Hertsmere	6,318	8,494	2,177	34.5%
St. Albans	8,162	10,880	2,718	33.3%
Three Rivers	5,648	7,886	2,238	39.6%
Watford	4,479	6,888	2,409	53.8%
South West Herts	34,037	46,906	12,869	37.8%

Source: 2011 Census and demographic projections

- 7.34 We next consider how those in the 65-74 age bracket occupy their dwellings. Table 86 shows the split of tenure by age group illustrating that around 68% of households in this age group in SW Herts own their house outright and a further 11.3% own with a mortgage.

Table 86: Tenure of households with HRR age 65-74

Tenure	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Own outright	65.7%	64.6%	73.4%	70.2%	64.3%	68.0%
Owned with a Mortgage or Shared ownership	9.8%	14.6%	10.1%	12.2%	10.9%	11.3%
Social rented	21.1%	15.5%	12.3%	14.0%	20.5%	16.6%
Private rented	2.7%	4.0%	3.2%	2.8%	3.6%	3.2%
Living rent free	0.7%	1.2%	1.0%	0.8%	0.8%	0.9%
Total	100%	100%	100%	100%	100%	100%

Source: 2011 Census

- 7.35 It should be noted that while the prevalence rates used in the following sections are based on those aged over 75, this does not automatically mean that housing with care and housing with support are only occupied by those aged over 75. Rather they are using this age group as a way of estimating demand. Therefore, the need for homes for those under 75 will also be picked up in these calculations.

Older Persons' Housing Needs – Housing with Support and Care

- 7.36 This section of the report responds to Paragraph 4 (Reference ID: 63-004-20190626) of the PPG by specifically using population projections and online toolkits to assess the need for sheltered and extra care accommodation.
- 7.37 Given the ageing population, there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) Shop@ online toolkit and HOPSR (Housing for Older People Supply Recommendations) – a database developed by Sheffield Hallam University. This data is considered alongside demographic projections to indicate the potential level of additional specialist housing that might be required for older people in the future.
- 7.38 The data for need is calculated by applying prevalence rates to the population aged 75+ and as projected forward. The prevalence rates have been taken from a toolkit developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health. This includes the following categories (discussed in more detail below): retirement/sheltered housing, enhanced sheltered housing and extra care. This source also provides prevalence rates for residential care and nursing care bedspaces which are discussed separately below.
- 7.39 Additionally, the analysis draws on prevalence rates in the HOPSR – this source also providing some supply estimates which have been used alongside information from the Elderly Accommodation Council (EAC) which indicates the current tenure mix of such accommodation.
- 7.40 Paragraph 10 of the PPG (Reference ID: 63-010-20190626) relating to housing for older and disabled people provides a definition of the different types of specialist housing for older people: There are set out below:

“Age-restricted general market housing: *This type of housing 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.*

Retirement living or sheltered housing: *This 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.*

Extra care housing or housing-with-care: *This 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 known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes: *These have 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."*

7.41 The Housing For Older Peoples Supply Recommendations (HOPSR) also provides a further typology called Enhanced Sheltered. This is described as:

"Sheltered housing with additional services to enable older people to retain their independence in their own home. Typically, there may be 24/7 (non-registered) staffing cover, with at least one daily meal will be provided and additional shared facilities. Also referred to as assisted living and very sheltered housing."

7.42 As well as setting out overall prevalence rates for different types of housing, the Housing LIN and HOPSR provide some suggestions for the tenure split between rented and leasehold accommodation; this varies depending on an area's level of deprivation.

7.43 In South West Herts, data from the 2015 Index of Multiple Deprivation suggests that the SW Herts local authorities generally have a low level of deprivation – this points to a higher proportion of specialist accommodation needing to be in the market (leasehold accommodation) rather than rent. This conclusion is also consistent with earlier findings about the current tenure of older person households in the area, although those findings could also be indicating a lack of supply.

7.44 Consideration has also been given to overall levels of disability in the older person population; given that these are slightly lower than the national average a small downwards adjustment to national prevalence rates has been made.

7.45 The main source of prevalence rate data is the Housing LIN. However, the rates used (on the online toolkit) are still the same as originally developed in 2008. A review of the rates was undertaken in 2016, and whilst these have not yet been adopted on the Housing LIN website, they are also worthwhile reflecting in the conclusions.

7.46 A further Housing LIN report (Housing in Later Life) was published in 2012 and contained a further set of suggested prevalence rates; however, these figures were rejected as not being 'substantiated' and have not therefore been considered in the analysis below.

7.47 Finally, it is possible to use rates from HOPSR – these more closely match current prevalence rates (i.e. they roll forward current levels of provision based on authorities with the highest levels of

provision) and already include adjustments for local factors such as varying levels of health amongst the older person population.

7.48 Based on this discussion, four sets of estimates of the need for specialist older person accommodation have been developed; three linked to the Housing LIN and one as taken from HOPSR. The sources used, and a brief description are:

- Shop@ (online) – this takes the prevalence rates in the online tool from Housing LIN. This is essentially the data as published without any local adjustments;
- Shop@ (adjusted) – this takes the Housing LIN online figures and makes adjustments based on recognising slightly better health amongst the older person population in the area. Adjustments are also made to the tenure split based on local deprivation levels;
- Shop@ Review – this uses information from the 2016 review into the Housing LIN prevalence rates and whilst not yet adopted by Housing LIN does provide some more up-to-date thinking on the topic. The base rates have again been adjusted to take account of health and deprivation;
- HOPSR – this applies the rates published in the HOPSR for each local authority. It is understood that these rates already make adjustments for health and deprivation issues and are therefore used as published.

7.49 Table 87 shows the prevalence rates used in the analysis from each of the above sources. In both the HOPSR and Housing LIN, accommodation types are split into retirement/sheltered, enhanced sheltered and Extra-care. For the analysis below the last two categories (enhanced sheltered/Extra-care) have been merged into one. This is partly because this allows for alignment with the supply data available from the EAC and also to be consistent with the Shop@ Review (discussed above) which notes that *'most leasehold extra-care is enhanced sheltered according to EAC specifications'*. Therefore, two categories of accommodation are used:

- Housing with Support (which covers retirement/sheltered housing); and
- Housing with Care (which includes the enhanced sheltered and extra-care housing)

7.50 The supply data is taken from 2018 as this is the most recently available dataset. Any subsequent delivery or closure in the interim period would have an impact on the current and future need for each type of accommodation.

7.51 The table shows in both of these categories that the different sources suggest wildly varying assessments of the need for different types of housing in different tenures, this is particularly the case for housing with care where the prevalence rates for rented housing range from 4-9 dwellings per 1,000 up to 34 dwellings per 1,000 – market needs vary from 4-6 per 1,000 up to 23 per 1,000.

7.52 On this basis it is quite difficult to definitively say what a reasonable rate to use would be and the analysis has taken a broad average of all the sources to provide figures to use in the analysis (Table 87) noting that the range varies depending on each location.

Table 87: Prevalence rates from different sources as applicable to South West Herts (figures all per 1,000 population aged 75 and over)

	Housing with support (sheltered/retirement)		Housing with care (enhanced sheltered/extra-care)	
	Rent	Market	Rent	Market
Shop@ (online)	71	54	34	11
Shop@ (adjusted)	36-49	71-74	16-21	23
Shop@ Review	36-64	59-71	4-9	11-13
HOPSR LA Range	96-124	23-44	11-14	4-6
Average	66	57	17	13

Source: Derived from Housing LIN and HOPSR data

- 7.53 Table 88 shows the bespoke prevalence rates used for each of the different types of housing in different locations drawn from the above rates but at a local level and where necessary local health levels. There is some variance between areas with Watford and Dacorum generally showing the highest rates. The other three areas typically show slightly lower prevalence rates and also higher proportions of housing to be in the market (leasehold).

Table 88: Prevalence rates from different sources as applicable to South West Herts (figures all per 1,000 population aged 75 and over) – as used in the analysis

	Housing with support (sheltered/retirement)		Housing with care (enhanced sheltered/extra-care)	
	Rent	Market	Rent	Market
Dacorum	70	53	18	12
Hertsmere	66	58	18	13
St. Albans	60	60	16	13
Three Rivers	62	60	17	13
Watford	77	52	20	12

Source: Derived from Housing LIN and HOPSR data

- 7.54 Table 89 shows the estimated needs for different types of housing across the whole of South West Herts by applying the above prevalence rates to the population outputs of the standard methodology.
- 7.55 To align with the PPG (Paragraph 10) Housing with Support should be read as “Retirement Living or Sheltered Housing” and Housing with Care should be read as “Extra Care Housing or Housing with Care”. The rental figures include both market and affordable rents.
- 7.56 The Housing LIN does not breakdown the demand in terms of the number of bedrooms in these units. However, it is anticipated that the majority of the demand will be for one-bedroom properties. The delivery of anything larger will likely be reflected in market delivery only.

7.57 Overall, the analysis suggests there is a current surplus of rented housing with support (retirement/sheltered housing) but by 2036 there will be a notable shortfall. The analysis also shows a shortfall of all other types/tenures of housing, both currently and moving through to 2036. Focusing on housing with care in the rented sector, the analysis identifies a current shortfall of 614 units, increasing to 1,096 units by 2036 – figures in the leasehold sector are slightly lower.

Table 89: Older Persons' Dwelling Requirements 2020 to 2036 – South West Herts

		Average Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	66	3,497	3,306	-191	1,824	1,634
	Leasehold	57	2,117	2,847	730	1,557	2,288
Housing with care	Rented	17	259	873	614	481	1,096
	Leasehold	13	197	630	433	345	778

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number). Please note the actual demand figures used were specific to the local authorities

7.58 Tables 89 to 93 show the same information for each local authority. Whilst overall the analysis shows a similar pattern to the study-area-wide information shown above there are a few local findings of note. For example, there is a surplus of housing with support in the affordable sector in Dacorum (large current surplus and still a surplus by 2036), a higher shortfall (both current and projected) for rental housing with support in St. Albans and a current surplus of housing with support in both tenures in Watford.

7.59 All areas do show a current and projected shortfall of housing with care in both the rented and leasehold sectors. The numbers can be pro-rated to broadly identify the needs over the various plan periods (i.e. the overall shortfall divided by 16 years and then multiplied by the number of years in their plan period). It is recommended that the local authorities seek to deliver the identified levels of need set out in Tables 90 to 94.

Table 90: Older Persons' Dwelling Requirements 2020 to 2036 – Dacorum

		Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	70	1,579	904	-675	526	-149
	Leasehold	53	363	688	325	401	726
Housing with care	Rented	18	0	231	231	135	366
	Leasehold	12	0	157	157	91	248

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

Table 91: Older Persons' Dwelling Requirements 2020 to 2036 – Hertsmere

		Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	66	559	634	75	380	456
	Leasehold	58	473	562	89	337	426
Housing with care	Rented	18	134	170	36	102	138
	Leasehold	13	113	122	9	73	83

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

Table 92: Older Persons' Dwelling Requirements 2020 to 2036 – St. Albans

		Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	60	187	752	565	348	914
	Leasehold	60	556	750	194	347	541
Housing with care	Rented	16	57	205	148	95	243
	Leasehold	13	63	163	100	75	175

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

Table 93: Older Persons' Dwelling Requirements 2020 to 2036 – Three Rivers

		Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	62	587	529	-58	289	231
	Leasehold	60	246	515	269	281	551
Housing with care	Rented	17	0	144	144	78	222
	Leasehold	13	21	112	91	61	152

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

Table 94: Older Persons' Dwelling Requirements 2020 to 2036 – Watford

		Housing demand per 1,000 75+	Current supply (2018)	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall / surplus by 2036
Housing with support	Rented	77	585	486	-99	280	182
	Leasehold	52	479	332	-147	191	44
Housing with care	Rented	20	68	124	56	71	127
	Leasehold	12	0	76	76	44	120

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

Older Persons Housing Needs – Nursing and Residential Carebeds

- 7.60 The analysis below provides the same style of outputs (drawing on the same sources) for the estimated need for care home bedspaces. The analysis draws on that above, including making adjustments for the relative health of the population of South West Herts. It should be noted that the rows in tables are for bedspaces and do not have an associated tenure. Table 95 shows the prevalence rates used in the analysis for the number of bedspaces required drawn from several sources. Again, the analysis shows some variation in assumptions with the overall average showing a need for 95-101 bedspaces per 1,000 population aged 75 and over.

Table 95: Prevalence rate assumptions used to estimate the need for care home bedspaces (figures per 1,000 population 75+)

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Shop@ (online)	110	110	110	110	110
Shop@ (adjusted)	100	101	94	98	108
Shop@ Review	77	78	73	75	83
HOPSR	94	100	104	104	103
Used in analysis	95	97	95	97	101

Source: Derived from Housing LIN and HOPSR data

7.61 Table 96 shows the need associated with these prevalence rates when applied to the population projections in South West Herts – the analysis includes an estimate of the current supply.

7.62 The analysis shows a modest current under-supply (477 bedspaces) with a current surplus of bedspaces in both Hertsmere and Watford, with shortfalls in other locations. There is however projected to be a notable future need, with an additional 3,096 bedspaces projected as being needed in the period to 2036.

Table 96: Older Persons' care bed requirements 2020 to 2036

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford	SW Herts
Housing demand per 1,000 population aged 75+	95	97	95	97	101	97
Current supply (2018)	921	1,039	916	598	904	4,378
2020 demand	1,226	935	1,197	829	638	4,825
Current shortfall/surplus	305	-104	281	231	-266	447
Additional demand to 2036	714	561	554	452	368	2,649
Shortfall/ surplus by 2036	1,019	457	835	683	102	3,096

Source: Derived from demographic projections and Housing LIN/HOPSR/EAC (note surpluses are denoted by a negative number)

7.63 It is recommended that the need identified in Table 96 is planned for by each of the local authorities. This includes the future need in Hertsmere and Watford despite the current over-supply.

Disabled Persons Need - Guidance

7.64 This section considers the potential requirements for accessible and adaptable dwellings. According to Paragraph 8 of the PPG (Reference ID: 63-008-20190626) states:

“Accessible and adaptable housing enables people to live more independently, while also saving on health and social costs in the future. It is better to build accessible housing from the outset rather than have to make adaptations at a later stage – both in terms of cost and with regard to people being able to remain safe and independent in their homes.

Accessible and adaptable housing will provide safe and convenient approach routes into and out of the home and outside areas, suitable circulation space and suitable bathroom and kitchens within the home. Wheelchair user dwellings include additional features to meet the needs of occupants who use wheelchairs, or allow for adaptations to meet such needs.”

7.65 Paragraph 9 explains that where a need exists, plans are expected to make use of the optional technical housing standards of the NPPF to help bring forward an adequate supply of accessible housing, adding that:

“In doing so planning policies for housing can set out the proportion of new housing that will be delivered to the following standards:

- *M4(1) Category 1: Visitable dwellings (the minimum standard that applies where no planning condition is given unless a plan sets a higher minimum requirement)*
- *M4(2) Category 2: Accessible and adaptable dwellings*
- *M4(3) Category 3: Wheelchair user dwellings”*

7.66 Paragraph 9 also adds that “Planning policies for accessible housing need to be based on evidence of need, viability and a consideration of site specific factors.” This document provides evidence for the need for housing built to M4(2) and M4(3) technical standards²⁴ (accessibility and wheelchair standards).

7.67 This evidence should be brought together with other evidence on viability (reflecting the relevant PPG²⁵) and reviewed alongside other site specific factors when making planning decisions.

7.68 This report does not examine the need for M4(1) visitable dwellings as this is a mandatory standard for all new dwellings as set out in Buildings Regulations²⁶.

²⁴ M4(2): Accessible and adaptable dwellings. This requirement is met when a new dwelling provides reasonable provision for most people to access the dwelling and includes features that make it suitable for a range of potential occupants, including older people, individuals with reduced mobility and some wheelchair users.

M4(3): Wheelchair user dwellings. This requirement is achieved when a new dwelling provides reasonable provisions for a wheelchair user to live in the dwelling and have the ability to use any outdoor space, parking and communal facilities.

²⁵ <https://www.gov.uk/guidance/viability>

²⁶ https://webarchive.nationalarchives.gov.uk/20150601181611/https://www.planningportal.gov.uk/uploads/br/BR_PDF_AD_M1_2015.pdf

Accessible and Adapted Dwellings (M4(2))

- 7.69 The PPG does not provide any guidance as to how to assess the need for accessible and adaptable housing. This report, therefore, has brought a range of statistics together to identify the potential scale of demand.
- 7.70 The MHCLG Guide to Available Disability Data²⁷ provides data about households with a long-term illness or disability from the English Housing Survey. This is given at a national level and does not provide more localised data. Hence the analysis below has drawn on the 2011 Census (which has a definition of long-term health problem or disability (LTHPD)).
- 7.71 Table 97 shows the proportion of people with LTHPD, and the proportion of households where at least one person has an LTHPD. The data suggests that across the study area, some 27% of households contain someone with an LTHPD. This figure is slightly lower to that seen in other areas.

Table 97: Households and people with a Long-Term Health Problem or Disability (2011)

	Households containing someone with a health problem		Population with a health problem	
	Number	%	Number	%
Dacorum	16,793	28.0%	21,336	14.7%
Hertsmere	11,435	28.7%	14,869	14.9%
St. Albans	14,096	25.1%	18,095	12.9%
Three Rivers	9,879	28.1%	12,625	14.5%
Watford	9,576	26.1%	12,300	13.6%
South West Herts	61,779	27.1%	79,225	14.1%
East of England	756,338	31.2%	976,514	16.7%
England	7,217,905	32.7%	9,352,586	17.6%

Source: 2011 Census

- 7.72 The figures for the population with an LTHPD again show a similar pattern in comparison with other areas (an estimated 14% of the population have an LTHPD). When looking at local authorities, the analysis shows a higher proportion of population/households in Hertsmere as having an LTHPD; the lowest figures are seen in St. Albans. Overall, however, there is relatively little difference between areas.

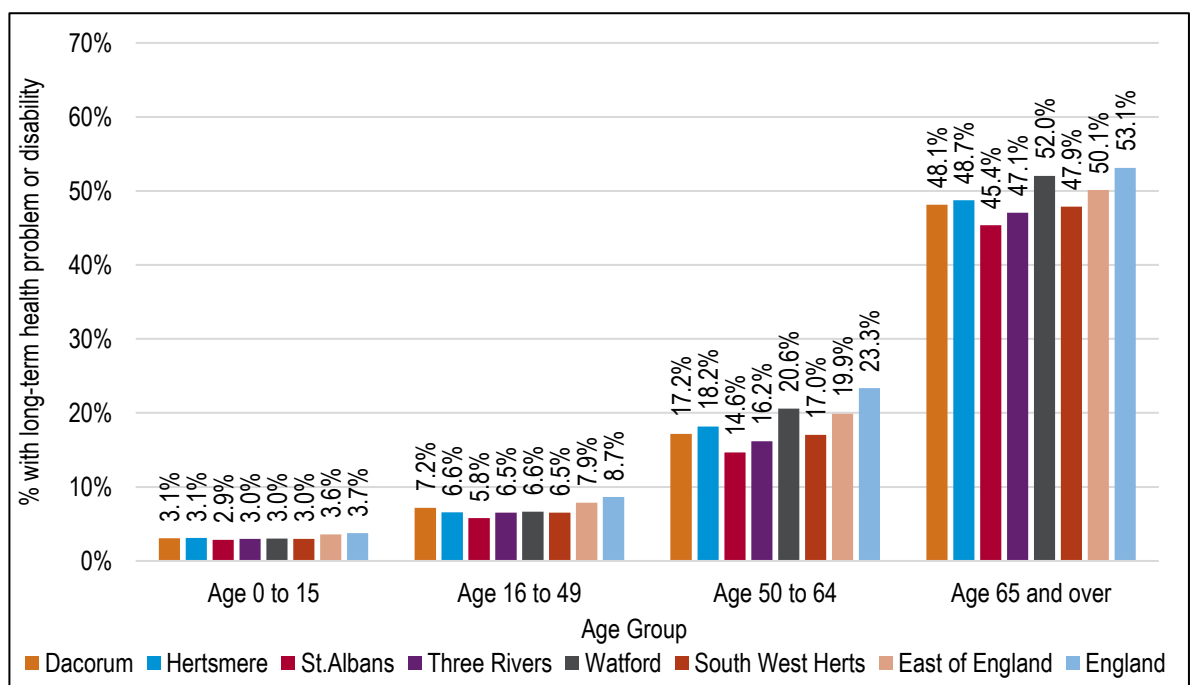
²⁷

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/416475/150323_Guide_to_disability_data_final_web_version.pdf

7.73 The age profile will likely impact upon the numbers of people with an LTHPD, as older people tend to be more likely to have an LTHPD. Therefore, Figure 21 shows the age bands of people with an LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have an LTHPD.

7.74 The analysis also shows lower than average levels of LTHPD in each age bands across the whole of South West Herts as a whole. There is, however, variation within SW Herts, for example, Watford has levels above the SW Herts figure and close to the national average in the 65+ age group and exceeds the regional average

Figure 21: Population with Long-Term Health Problem or Disability by age



Source: 2011 Census

7.75 Tables 97 to 102 below provide analysis looking at a range of disabilities and the number of people with and projected to have these disabilities. This can be used to derive the need for M4(2) dwellings. The analysis covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites.

7.76 In all cases, the analysis links to estimates of population growth based on Standard Method housing need estimates. Increases for younger age groups are typically lower, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population.

7.77 Of particular note are the large increases in the number of older people with dementia (increasing by 57% from 2020 to 2036) with higher increases in Watford and Hertsmere. There are also significant increases projected for those with mobility problems (51% increase over the same period) with Hertsmere expected to see the largest percentage growth.

Table 98: Projected changes to the population with a range of disabilities – SW Herts

Disability	Age range	2020	2036	Change	% change
Dementia	65+	7,665	12,067	4,402	57.4%
Mobility problems	65+	19,731	29,968	10,237	51.9%
Autistic Spectrum Disorders	18-64	3,521	4,112	590	16.8%
	65+	951	1,383	431	45.4%
Learning Disabilities	15-64	9,248	10,808	1,559	16.9%
	65+	2,146	3,078	931	43.4%
Challenging behaviour	15-64	171	199	29	16.7%
Impaired mobility	16-64	20,090	23,253	3,163	15.7%

Source: POPPI/PANSI and demographic projections

Table 99: Projected changes to the population with a range of disabilities – Dacorum

Disability	Age range	2020	2036	Change	% change
Dementia	65+	1,994	3,145	1,151	57.7%
Mobility problems	65+	5,168	7,865	2,697	52.2%
Autistic Spectrum Disorders	18-64	927	1,074	147	15.8%
	65+	254	372	118	46.6%
Learning Disabilities	15-64	2,412	2,809	396	16.4%
	65+	570	822	252	44.2%
Challenging behaviour	15-64	45	52	7	16.2%
Impaired mobility	16-64	5,345	6,081	736	13.8%

Source: POPPI/PANSI and demographic projections

Table 100: Projected changes to the population with a range of disabilities – Hertsmere

Disability	Age range	2020	2036	Change	% change
Dementia	65+	1,477	2,383	906	61.3%
Mobility problems	65+	3,793	5,895	2,102	55.4%
Autistic Spectrum Disorders	18-64	588	681	93	15.8%
	65+	178	262	84	47.0%
Learning Disabilities	15-64	1,576	1,830	254	16.1%
	65+	408	592	184	45.1%
Challenging behaviour	15-64	29	34	5	15.8%
Impaired mobility	16-64	3,461	3,888	426	12.3%

Source: POPPI/PANSI and demographic projections

Table 101: Projected changes to the population with a range of disabilities – St. Albans

Disability	Age range	2020	2036	Change	% change
Dementia	65+	1,917	2,888	972	50.7%
Mobility problems	65+	4,910	7,141	2,231	45.4%
Autistic Spectrum Disorders	18-64	850	980	129	15.2%
	65+	237	326	90	37.8%
Learning Disabilities	15-64	2,243	2,575	332	14.8%
	65+	532	728	196	36.9%
Challenging behaviour	15-64	41	48	6	14.8%
Impaired mobility	16-64	4,947	5,698	751	15.2%

Source: POPPI/PANSI and demographic projections

Table 102: Projected changes to the population with a range of disabilities – Three Rivers

Disability	Age range	2020	2036	Change	% change
Dementia	65+	1,312	2,078	766	58.4%
Mobility problems	65+	3,367	5,127	1,759	52.3%
Autistic Spectrum Disorders	18-64	544	623	79	14.5%
	65+	162	237	75	46.3%
Learning Disabilities	15-64	1,434	1,641	207	14.4%
	65+	364	523	158	43.5%
Challenging behaviour	15-64	26	30	4	14.4%
Impaired mobility	16-64	3,209	3,679	470	14.6%

Source: POPPI/PANSI and demographic projections

Table 103: Projected changes to the population with a range of disabilities – Watford

Disability	Age range	2020	2036	Change	% change
Dementia	65+	966	1,573	607	62.9%
Mobility problems	65+	2,493	3,940	1,447	58.1%
Autistic Spectrum Disorders	18-64	612	754	142	23.2%
	65+	120	185	65	54.1%
Learning Disabilities	15-64	1,583	1,954	370	23.4%
	65+	272	413	140	51.5%
Challenging behaviour	15-64	29	36	7	23.3%
Impaired mobility	16-64	3,128	3,908	780	24.9%

Source: POPPI/PANSI and demographic projections

7.78 The analysis above would lead to the conclusion that the Councils should consider a starting point where all dwellings are M4(2) compliant, although we recognise that it will not be possible in all schemes due to built form, topography, flooding etc. Furthermore, in some extreme cases, this may challenge viability although the typical cost of M4(2) compliance is around £1500 per unit²⁸.

²⁸ <https://publications.parliament.uk/pa/cm201617/cmselect/cmwomeq/631/63107.htm>

- 7.79 The Councils should also continue to work with the County Council when dealing with more specific needs (e.g. autism).
- 7.80 In seeking M4(2) compliant homes, the Councils should be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability at the time of initial occupation.

Wheelchair User Housing - M4(3)

- 7.81 Information about the need for housing for wheelchair users is difficult to obtain (particularly at a local level) and so some brief analysis has been carried out based on national data within a research report by Habinteg Housing Association and London South Bank University (supported by the Homes and Communities Agency (now Homes England) – *Mind the Step: An estimation of housing need among wheelchair users in England*). This report provides information at a national and regional level although there are some doubts about the validity even of the regional figures; hence the focus is on national data.
- 7.82 The report identifies that around 84% of homes in England do not allow someone using a wheelchair to get to and through the front door without difficulty and that once inside, it gets even more restrictive. Furthermore, it is estimated (based on English House Condition Survey data) that just 0.5% of homes meet criteria for 'accessible and adaptable', while 3.4% are 'visitable' by someone with mobility problems. Data from the CLG Guide to Available Disability Data (taken from the English Housing Survey) puts the proportion of 'visitable' properties at a slightly higher 5.3%.
- 7.83 Overall, the report estimates that there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households (this is described in the Habinteg report as the *number of wheelchair user households with unmet housing need*). In South West Herts, as of 2020, this would represent a current need for about 866 wheelchair user dwellings.
- 7.84 Moving forward, the report estimates a wheelchair user need from around 3% of households. If 3% is applied to the household growth in the demographic projections (2020-2036) then there would be an additional need for 1,904 adapted homes.
- 7.85 If the future need figures are brought together with the estimated current need then the total wheelchair user need would be for 2,771 homes (over 16-years).

Table 104: The estimated need for wheelchair user homes (2020-2036)

	Current need	Projected need (2020-2036)	Total
Dacorum	230	481	712
Hertsmere	149	336	485
St. Albans	210	421	631
Three Rivers	135	295	430
Watford	142	371	513
South West Herts	866	1,904	2,771

Source: Derived from demographic projections and Habinteg prevalence rates

- 7.86 Information in the CLG Guide to Available Disability Data also provides some historical national data about wheelchair users by tenure (data from the 2007/8 onwards from the English Housing Survey). This showed 7.1% of social tenants to be wheelchair users, compared with 2.3% of owner-occupiers (there was insufficient data for private renting, suggesting that the number is low). This may impact on the proportion of different tenures that should be developed for wheelchair users.
- 7.87 The level of the identified need for wheelchair user accommodation equates to around 4% of all housing need over the plan period. However, not all sites will be able to delivery any M4(3) compliant homes, to allow for this, local authorities should seek a higher percentage of all new homes to be M4(3) compliant.
- 7.88 Although outside the requirements of the PPG more detailed building regulations can split the M4(3) category in M4(3)(a) and M4(3)(b). According to MHCLG information on “The Current status of Part M of the Building Regulations”²⁹ M4(3)(a) is designed to require only simple adaptation and M4(3)(b) is ready for wheelchair use on completion.
- 7.89 In principle, given the additional costs of retrofit, it would stand to reason that additional homes that are built to M4(3) standard are done so on completion i.e. M4(3)(b). However, Paragraph 9 of the PPG in relation to housing optional technical standards (Reference ID: 56-009-20150327) states that Local Plan policies for wheelchair accessible homes (M4(3)(b)) “should be applied only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.”
- 7.90 One solution may be to have a separate policy seeking up to 5% of market properties as M4(3)(a) standard and up to 10% affordable dwellings at M4(3)(b) standard. The higher levels of delivery in affordable units reflect the higher prevalence of wheelchair users in this tenure.

²⁹

https://webarchive.nationalarchives.gov.uk/20150601181611/https://www.planningportal.gov.uk/uploads/br/BR_PDF_AD_M1_2015.pdf

Implementation

7.91 It is recognised that wider consideration such as viability may mean that this is not possible as a broad policy. Furthermore, such standards will not always be possible and therefore applicable to all sites given site-specific factors such as flooding, site layout, topography or other constraints. The levels of need within the recommendation reflects the fact that not all developments will be able to contribute

7.92 To reiterate, this document provides the evidence for the need for housing built to M4(2) and M4(3) technical standards (accessibility and wheelchair standards). This evidence should be brought together with other evidence on viability and reviewed alongside other site specific factors when making planning decisions.

7.93 Finally, it is worth reflecting on paragraph 12 of the PPG which states that:

“Many older people may not want or need specialist accommodation or care and may wish to stay or move to general housing that is already suitable, such as bungalows, or homes which can be adapted to meet a change in their needs. Plan-makers will therefore need to identify the role that general housing may play as part of their assessment.

Plan-makers will need to consider the size, location and quality of dwellings needed in the future for older people in order to allow them to live independently and safely in their own home for as long as possible, or to move to more suitable accommodation if they so wish.”

7.94 The results of this analysis would also suggest that encouraging the development of single storey living which would typically come in the form of bungalows or flatted development (with lift access to upper floors) which would contribute to meeting these needs. For additional information see the demand for Bungalows section in Chapter 6.

County Council Assessment of Need

7.95 Hertfordshire County Council also undertakes assessments of the need for older and disabled persons' accommodation, although in a different way and over a different period to that covered by the LHNA. These assessments confirm that there is a considerable need for specialist housing for older and disabled people.

Housing for Needs of Older and Disabled Persons: Key messages and recommendations

- There is projected to be a 44% increase in the population aged 65+ over 2020-2036 (potentially accounting for at least a third of total population growth);
- The approach has been to use prevalence rates and apply these to the population growth of those aged 75 and over to get to a current and future need for a range of different care levels by tenure.
- **Recommendation: The need for the following levels of older persons accommodation is identified and should be planned for (with local authority area need as set out in Tables 90-94):**

		Average Housing demand per 1,000 75+	Current supply	2020 demand	Current shortfall/surplus	Additional demand to 2036	Shortfall/surplus by 2036
Housing with support	Rented	66	3,497	3,306	-191	1,824	1,634
	Leasehold	57	2,117	2,847	730	1,557	2,288
Housing with care	Rented	17	259	873	614	481	1,096
	Leasehold	13	197	630	433	345	778
Care Bedspaces		95	4,378	4,825	447	2,649	3,096

- The data shows that in general, South West Herts has lower levels of disability compared with other areas, however an ageing population means that the number of people requiring specialist accommodation and/or with disabilities is likely to increase substantially in the future.
- The report looks at a range of disabilities and the number of people with and projected to have these disabilities. This is used to derive the need for M4(2) accessible and adaptable dwellings. The number of older people with dementia is expected to grow by 57% from 2020 to 2036 with higher increases in Watford and Hertsmere. There are also significant increases projected for those with mobility problems (52% over the same period) with Hertsmere expected to see the largest growth.
- Using data from the Habinteg housing association it is estimated that nationally there is an unmet need for wheelchair user dwellings equivalent to 3.5 per 1,000 households and moving forward a need for around 3% of households to be wheelchair friendly.
- As of 2020, there is a current need for about 866 wheelchair user dwellings. Taking the backlog into account alongside population projections for South West Herts, the estimated wheelchair user need is 2,771 homes over the next 16 years (around 4% of all additional homes).
- Drawing this information together there is a clear need to increase the supply of M4(2) accessible & adaptable dwellings and M4(3) wheelchair user dwellings. In seeking M4(2) compliant homes, the Councils should be mindful that such homes could be considered as 'homes for life' and would be suitable for any occupant, regardless of whether or not they have a disability on initial occupation.
- **Recommendation: The Councils should require that all new homes are M4(2) compliant, except where this is not possible for viability or other reasons such as built form, topography and flooding.**
- There is also a restriction on the tenure that wheelchair accessible homes standards are applied i.e. only to those dwellings where the local authority is responsible for allocating or nominating a person to live in that dwelling.
- **Recommendation: The Council's should consider having separate policies for up to 5% of market properties as M4(3)(a) standard and up to 10% affordable dwellings at M4(3)(b) standard where this type of property is viable and suitable. This recognises that not all developments will be able to meet these standards but also the higher prevalence of wheelchair users in affordable tenures.**

8 HOUSING NEEDS OF DIFFERENT GROUPS

Self-build and custom-build housing

- 8.1 Paragraph 61 of the NPPF (2018) sets out that within the context of the standard method, “the size, type and tenure of housing needed for different groups in the community should be assessed and reflected in planning policies (including, but not limited to... people wishing to commission or build their own homes).
- 8.2 Paragraph 3 of the PPG concerning the housing need of different groups describes how the needs of those wanting to self-build and custom housebuilders can be assessed:
- “Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements. For further details, see guidance on self-build and custom housebuilding registers.*
- To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, ‘Need-a-Plot’ information available from the Self Build Portal and enquiries for building plots from local estate agents.”*
- 8.3 The local authorities are developing policies on self-build and custom housebuilding within their local plans. These are likely to include a general encouragement for such housing or to be percentage-based, similar to the approach with affordable housing whereby a percentage of self and custom-built homes are required on sites above a set threshold (e.g. 5% on sites for 100+ homes).
- 8.4 Self-build and custom-build housing is defined in the Housing and Planning Act 2016 as “the building or completion by individuals, or persons working with or for individuals or associations of individuals, of houses to be occupied as homes by those individuals... [but] does not include the building of a house on a plot acquired from a person who builds the house wholly or mainly to plans or specifications decided or offered by that person’.
- 8.5 The UK Government’s white paper Fixing our Broken Housing Market (2016) focused on diversifying the market to support custom-build homes with greater access to land and finance, with the intent of giving people more choice over the design of their home.
- 8.6 This type of housing enables people to choose the design and layout of their home. The document highlights the benefit of custom build housing, noting that generally custom-build houses are

constructed faster and to higher quality and often present a less risky business model for builders, as the house has been effectively sold before it has been built.

8.7 The Housing White Paper makes it clear that custom and self-build is an important part of the Government's strategy to solve the housing crisis, along with support for small and medium-sized (SME) builders, innovative offsite methods of construction and a simpler planning system. Specific commitments in the White Paper include:

- Promoting the Right to Build portal from the National Custom and Self Build Association (NaCSBA), so that anyone wanting to build their own home can easily find the Local Authority register in their area;
- Ensuring that the exemption from the Community Infrastructure Levy for self-build remains in place for now, while the Government looks at longer-term reforms;
- Working with lenders to ensure that they have plans in place to support customer demand for custom build finance products;
- Proposals to give more support for SME housebuilders, including greater use of Local Development Orders and area-wide design codes, so that small sites can be brought forward for development more quickly;
- Supporting custom build through the Government's Accelerated Construction programme, set up to diversify the housing market by working with SME builders.

8.8 The White Paper identified that the main barrier to custom-built homes is access to finance; in 2016, therefore, the UK Government announced its Home Building Fund to support the growth of small and medium-sized housebuilders. In 2017 the Chancellor set out his plan to increase the fund to provide £4.5 billion of development and infrastructure finance which will prioritise projects that support policy priorities such as strengthening the Small and Medium-Sized Enterprises (SME) developer market, brownfield development and diversification and innovation in the housing market. The finance will be available up to 31 March 2023.

Local Authority Custom and Self-Build Registers

8.9 At January 1st 2020, the number of individuals registered on the local authority self-build and custom housebuilding registers in South West Hertfordshire was 709. This includes 109 registered in Dacorum, 48 in Hertsmere, 450 in St. Albans, 65 in Three Rivers and 37 in Watford.

8.10 In February 2019, Three Rivers introduced a Local Connection Test which subsequently meant that their register consists of two parts. To be placed on Part 1 of the register, one of five eligibility criteria in the Local Connection Test must be met; for example, an applicant must be continuously a resident of the District for at least two years or be permanently employed in the District (for at least 16 hours per week).

8.11 For entry to Part 2 of the register, the Local Connection Test does not apply although applicants must demonstrate the same eligibility criteria applied by the other South West authorities (who have not introduced a two-part register).

- 8.12 Following the introduction of the Local Connection Test, seven individuals are listed on Part 1 of the register (with 58 on Part 2 of the register).
- 8.13 Three Rivers also introduced a cost for entering the register in February 2019. A £200 fee is now payable for entry onto Part 1 or Part 2 of the Register and there is a £175 annual fee to remain on Part 1 of the Register.
- 8.14 None of the other local authorities have introduced any local connection test or financial viability test. It is also the case that none of the other authorities charge for entry onto the register. Doing so may substantially reduce the number of individuals on the register.
- 8.15 There are other online resources which seek to assemble a database for custom and self-build demand. These may show a different level of demand than the register. However, in all likelihood, those who are truly dedicated to this form of accommodation will be aware of the routes to it and that would include registering with the relevant local authority.

Role of Larger Sites

- 8.16 There is the potential for larger development schemes to provide serviced plots for custom-build development, and for it, with support, to help to drive forward delivery rates. The Independent review of build-out by Sir Oliver Letwin (2018) was undertaken to identify the cause of the significant gap between housing completions and the amount of land allocated or permitted on large sites in areas of high housing demand.
- 8.17 Section 3 of the Letwin Review looks at increasing diversity and a new planning framework for large sites (over 1,500 houses). Letwin recommends that Government should adopt a new set of planning rules that apply to large sites in areas of high housing demand that would require their outline planning permission to include for 'housing diversification' to be a 'reserved matter' in line with new secondary legislation.
- 8.18 The new secondary legislation should be an amendment to the Town and Country Planning (Order 2015) to include type, size and tenure mix as characteristics that can be prescribed as reserved matters for large sites in areas of high housing demand. It will also require any applicant making an outline planning application for a large site to prepare a diversification strategy, specifying the types of diversity that will be exhibited on that site. This will include:
- “housing of differing type, size and style, design and tenure mix. It also includes housing sold or let to specific groups, such as older people’s housing and student accommodation, and plots sold for custom or self-build.”*
- 8.19 Letwin recommends that for each stage of development as a minimum the development should provide “housing for specified groups and custom build: these housing types can contribute

significantly to housing diversity. Each phase should deliver housing of this type to serve local needs.”

- 8.20 In addition, Section 4 of the Letwin Review recommends that for large sites which have yet to be allocated the government introduces new powers “for local planning authorities to designate particular sites within their local plans as sites which can be developed only as single large sites” and therefore subject to the new rules.
- 8.21 Local Authorities are also to be empowered to specify, “at the time of designation, strong master-planning requirements including a strict design code”. The recommendations will include a wider group of bodies (such as development corporations) that can buy land, raise finance and invest in appropriate infrastructure to provide well-prepared terrain (or even serviced plots) which custom-builders and self-builders can all use to enter the housing market on the site.
- 8.22 It is also possible for Custom and Self-Build schemes to be large sites in their own right. An example of this can be seen at the Graven Hill development in Bicester, Oxfordshire. This is the largest custom build scheme nationally with proposals for over 2,000 custom-built homes. The site has been acquired by Cherwell District Council from the MOD and a development company set up.
- 8.23 There is a dedicated web site³⁰ that provides all the information required for people that would like to build their own home in the area. Various formats of delivery are envisaged, from the construction of the shell through to the ability of occupants to tailor the finish.

Supply of Self and Custom Build Sites

- 8.24 In terms of land sales, engagement with local agents has indicated limited demand from custom-build and self-build investors. In general, there are limited opportunities on the market for land sales due to the scarcity of land and those that are on the market are attracting interest primarily from major developers as they tend to be larger lots with higher land values.
- 8.25 However, it was identified that where they are available, smaller land lots are attracting self-build/custom-build parties. For instance, reference was made to one deal made this year for land in St. Albans that was attributed to a custom build/self-build party to deliver upwards of four units.
- 8.26 There are two land parcels for sale in Watford Town Centre. The agents involved indicated that interest in these sites has only been from larger developers. Reasons for this are thought to relate to the high cost and ability of larger developers to have greater control over development feasibility risks.

³⁰ <https://gravenhill.co.uk/>

- 8.27 There are several other websites which list plots for sale for custom and self-build developments. This report reviewed three of these which in total identified 25 sites with a combined capacity for 67 units within South West Herts.

Table 105: Advertised Self Build Plots (May 2019)

Plot Browser		Plotfinder		Build Store	
Location	Units	Location	Units	Location	Units
Bushey	1	Apsley	30	Potters Bar	1
Flamstead	1	Bricket Wood	2	Potters Bar	1
Harpenden	1	Bushey	1	Rickmansworth	1
Harpenden	1	Harpenden	3	Rickmansworth	1
Harpenden	2	Hemel	2		
Hemel Hempstead	2	Little Heath	1		
Hemel Hempstead	2	Rickmansworth	1		
Shenley	1	Rickmansworth	1		
St. Albans	4	Rickmansworth	4		
		Watford	1		
		Watford	1		
		Watford	1		
Sites	9	Sites	12	Sites	4
Units	15	Units	48	Units	4

Source: Various Websites Listed

- 8.28 There are however other sources of supply apart from specific sites; these include windfall sites and garden sites. Indeed, all single unit developments could be seen as a proxy for custom and self-build development. Over the last five years at least 581 dwellings³¹ have been completed on single-unit sites.

Table 106: Delivery on Small Sites

	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
2013-14	29	17	42	25	3
2014-15	26	8	41	23	3
2015-16	32	16	43	25	3
2016-17	40	18	34	23	5
2017-18	36	46	35	22	7
Total Single Dwelling Completions	163	105	195	118	21
CIL Exemptions	115	85	0	86	18
Commitments	137	85	83	65	16

Source: Local Authority Monitoring Data

- 8.29 As a further indicator, each of the local authorities has provided us with the number of planning permissions granted that have secured an exemption from having to pay the Community Infrastructure Levy because they are self-build.

³¹ Watford does not collate completions by size of development

- 8.30 In total 302 Units were exempted from CIL payment across South West Hertfordshire. This will include a level of double-counting with the completions of single unit developments. Note that St. Albans does not collect CIL payments, therefore, no exemptions were recorded.
- 8.31 As Table 106 shows there is a notable level of permitted but unimplemented supply of single unit developments in South West Hertfordshire with a capacity for 386 units. This indicates a not unsubstantial committed supply.
- 8.32 There may be some justification for the Councils to implement a policy response. Where local authorities have implemented a policy, these have come in several guises, for example:
- Teignbridge District Council - 5% of plots on development sites of more than 20 dwellings with plots marketed for a minimum of 12 months.
 - Mid Devon District Council - 5% of plots on development sites of more than 20 dwellings
 - Torbay Council -5% of plots on development sites of more than 30 dwellings
 - East Cambridgeshire District Council - 5% of plots on development sites of more than 100 dwellings
 - Stroud District Council - 2% of plots on strategic housing sites
- 8.33 Other local authorities have developed a policy of encouragement without defining exact percentages. For example, North Tyneside Council and Daventry District Council will 'encourage', rather than require, a proportion of plots to be set aside on sites of over 200 and 500 units respectively.
- 8.34 As a first step, the local authorities should seek to adopt a general encourage policy for smaller sites (10+ units) but also implement a further policy on strategic sites, where justified. The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need. This should also take into account the committed supply and viability consideration.

Student Accommodation

- 8.35 At Paragraph 4 of the Planning Practice Guidance (PPG) examining Housing Need for Specific Groups the needs for students is considered (Reference ID: 67-004-20190722):

“Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus. Encouraging more dedicated student accommodation may provide low-cost housing that takes pressure off the private rented sector and increases the overall housing stock. Strategic policy-making authorities are encouraged to consider options which would support both the needs of the student population as well as local residents before imposing caps or restrictions on students living outside university-provided accommodation. Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements in their area.”

- 8.36 The 2001 Census reported that there were only 204 student households in South West Hertfordshire. This represents only around 0.1% of all households in the study area. However, this increased by around 20% over the next ten years reaching 244 student households at the 2011 Census. Again, this represented just 0.1% of all households in South West Hertfordshire.
- 8.37 In 2001, St. Albans had the greatest number of student households, accounting for 34% of all student households in South West Hertfordshire. This was closely followed by Watford which hosted 28% of all student households in South West Hertfordshire.
- 8.38 There was a notable location shift in the next ten years. Hertsmere saw the greatest increase (+81 households) helping it become home to the greatest number of all student households (57%) in the study area by 2011.
- 8.39 Local agents suggest that this increase was driven by an increase in housing demand from students attending the University of Hertfordshire. The cost and poor quality of existing accommodation on campus at that time resulted in students seeking private lets in affordable areas and therefore areas outside of Hatfield experienced a surge in student household growth, particularly Hertsmere.
- 8.40 Local agents have suggested that the current level of demand for private let student accommodation has not been as high since the University invested in campus accommodation.

Table 107: All Student Households in SW Herts

All student households	Dacorum		Hertsmere		St. Albans		Three Rivers		Watford		Total
2001	11	5%	49	24%	69	34%	17	8%	58	28%	204
2011	28	11%	130	53%	26	11%	7	3%	53	22%	244
Change	17	155%	81	165%	-43	-62%	-10	-59%	-5	-9%	40

Source: 2011 Census

- 8.41 By comparison, St. Albans, Three Rivers and Watford all decreased in the number of all student households. The largest fall was in St. Albans where the number of all student households reduced by 43.

University of Hertfordshire

- 8.42 The University of Hertfordshire is primarily located in Hatfield and is the only higher education institution close to the South West Hertfordshire sub-region. In light of this, growth in the number of students at the university could spark some demand for student-related accommodation in the study area. This is likely to manifest in an increase in short term lets in the general housing stock as well as demand for purpose-built student accommodation/halls of residence.
- 8.43 At present, there are 24,400 students at the University of Hertfordshire. Total student enrolments (undergraduate and postgraduate) at the University of Hertfordshire from 2009 to 2018 are reported in Table 108. Total student enrolment numbers increased significantly (10%) between 2008-09 and 2009-10 which is the greatest growth during the ten years.

Table 108: University of Hertfordshire Total Student Enrolments (2009 to 2018)

Academic Year	Enrolment	Annual Growth
2008-09	25,195	
2009-10	27,705	10%
2010-11	27,700	0%
2011-12	27,230	-2%
2012-13	25,135	-8%
2013-14	25,295	1%
2014-15	24,880	-2%
2015-16	24,655	-1%
2016-17	24,580	0%
2017-18	24,400	-1%

Source: HESA, 2018

- 8.44 In the following years, the total student body declined and by 2012-13 had returned to the 2008-09 figure. However, according to the University, the extent of the decline in recent years is minor and not a reflection on the growth aspiration of the University.
- 8.45 The University of Hertfordshire 2020 Estates Vision establishes the University's development objectives to 2021. The document identifies that there is currently a great demand for on-campus student accommodation with the quality of accommodation currently behind expectations. However, the strategy stops short of identifying any future increase in student numbers
- 8.46 The strategy did identify that the new campus, De Havilland (again outside of SW Hertfordshire) is in very good condition, however, College Lane (also outside the study area) contains buildings that

are beyond their useful economic life and not suitable for their current intended use. It was reported that 41% of the buildings on College Lane are regarded as being 'operational, but with major repair or replacement needed in the short to medium term'.

- 8.47 The 2020 Estates Vision document identifies that the University will expand its residential offerings before 2021 through the demolition of dated facilities and developing new halls of residence. By 2021, the University will replace 1,000-bedspaces and create an additional 1,500 spaces on College Lane, increasing the total bedspaces at the University from 3,100 to 4,600.
- 8.48 The Campus Residences Development Strategy notes that new residential accommodation will be delivered through private sector partnerships. This would indicate an overall increase in student housing supply which would take some of the all-student households out of the general housing market.
- 8.49 The University was called as part of the consultation process for this work; however, they were not able to share any data or strategy that was not already in the public domain.

Purpose-Built Student Accommodation

- 8.50 Private sector development of student housing in the South West Hertfordshire area has been fairly limited. Most of the student housing has been delivered in Watford as its town centre and train station which offers strong connections to London are attractive to younger age groups.
- 8.51 The Wrap is a recent development next to Watford General Hospital which was initially intended to provide one-bedroom and two-bedroom apartments for student and non-student nurses. One-bedroom apartments are priced at £813 per month and two-bedroom apartments reach £856.
- 8.52 This development requires future tenants to meet certain criteria including earning between £25,000 and £60,000 annually, must not be able to own a home through one of the low-cost home ownership schemes, must be employed and must not have a tenancy of or own another home.
- 8.53 However, given the income requirement, it is unlikely that any further students will take up accommodation in this development therefore this potential student housing is being absorbed by professionals.
- 8.54 As identified in the 2020 Estates Vision document, new student accommodation is being delivered at College Lane in the form of residential halls. It is more likely that the private sector will continue to deliver small apartments in areas suitable for students to reside such as Watford.

- 8.55 To conclude, there is no need for the Councils to plan for additional student accommodation but any development being proposed which relates to this use should be judged on its merits alongside a local assessment of local demand.

Private Rental Sector

- 8.56 This section of the report responds to Paragraph 2 of the PPG concerning the housing needs of different groups which states:

“Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for private rented sector housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.”

- 8.57 The private rental sector has grown significantly between the 2001 and 2011 censuses with SW Hertfordshire (134%) seeing faster growth than the rest of the East of England region (111%) and England as a whole (107%).

Table 109: Change in Privately Renting

Area	2001 #	2001 %	2011 #	2011 %	Change	% Change
Dacorum	2,704	4.8%	7,107	11.9%	4,403	163%
Hertsmere	1,948	5.1%	4,981	12.5%	3,033	156%
St. Albans	4,075	7.7%	7,624	13.6%	3,549	87%
Three Rivers	1,545	4.6%	3,708	10.6%	2,163	140%
Watford	2,897	9.0%	7,371	20.1%	4,474	154%
SW Herts	13,169	6.2%	30,791	13.5%	17,622	134%
East of England	168,985	7.6%	356,227	14.7%	187,242	111%
England	1,798,864	8.8%	3,715,924	16.8%	1,917,060	107%

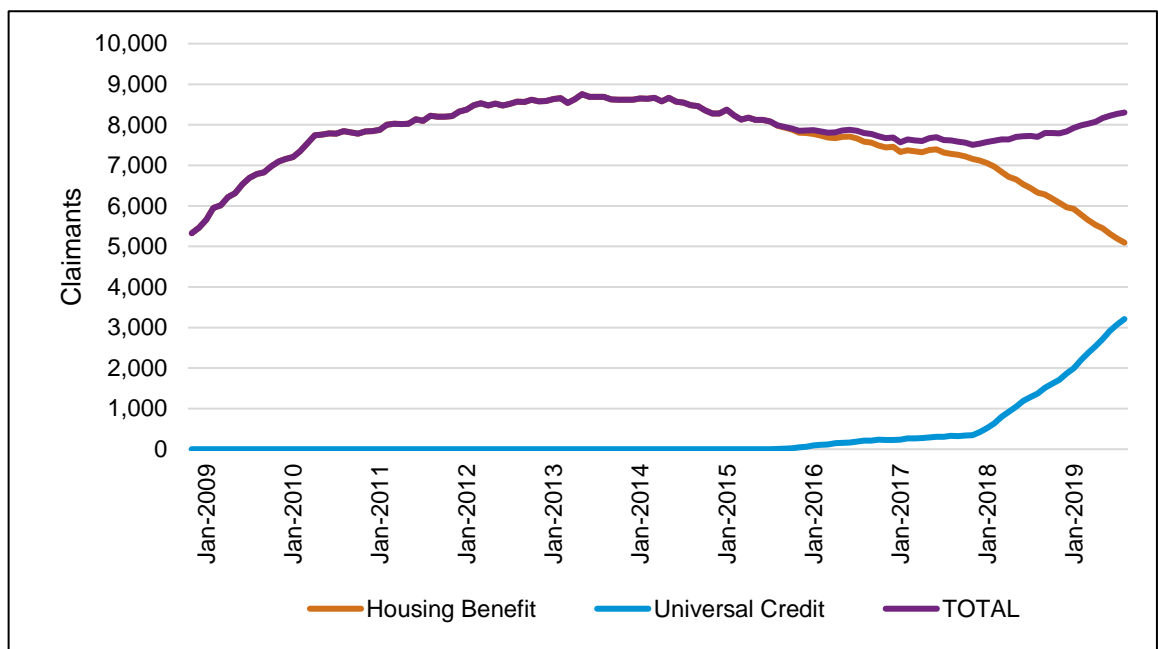
Source: ONS Census 2001 and 2011

- 8.58 Within SW Hertfordshire the largest growth was in Dacorum and Watford suggesting that the shift is being most acutely felt in the more affordable parts of the HMA. St. Albans, in contrast, had a significantly lower level of growth than any of the other local authorities.
- 8.59 Further analysis has been carried out to look at the number of housing benefit claimants in the sector. This indicates the number of people who are using the sector as a form of affordable housing, and in many cases will be living in private rented accommodation due to a lack to affordable housing (e.g. in the social rented sector).

8.60 However, it should be noted that some of these households may be in the sector through choice whilst others may be forced to use the sector if they are excluded from the Housing Register (e.g. due to rent arrears). Figure 22 includes both Housing Benefit and also Universal Credit claims where there is a housing entitlement (in the PRS)

8.61 The analysis shows that from 2008, the number of claimants in the PRS rose steadily to peak at around 8,800 in 2013. Since then the number of claimants has fallen, although numbers have risen slightly over the past couple of years. The number of households claiming Housing Benefit or Universal Credit (with housing entitlement) currently stands at just over 8,300. It is clear that the PRS still has a significant role in providing accommodation for those who cannot afford the market.

Figure 22: Number of Housing Benefit claimants in the private rented sector – SW Herts



Source: Department of Work and Pensions

8.62 For individual local authorities, an analysis has been carried out below that looks at trends over the past five years (August 2014 to August 2019). The data includes both Housing Benefit and Universal credit with a housing entitlement together.

Table 110: Private Sector Housing Benefit Claimants in SW Hertfordshire

Area	August 2014	August 2019	Change	% Change
Dacorum	1,943	1,781	-162	-8.3%
Hertsmere	1,644	1,677	33	2.0%
St. Albans	1,422	1,470	48	3.4%
Three Rivers	1,067	957	-110	-10.3%
Watford	2,405	2,418	13	0.5%
SW Herts	8,481	8,303	-178	-2.1%

Source: DWP, Benefit Statistics 2019

- 8.63 This study has not attempted to estimate the need for additional private rented housing. It is likely that the decision of households as to whether to buy or rent a home in the open market is dependent on several factors which mean that demand can fluctuate over time; this would include mortgage lending practices and the availability of Housing Benefit.
- 8.64 A general (national and local) shortage of housing is likely to have driven some of the growth in the private rented sector, including increases in the number of younger people in the sector, and increases in shared accommodation. If the supply of housing increases, then this potentially means that more households who would otherwise be renting would be able to buy.
- 8.65 Schemes such as Help to Buy (if it continues) have also helped support the number of people being able to buy instead of rent. However, this might be countered by a ban on agency fees making that initial step into the PRS more manageable.

Build to Rent sector

- 8.66 Annex 2 of the NPPF defines Build to Rent as:

“Purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.”

- 8.67 Paragraph 1 of the PPG (Reference ID: 60-001-20180913) on build to rent³² suggests that “local planning authorities should use a local housing need assessment to take into account the need for a range of housing types and tenures in their area including provisions for those who wish to rent.” and

³² <https://www.gov.uk/guidance/build-to-rent>

“If a need is identified, authorities should include a plan policy setting out their approach to promoting and accommodating build to rent. This should recognise the circumstances and locations where build to rent developments will be encouraged – for example as part of large sites and/or a town-centre regeneration area.”

- 8.68 In addition, and as stated earlier in this report, the NPPF states that affordable housing on build to rent schemes should be provided in the form of affordable private rent although there is some flexibility on this if the Councils agree to it. The need for affordable private rental accommodation is set out in section 5 of this document.
- 8.69 Build to rent schemes can be important in supporting housing delivery in times like these with economic and housing market uncertainty as investors base their investment decisions on the long-term prospects for housing demand.
- 8.70 Unlocking the Benefits and Potential of Build to Rent (British Property Federation, 2017) identifies that the build to rent model offers an additional sales outlet from the build to sell model. It provides more certainty of an end-buyer for housing developments which helps de-risk schemes.
- 8.71 It is particularly helpful on larger sites, where there are multiple phases of development. Often build to rent sites require substantial capital commitment and without substantial third-party investment, they do not progress.
- 8.72 Build to rent can accelerate delivery because a developer or house builder can deliver stock for both open market sale and market rent concurrently. However, barriers to build to rent scheme include:
- Access to suitable stock for conversion or land;
 - Low risk-adjusted yields in the form of capital growth rather rental income;
 - As an emerging sector there is a lack of investor experience in the sector; and
 - The need for scale with around 250-unit scheme minimum likely.
- 8.73 The British Property Federation reports build to rent schemes across the UK every quarter. Currently, there are 139,508 build to rent units either completed or planned across the UK, including 29,416 completed, 43,374 under construction and a further 66,718 with planning permission. In London, there are 72,767 units and outside of London, there are 66,741 units.
- 8.74 Built to rent is a growing market for some large hedge funds although at present the focus is on major urban locations. However, there has been a small amount of interest in the build to rent sector in Watford. The Quarters development on St. Albans Road in Watford is a short-term rental accommodation offering 100 affordable studio apartments, permitting stays up to six months.

- 8.75 The property provides different degrees of quality including standard, deluxe and premium. Currently, availability is low across the three types of studio apartments indicating there is a high demand for this type of flexible product in the area.
- 8.76 The location of the Quarters development is within proximity to Watford's Business District and Watford Junction station. The development is an example of a housing product that provides service management and self-contained living in a convenient location. This is appealing to markets that require short term living arrangements such as professionals and students.
- 8.77 Also, in Watford, Cortland Partners have secured development permission for a 23-storey tower comprising 485 new units (including 169 affordable units) on Ascot Road. The development is still in the construction phase.
- 8.78 Cortland Partners were drawn to Watford because of the excellent town centre amenities and growth in residential population, particularly given the amount of investment in new high-density developments. The company expects to continue the build to rent development trend and deliver 10,000 apartment homes in the UK over the next 5 years.
- 8.79 Hertsmere has recently approved a planning application, subject to Section 106 negotiations, for a development where the affordable housing element will be provided as a build to rent.
- 8.80 Outside these schemes, there has been no development in build to rent schemes in SW Herts. Engagement with developers in the area suggests there is scope for the Watford and Hemel Hempstead to grow the build to rent housing model, however, scope outside these areas is limited.
- 8.81 This may increase within SW Herts as well as elsewhere in the country as the Government has been targeting financial backing for purpose-built Private Rented Sector (PRS) schemes since 2012. This has helped to expand this sector in a range of cities and towns across the country.
- 8.82 Funding is still being committed at scale; for example, in August 2017 it announced £65m investment into the largest Build to Rent site at the Wembley Park development in nearby Brent, London, which will see 7,600 homes built, 6,800 of which will be for rent.
- 8.83 To conclude, there is no need for the Councils to allocate for build to rent accommodation but should as per the PPG develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the proportion of affordable private rent being provided (seeking a minimum 20%) alongside a local assessment of demand.

Gypsies and Travellers

- 8.84 This report does not deal with the need for Gypsies and Travellers. This is being reviewed by the Councils in separate commissions. The needs for those wishing to settle in permanent accommodation are included within the wider housing needs.
- 8.85 To gauge the scale of need the population who identify as Gypsy or Irish Traveller has been identified. As Table 111 shows according to the Census around 0.2% of the population fall into this category within the HMA. Of this population, around 31% of the households live in a caravan or other mobile or temporary structure. Therefore 69% of the population live in bricks and mortar accommodation.

Table 111: White: Gypsy or Irish Traveller Population (2011)

Area	G or IT Population	% Population G or IT	G or IT Households in Caravans Etc.	G or IT Households in Caravans Etc.
Dacorum	221	0.3%	25	32%
Hertsmere	153	0.3%	24	44%
St. Albans	165	0.2%	17	27%
Three Rivers	78	0.2%	3	12%
Watford	60	0.1%	6	25%
HMA	677	0.2%	75	31%
East	7,972	0.2%	1,001	35%
England and Wales	55,890	0.2%	4,850	24%

Source: ONS, Census 2011

- 8.86 If this percentage of the population (0.2%) and their living arrangements (69%) is maintained in future, then around 6 dpa of the 4,043 dpa housing need for the HMA (0.14%) would meet the needs for gypsies and travellers seeking permanent accommodation. This would be in addition to the need for caravan pitches being assessed elsewhere.
- 8.87 However, the Census information is dated, and it is unclear to what extent people defined as travellers in the Census meet the narrower definition of a traveller in the Government's 2015 'Planning Policy for Traveller Sites' (PPTS). This reinforces the need for the local authorities not to rely on the Census data, but to carry out separate evidence base studies to assess the housing needs of gypsies and travellers, as recommended in paragraph 7 of the PPTS.

Housing for Needs of Different Groups: Key messages and recommendations

- At January 1st 2020, the number of individuals registered on the local authority self-build and custom housebuilding registers in South West Hertfordshire was 709.
- **Recommendation: The local authorities should seek to adopt a general “encourage” policy for self-build and custom-build housing on smaller sites (+10 units) but also implement a further policy on strategic sites, where justified. The exact level should be determined in reference to the number and capacity of strategic sites and the overall local need. This should also take into account the committed supply and viability considerations.**
- At the 2011 Census, there were 244 student households in South West Hertfordshire. This represented just 0.1% of all households. Local agents suggest that the 20% increase between 2001 and 2011 was driven by an increase in housing demand from students attending the University of Hertfordshire. The University’s 2020 Estates Vision identifies that they will expand its residential offerings before 2021.
- **Recommendation: There is no need for the Councils to plan for additional student accommodation but any development being proposed which relates to this use should be judged on its merits alongside an assessment of local demand.**
- The private rental sector has grown significantly between the 2001 and 2011 with SW Hertfordshire (134%) seeing faster growth than the rest of the East of England region (111%) and England as a whole (107%).
- There has been a small amount of interest in the build to rent sector in Watford, and Hertsmeare has recently approved a planning application, subject to Section 106 negotiations, for a development where the affordable housing element will be provided as a build to rent.
- **Recommendation: There is no need for the Councils to allocate land for build to rent accommodation but should develop a policy for any development being proposed. The policy should judge the proposed development on its merits including the proportion of affordable private rent being provided (seeking as much as viability allows with a minimum of 20%) alongside a local assessment of demand.**
- This assessment has not examined the need for Gypsies and Traveller pitches. However, based on the Census around 0.2% of the housing need would meet the need for this group. However, the local authorities should carry out separate evidence base studies to assess the housing needs of gypsies and travellers, as recommended in the Government’s Planning Policy for Traveller Sites.

9 HOUSING DELIVERY

9.1 In examining the market signals for South West Hertfordshire, it is clear that the cost of housing is not the prohibitive factor in housing delivery. However, there will still be a requirement to stimulate the acceleration of housing supply. This can involve a wide range of actions and interventions by the public sector. The following measures could be relevant to the local authorities.

Public Sector Debt Finance

9.2 Public sector debt finance has a major role in supporting and accelerating growth and assisting with the delivery of new forms of housing where markets are evolving. At a national level, the £525m Builders Finance Fund was first launched in 2014 and this was subsumed within the £4.5bn Home Building Fund (HBF) in October 2016. This is a flexible source of funding administered by the Homes England on behalf of the government and it provides:

- development finance – to meet the development costs of building homes for sale or rent with typical terms of up to 5 years and a minimum investment of £250,000, except in the case of innovative housing solutions and serviced plots for custom builders; and
- infrastructure finance – up to £250m for site preparation and the infrastructure needed to prepare land for development, with repayment terms of up to 20 years.

9.3 Also operating on a national footprint, the Housing Growth Partnership (HGP) was set up in July 2015 with £50m from Lloyds and £50m from Homes England. The HGP plans to help finance development by targeting local housebuilders that are currently building 10 to 100 homes a year.

9.4 Rather than offering loans, the HGP will act as a co-equity investor in development projects, staking equity alongside the builder with typical investment levels of £0.5m to £3m. The fund will make its return only when the units are sold, taking a pre-agreed proportion of profits.

Public sector backed direct development

9.5 Local Authorities are becoming more involved in direct intervention to achieve their goals for housing. Over 50 Local Authority owned/controlled housing and development companies have been formed since the 2011 Localism Act paved the way for them to establish private companies and more than a third of UK local authorities have/are setting up their own housebuilding companies³³. The reasons for establishing such vehicles are varied but most are underpinned by a desire to:

- drive the pace of the market and/or intervene where there is a market failure;
- respond where particular needs are not being met (i.e. homelessness, lack of affordability or poor quality private rented properties);
- establish quality and place-making benchmarks; and
- create a commercial entity that will generate a return for the Local Authority

³³ Out of the box: councils try innovative projects to provide social housing, Guardian, February 2017

- 9.6 Local Housing Companies do have their challenges; their set-up costs can be high, and they do not benefit from the economies of scale that volume housebuilders can bring. Local Authorities also need to adhere to commercial discipline if they are to achieve a return (financial and new homes) and make commitments to provide the required level of resource.
- 9.7 There is a range of models for Councils seeking to actively support the delivery of new housing, including affordable housing. Councils can:
- engage in joint ventures and developer partnering;
 - buy stock directly (either existing stock or new-build, typically as affordable housing); or
 - set up their own 100% owned limited company.
- 9.8 Such vehicles can play an important role in de-risking complex development projects, helping to drive forward delivery rates.
- 9.9 There are many examples of intervention across the Country. In the East of England region, Thurrock Council has established *Gloriana*, a publicly owned company designed to kick-start housing in Tilbury, where few developers had expressed an interest in building. The Council's former head of housing explained that they can do this because there is not a requirement to extract a "swift and significant profit" from development³⁴.
- 9.10 In Croydon, the Council set up *Brick by Brick* to bring forward small housing schemes individually designed by upcoming architectural practices to provide new housing and lift the profile of an area. For example, Coldharbour Road in Croydon comprises eight shared-ownership homes on a tight backland garage site.
- 9.11 The Councils can, in collaboration with developers or through direct contracting, deliver development schemes of varying scale from complex urban regeneration projects through to urban extensions or new garden villages, where addressing upfront infrastructure costs is a key issue.
- 9.12 They can also simply plug a gap where a range of tenures and associated local social infrastructure is not being provided. How the housing companies are set up and structured varies, depending on local circumstances.

Commercial Partnerships

- 9.13 There are many examples from around the country of Councils setting up or engaging in Joint Ventures (JVs) with a development partner to deliver homes, on either a site-specific or area-wide basis. This involves sharing risk, investment and reward.

³⁴ Out of the box: Councils try innovative projects to provide social housing, Guardian, February 2017

- 9.14 There are numerous initiatives and there is a wide diversity of structure for engaging in partnerships. For example, the *Castleward Urban Village in Derby* is an area-based JV approach involving the Local Authority across a 10-ha area between the City Centre and Derby Rail Station.
- 9.15 A masterplan was prepared to show the potential for residential-led regeneration to deliver 850 homes plus commercial and retail space. Following the establishment of a planning framework through an AAP, feasibility and viability analysis, the Council procured a development partner, Compendium Living, in 2011 through a Joint Venture Agreement.
- 9.16 With a planning application submitted and approved in 2012, the first phase of 163 private and affordable homes and 1,600 m² of commercial space started on site in February 2013. Against a background of depressed market conditions, the scheme has proven a local market for housing close to the City Centre.
- 9.17 Within the HMA, Three Rivers Council has created a new joint venture (Three Rivers Homes) between Three Rivers District Council and Watford Community Housing. The partnership sees the housing association and the Council pooling their respective expertise and resources to provide 33 units at the Grapevine Public House. The Council are also considering a further JV in time.

Enhancing Housing Association Output

- 9.18 Housing Associations have the potential to play an important role in boosting housing supply. They built around 32,500 of the 192,000 new homes completed in the UK in 2017-18 and have become increasingly involved in delivering open market products.
- 9.19 This activity helps generate cross-subsidy for affordable homes and often supports Local Authority objectives for places and areas where the market is weak. According to the National Housing Federation (NHF), the sector has the ambition to boost its national output to 120,000 homes a year by 2030.
- 9.20 In addition to building new Affordable Housing with government financial assistance, they also have a key role to play in maintaining the supply of new stock through section 106 agreements with private developers.
- 9.21 Housing Associations also have access to the 2016-21 Shared Ownership and Affordable Homes Programme (SOAHP). This was initially allocated £4.7 billion in capital funding for: 'help to buy shared ownership' homes; homes where tenants can stay for five years at reduced rents while they save for a deposit with a 'first right' to buy the home; and specialist homes for older people or those with disabilities.

9.22 The 2017 Autumn Statement increased SOAHP funding by £1.4 billion and made its use more flexible³⁵ and recent (October 2017) announcements have increased the 'pot' to more than £9 billion. Combined with setting a long-term rent deal for Councils and Housing Associations in England, there is an expectation that this will unlock significant growth in delivery by the sector.

9.23 It is understood many Registered Providers currently contribute to housing supply in South West Hertfordshire and there could be opportunities to encourage additional output including through market sales and rented products.

Construction Innovation

9.24 Many Local Authorities and public sector agencies believe that achieving construction innovation in the supply of housing is essential if they are to achieve an increase in the pace of delivery.

9.25 To drive forward housing delivery rates, there is wide acceptance and strong support from the government for the promotion of innovation in construction, including off-site solutions or "Modern methods of construction" (MMC). This includes:

- Volumetric construction: three-dimensional units which are fully fitted out off-site. Modules can be delivered to site in a variety of forms from a basic empty shell awaiting on-site finishing to a completely fitted out unit with all the necessary internal/external finishes and services ready for on-site assembly.
- Pods: which are used in conjunction with another construction method. Examples are bathroom or kitchen pods.
- Panelised systems: Panels with timber or light steel framing, structural insulated panels (SIPS) or cross-laminated timber (CLT).
- Sub-assemblies and components: Larger components incorporated into new homes. They include roof and floor cassettes, prefabricated chimneys, porches and dormers, and I-beams.
- Site-based MMC: Innovative methods of construction used on-site. They include thin joint blockwork and insulated formwork.

9.26 The National House Building Council³⁶(NHBC) suggests that masonry construction still dominates the industry and has been the most common approach to construction (80%) over the last 8 years according to their records.

9.27 However, the majority of house builders and housing associations are using, or have considered, at least one MMC approach within their recent build programmes. The most widely-adopted form of MMC is sub-assemblies and components such as door sets, timber I-beams, prefabricated chimneys and prefabricated dormers.

9.28 The second most popular form of MMC is panelised systems (e.g. timber and steel frame), which was used by 42% of respondents during 2015 for at least one home. In the lead was timber frame

³⁵ UK Housing Review 2017, p82

³⁶ Available at <http://www.buildoffsite.com/content/uploads/2016/07/NF70-MMC-WEB.pdf>

construction which, according to NHBC registration statistics accounted for around 15% of UK housing output.

- 9.29 Only limited use is being made of volumetric construction (large modules fully fitted out off-site) and pods (room-sized modules normally bathrooms or kitchens) with 6% and 7% of organisations have used these methods respectively one or more times in 2015.
- 9.30 Use tends to be concentrated in apartment buildings in London and the Home Counties. MMC provides the potential for faster delivery of new homes – speeding up the construction – for improving build quality, tackling skills shortages, and improving health and safety.
- 9.31 The majority of housebuilders and housing associations interviewed by NHBC felt that MMC has some role to play in the delivery of large volumes of new homes, but identified other factors which need to be addressed.
- 9.32 However, 78% of housebuilders and 46% of housing associations expect to increase the number of new homes they build over the next 3 years and MMC is expected to make some contribution into achieving this by the majority.
- 9.33 The majority of modern construction projects involve larger development schemes, including off-site build, and there are some non-residential schemes (including schools, shopping centres, hotels and student accommodation).

Public Land

- 9.34 Making the best use of public land has been a consistent theme within Government since 2010 and it is given prominence within the Government's Housing White Paper. Homes England has also become more interventionist when it comes to owning and controlling the supply of land for housing.
- 9.35 Land Commissions have become increasingly important in some parts of the Country. For example, the West Midlands Combined Authority established a *Land Commission* in 2016 to assess and consider what measures could be initiated and undertaken to ensure an improved supply of developable land from a strategic perspective.
- 9.36 It is now charged with working on an action plan to drive forward delivery, addressing a range of factors from estate regeneration, green belt review and the greater use of CPO powers to support site assembly.
- 9.37 The local authorities could consider a cross-public sector property register which will enable partners across the SW Herts to identify opportunities for growth. Better and more joined-up thinking

on public land could help to 'squeeze out' more supply and accelerate the pace of land that is coming forward for development.

Delivery of Older Persons Accommodation

- 9.38 In 2018 the House of Commons Communities and Local Government Committee published a report³⁷ on housing for older people. The report recommended that local authorities should be more receptive to private developers who wish to build housing for older people in their area.
- 9.39 They should also be mindful of the different economic context delivering this type of housing has in comparison to general housing. The committee recommended the creation of a sub-category of the C2 planning classification (which currently applies to residential care and nursing homes) for specialist housing, which would reduce the contributions required from developers, or the creation of a new use class for specialist housing which would have the same effect. However, this did not transpire within the latest policy guidance.
- 9.40 The Local Government Association³⁸ also provided good practice guidance for housing the ageing population. This noted that local authorities should use local plans "to signal to the market what is required across all housing tenures".
- 9.41 The report also notes that local authorities should proactively engage with housing developers to support the delivery of well-targeted and considered housing proposals. They should encourage and support well designed private-sector retirement housing development to help create housing diversity and help meet the future housing needs of older homeowners,
- 9.42 As mentioned above the disposal of public sector land was seen as presenting a good opportunity to allocate sites in appropriate locations for housing for older people. Essex County Council was seen as providing a good example of a land assembly for use for older person accommodation. ECC uses a developer/ provider framework to efficiently appoint developers/providers to take forward schemes on land owned by the public sector.
- 9.43 Similarly, Worcestershire County Council has worked alongside housing associations to identify publicly-owned sites suitable for retirement housing schemes and invested council capital funding in schemes where this has enabled development to take place.
- 9.44 The LGA report also sets out some good practice examples, one of which was Birmingham City Council's decision to establish a housing trust for building new homes across the City. This focused on the delivery of attractive 'rightsizer' housing to facilitate the release of under-occupied housing

³⁷ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/370/370.pdf>

³⁸ https://www.local.gov.uk/sites/default/files/documents/5.17%20-%20Housing%20our%20ageing%20population_07_0.pdf

stock. This recognised that there needed to be a better-quality offer to incentivise older residents to move.

9.45 The City Council's research identified the following requirements as desirable for older people:

- Two bedrooms: either through household need or quality of life requirements;
- decent space standards and storage;
- economic to run and easy to maintain;
- flexible to cater for changing needs; and
- manageable outside space;

9.46 The City Council's response was to develop a two-bedroom 'dormer style bungalow', with all facilities required on the ground floor but with a second bedroom and bathroom upstairs. This allowed for more economic use of land.

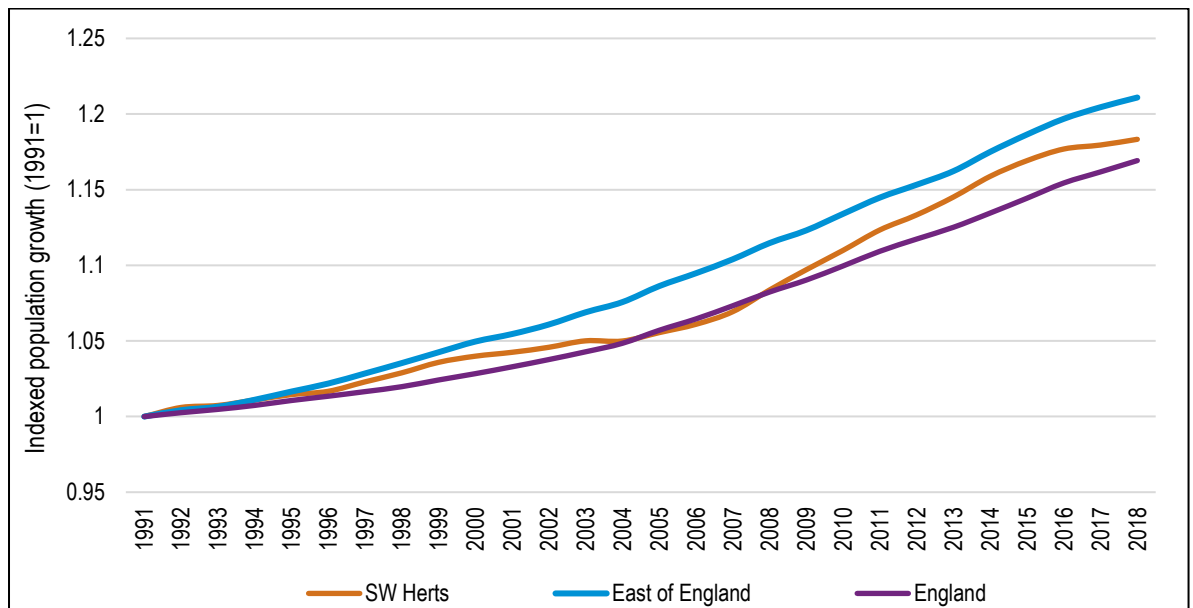
Housing Delivery: Key messages and recommendations

- In examining the market signals for South West Hertfordshire, it is clear that the cost of housing is not the prohibitive factor in housing delivery. However, there will still be a requirement to stimulate the acceleration of housing supply. This can involve a wide range of actions and interventions by the public sector including:
 - Public Sector Debt Finance
 - Public sector backed direct development
 - Commercial Partnerships
 - Enhancing Housing Association output
- In addition, achieving construction innovation in the supply of housing is essential if they are to achieve an increase in the pace of delivery.
- The local authorities could also consider a cross-public sector property register which will enable partners across the SW Herts to identify opportunities for growth.
- **Recommendation: The Councils should explore these actions and interventions to ensure as much as the identified housing need is met as soon as possible.**

APPENDIX A: Demographic Analysis

A1.1 Figure 23 considers population growth in the period from 1991 to 2018. The analysis shows that generally over this period the population of South West Herts has been rising, with particularly strong growth since about 2006. In 2018, it is estimated that the population of the study area had risen by 18% from 1991 levels, this is in contrast with a 21% rise across the region and around 17% increase nationally.

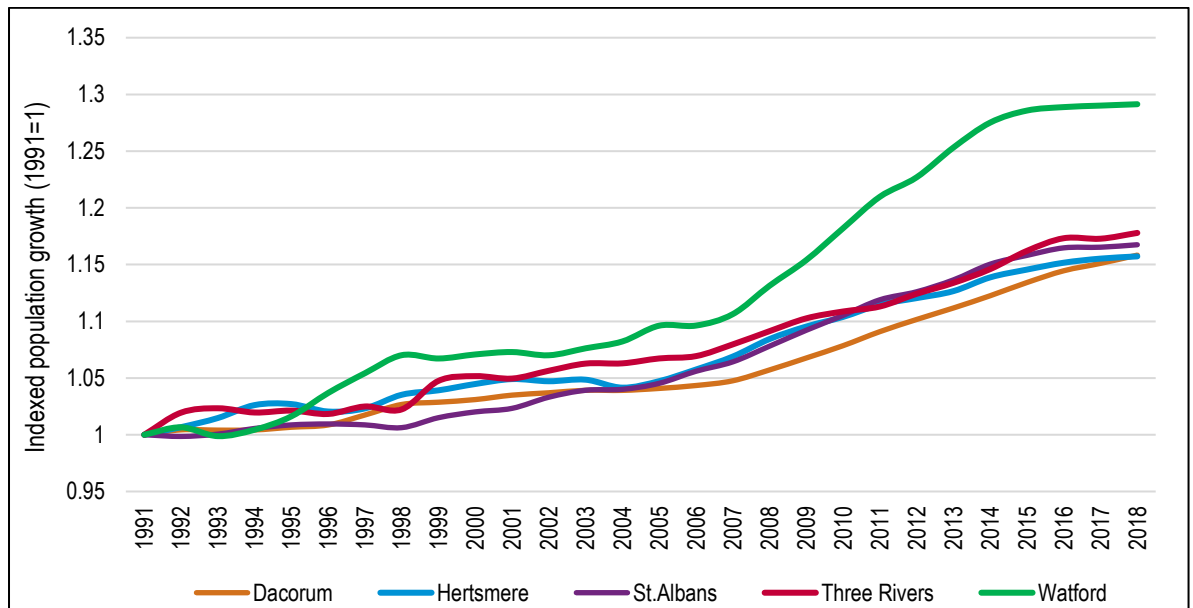
Figure 23: Indexed population growth (1991-2018)



Source: ONS (mid-year population estimates)

A1.2 Figure 24 shows the same information for individual local authorities. This shows that all areas saw notable population growth in the period to 2018, with Watford standing out as having the most rapid growth (population increase of 29% since 1991, with much of this growth being since about 2006).

Figure 24: Indexed population growth (1991-2018) – local authorities



Source: ONS (mid-year population estimates)

Components of Population Change

- A1.3 Table 112 considers the drivers of population change from 2001 to 2018. The main components of change are natural change (births minus deaths), net migration (internal/domestic and international) and other changes.
- A1.4 There is also an Unattributable Population Change (UPC) which is a correction made by ONS upon publication of Census data if the population has been under- or over-estimated. Hence there is no adjustment for this component post-2011.
- A1.5 The data shows a substantial level of natural change throughout the period, reflecting a relatively young age structure. Internal migration has been quite variable, being negative earlier in the period studied, strongly positive in the middle of the period and again negative over the past couple of years.
- A1.6 International migration is also variable, although the data does suggest a strong positive net level over the past four years. The data also shows a positive level of UPC, suggesting that between 2001 and 2011, ONS may have underestimated population growth within-population estimates (and this was corrected once Census data had been published).

Table 112: Components of population change, mid-2001 to mid-2018 – South West Herts

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	1,482	-1,159	395	73	882	1,673
2002/3	1,620	-1,124	761	16	876	2,149
2003/4	1,833	-1,785	-844	-146	875	-67
2004/5	1,735	-594	810	-31	874	2,794
2005/6	2,178	572	-916	44	895	2,773
2006/7	2,584	1,172	-423	-6	869	4,196
2007/8	3,096	2,090	1,233	-70	866	7,215
2008/9	2,993	2,377	465	41	879	6,755
2009/10	3,062	1,930	613	-60	898	6,443
2010/11	3,530	2,509	-127	12	864	6,788
2011/12	3,256	2,518	-753	-16	0	5,005
2012/13	2,803	3,070	19	57	0	5,949
2013/14	3,368	1,912	1,495	113	0	6,888
2014/15	2,633	232	2,061	292	0	5,218
2015/16	3,067	-1,217	1,927	92	0	3,869
2016/17	2,595	-2,600	1,445	-110	0	1,330
2017/18	2,271	-1,507	1,012	136	0	1,912

Source: ONS

A1.7 Tables 112 to 116 below show the same information for each local authority for comparative purposes.

Table 113: Components of population change, mid-2001 to mid-2018 – Dacorum

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	351	-379	104	62	137	275
2002/3	400	-246	-8	13	136	295
2003/4	509	-278	-269	-113	141	-10
2004/5	335	-144	-86	-12	137	230
2005/6	402	-126	-149	55	158	340
2006/7	657	-276	1	15	157	554
2007/8	699	175	269	-28	160	1,275
2008/9	699	420	65	44	175	1,403
2009/10	724	529	13	-40	220	1,446
2010/11	859	515	43	3	227	1,647
2011/12	711	757	-9	-29	0	1,430
2012/13	606	660	62	19	0	1,347
2013/14	777	270	344	49	0	1,440
2014/15	696	148	471	239	0	1,554
2015/16	711	227	454	-16	0	1,376
2016/17	652	-81	328	-28	0	871
2017/18	683	-71	299	53	0	964

Source: ONS

Table 114: Components of population change, mid-2001 to mid-2018 – Hertsmere

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	85	-544	269	1	18	-171
2002/3	77	-320	351	-18	34	124
2003/4	120	-664	-103	4	12	-631
2004/5	124	201	177	-10	22	514
2005/6	295	688	-63	4	-1	923
2006/7	342	730	-15	-17	-13	1,027
2007/8	381	744	262	1	2	1,390
2008/9	341	572	88	3	-9	995
2009/10	384	263	111	-4	11	765
2010/11	467	532	-25	3	0	977
2011/12	444	171	-116	17	0	516
2012/13	380	257	-89	6	0	554
2013/14	510	294	270	17	0	1,091
2014/15	332	-123	408	0	0	617
2015/16	453	-292	359	28	0	548
2016/17	404	-353	299	-24	0	326
2017/18	236	-216	127	27	0	174

Source: ONS

Table 115: Components of population change, mid-2001 to mid-2018 – St. Albans

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	577	217	191	-7	261	1,239
2002/3	676	0	-143	0	240	773
2003/4	597	-232	-510	4	245	104
2004/5	672	-93	-143	-1	232	667
2005/6	804	711	-402	-9	238	1,342
2006/7	805	240	-230	-2	232	1,045
2007/8	1,012	295	240	-10	213	1,750
2008/9	951	464	141	-2	216	1,770
2009/10	877	479	114	-7	190	1,653
2010/11	970	666	-125	9	217	1,737
2011/12	970	248	-341	12	0	889
2012/13	807	543	-44	15	0	1,321
2013/14	883	618	251	-2	0	1,750
2014/15	669	-69	369	11	0	980
2015/16	780	-446	495	8	0	837
2016/17	629	-858	309	-10	0	70
2017/18	533	-445	173	17	0	278

Source: ONS

Table 116: Components of population change, mid-2001 to mid-2018 – Three Rivers

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	100	399	158	33	-147	543
2002/3	98	262	265	27	-154	498
2003/4	239	-12	-17	-40	-153	17
2004/5	150	267	96	-7	-164	342
2005/6	141	284	-114	-2	-148	161
2006/7	258	802	-83	9	-170	816
2007/8	342	664	99	-30	-152	923
2008/9	308	699	40	6	-162	891
2009/10	323	257	64	0	-167	477
2010/11	362	197	-23	-2	-186	348
2011/12	313	753	-168	-15	0	883
2012/13	234	548	-33	13	0	762
2013/14	336	412	159	52	0	959
2014/15	205	840	185	42	0	1,272
2015/16	309	369	142	59	0	879
2016/17	226	-359	142	-44	0	-35
2017/18	120	95	151	38	0	404

Source: ONS

Table 117: Components of population change, mid-2001 to mid-2018 – Watford

	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	369	-852	-327	-16	613	-213
2002/3	369	-820	296	-6	620	459
2003/4	368	-599	55	-1	630	453
2004/5	454	-825	766	-1	647	1,041
2005/6	536	-985	-188	-4	648	7
2006/7	522	-324	-96	-11	663	754
2007/8	662	212	363	-3	643	1,877
2008/9	694	222	131	-10	659	1,696
2009/10	754	402	311	-9	644	2,102
2010/11	872	599	3	-1	606	2,079
2011/12	818	589	-119	-1	0	1,287
2012/13	776	1,062	123	4	0	1,965
2013/14	862	318	471	-3	0	1,648
2014/15	731	-564	628	0	0	795
2015/16	814	-1,075	477	13	0	229
2016/17	684	-949	367	-4	0	98
2017/18	699	-870	262	1	0	92

Source: ONS

2016-based Subnational Population Projections (SNPP)

- A1.8 The latest (2016-based) set of subnational population projections (SNPP) were published by ONS in May 2018 (replacing a 2014-based release). The projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2016-based national population projections.
- A1.9 The 2016-based SNPP contains some assumptions that have been changed from the 2014-based version, these assumptions essentially filtering down from changes made at a national level. The key differences are:
- ONS' long-term international migration assumptions have been revised downwards to 165,000 per annum (beyond mid-2022) compared to 185,000 in the 2014-based projections. This is based on a 25-year average;

- The latest projections assume that women will have fewer children, with the average number of children per woman expected to be 1.84 compared to 1.89 in the 2014-based projections; and
- ONS is no longer assuming a faster rate of increase in life expectancy of those born between 1923 and 1938, based essentially on more recent evidence. Life expectancy still increases, just not as fast as previously projected.

A1.10 Table 118 shows projected population growth from 2020 to 2036 in South West Herts and a range of comparator areas. The data shows that the population of the study area is projected to increase by 9.0%; this is a slightly slower rate of growth as projected across the region, but a slightly higher level than for England.

A1.11 Looking at individual local authorities, the analysis shows greater projected growth in Watford, and the lowest level in St. Albans (although this is still in line the national position).

Table 118: Projected population growth (2020-2036) – 2016-based SNPP

	Population 2020	Population 2036	Change in population	% change
Dacorum	157,460	173,123	15,663	9.9%
Hertsmere	106,201	114,682	8,481	8.0%
St. Albans	150,900	162,065	11,165	7.4%
Three Rivers	95,721	105,180	9,459	9.9%
Watford	100,713	110,811	10,098	10.0%
SW Herts	610,995	665,861	54,866	9.0%
East of England	6,316,263	6,915,639	599,376	9.5%
England	56,704,735	60,905,483	4,200,748	7.4%

Source: ONS

A1.12 Table 119 compares the 2016-based SNPP with the previous release (2014-based). This shows that there is a significant difference in the projected level of growth in the 2020-2036 period, the previous projections showing a figure of 88,500, compared with 54,900 in the more recent release. In all areas, the projected population growth in the 2014-based projections was somewhat higher than in the most recent release.

Table 119: Projected population growth (2020-2036) – South West Herts

		Population 2020	Population 2036	Change in population	% change
Dacorum	2014-based	158,957	181,265	22,309	14.0%
	2016-based	157,460	173,123	15,663	9.9%
Hertsmere	2014-based	108,277	123,254	14,977	13.8%
	2016-based	106,201	114,682	8,481	8.0%
St. Albans	2014-based	153,952	174,614	20,662	13.4%
	2016-based	150,900	162,065	11,165	7.4%
Three Rivers	2014-based	95,478	108,573	13,095	13.7%
	2016-based	95,721	105,180	9,459	9.9%
Watford	2014-based	104,402	121,897	17,494	16.8%
	2016-based	100,713	110,811	10,098	10.0%
South West Herts	2014-based	621,066	709,603	88,537	14.3%
	2016-based	610,995	665,861	54,866	9.0%

Source: ONS

- A1.13 With the overall change in the population will also come changes to the age profile. Table 120 summarises findings for key (5 years) age groups. The largest growth will be in people aged 65 and over.
- A1.14 In 2036 it is projected that there will be 143,600 people aged 65 and over. This is an increase of 39,600 from 2020, representing a growth of 38%. The population aged 85 and over is projected to increase by an even greater proportion, 67%.
- A1.15 Looking at the other end of the age spectrum the data shows that there is projected to be a 2% decrease in the number of children (those aged Under 15), with increases or decreases shown for other age groups.

Table 120: Population change 2020 to 2036 by five-year age bands – South West Herts (2016-based SNPP)

	Population 2020	Population 2036	Change in population	% change from 2020
Under 5	39,515	38,049	-1,466	-3.7%
5-9	42,742	40,739	-2,003	-4.7%
10-14	41,911	42,898	987	2.4%
15-19	32,232	39,125	6,893	21.4%
20-24	25,103	28,739	3,636	14.5%
25-29	35,677	36,654	977	2.7%
30-34	40,801	35,967	-4,834	-11.8%
35-39	44,849	40,561	-4,288	-9.6%
40-44	44,703	45,312	609	1.4%
45-49	43,967	47,605	3,638	8.3%
50-54	42,801	46,195	3,394	7.9%
55-59	40,120	42,483	2,363	5.9%
60-64	32,506	37,856	5,350	16.5%
65-69	27,125	35,572	8,447	31.1%
70-74	26,563	33,169	6,606	24.9%
75-79	19,167	26,933	7,766	40.5%
80-84	14,878	20,623	5,745	38.6%
85+	16,337	27,374	11,037	67.6%
Total	610,995	665,861	54,866	9.0%

Source: ONS

- A1.16 As noted previously, the Government has amended the Standard Method so that the 2016-based SNHP are disregarded in favour of using the 2014-based version as a start point. There is some good logic for this as the 2016-based projections do seem to potentially be building in an additional suppression of household formation (discussed below), however, it is considered that the 2016-based SNPP (i.e. the population data) should not be so readily disregarded – this is particularly because of the changes made to fertility and mortality rates which reflect observed recent trends.
- A1.17 Therefore, in moving the analysis forward, it is suggested that the most suitable approach is to maintain the 2016-based SNPP as a baseline projection and amend migration estimates so that the level of need matches that shown in the Standard Method (for 4,043 dwellings per annum across the study area). Further adjustments are made to the household formation to ensure a consistent projection with the LHN.

Alternative Demographic Scenarios

- A1.18 The SNPP is the latest official projection and is based on looking at migration trends over the past 5 to 6 years. However, given that levels of migration and population growth have been variable over time it is reasonable to consider alternative (sensitivity) scenarios – these scenarios have been developed independently of matching population and household growth to the Standard Method level of housing need.
- A1.19 The sensitivity scenarios take account of longer-term migration trends and also data from the ONS 2017 mid-year population estimates (MYE). The analysis below considers two potential sensitivities to the SNPP figures. These can be described as:
- Including 2017 mid-year population data and retaining other assumptions in the SNPP – 2016-SNPP (+MYE); and
 - Implications of 10-year migration trends – 10-year migration.

2016-SNPP (+MYE)

- A1.20 This projection takes assumptions from the 2016-based SNPP but overwrites the population projection figures for 2017 by those in the ONS MYE (by age and sex). Moving forward from 2017, this sensitivity uses the same birth and death rates as contained in the 2016-based SNPP and the actual projected migration figures (by age and sex).

10-year migration

- A1.21 This projection uses information about migration levels in the 10 years (2007-17); the scenario, therefore, includes the most up-to-date MYE figures (for 2017). The projection does not just look at the migration figures and roll these forward but recognises that migration can be variable over time as the age structure changes. With international migration, this projection also takes account of the fact that ONS are projecting for international net migration to decrease in the longer-term.
- A1.22 To overcome the issue of variable migration, the methodology employed looks at the share of migration in each local authority compared to the share in the period feeding into the 2016-based SNPP (which is 2011-16 for internal migration and 2010-16 for international migration). Where the share of migration is higher in the 10 years, the projection applies an upward adjustment to migration and vice versa.

Outputs from different demographic projections

- A1.23 Table 121 shows the estimated level of population growth in the SNPP and the alternative projections developed. The analysis shows that using longer-term (10-year) trends sees the

projected growth decrease slightly in comparison to the latest projections. Including the MYE within the projections makes a negligible difference.

A1.24 All scenarios remain substantially lower than the projected growth for the equivalent period in the 2014-based SNPP.

Table 121: Projected population growth (2020-2036) – alternative scenarios – SW Herts

	Population 2020	Population 2036	Change in population	% change
2014-based SNPP	621,066	709,603	88,537	14.3%
2016-based SNPP	610,996	665,862	54,866	9.0%
2016-SNPP (+MYE)	605,053	659,219	54,166	9.0%
10-year migration	605,053	653,879	48,826	8.1%

Source: Demographic projections

A1.25 Table 122 shows the same information for each local authority. It can be seen that there is no constant pattern, with some areas having higher projected population growth with 10-year trends and other areas lower.

Table 122: Projected population growth (2020-2036) – alternative scenarios – LAs

		Population 2020	Population 2036	Change in population	% change
Dacorum	2016-based SNPP	157,460	173,123	15,663	9.9%
	2016-SNPP (+MYE)	156,878	172,483	15,606	9.9%
	10-year migration	156,878	170,882	14,004	8.9%
Hertsmere	2016-based SNPP	106,201	114,682	8,481	8.0%
	2016-SNPP (+MYE)	105,538	114,085	8,547	8.1%
	10-year migration	105,538	115,354	9,816	9.3%
St. Albans	2016-based SNPP	150,900	162,065	11,166	7.4%
	2016-SNPP (+MYE)	149,292	159,972	10,680	7.2%
	10-year migration	149,292	159,639	10,347	6.9%
Three Rivers	2016-based SNPP	95,721	105,180	9,459	9.9%
	2016-SNPP (+MYE)	94,639	104,323	9,684	10.2%
	10-year migration	94,639	100,965	6,326	6.7%
Watford	2016-based SNPP	100,713	110,811	10,098	10.0%
	2016-SNPP (+MYE)	98,707	108,356	9,649	9.8%
	10-year migration	98,707	107,038	8,331	8.4%
South West Herts	2016-based SNPP	610,996	665,862	54,866	9.0%
	2016-SNPP (+MYE)	605,053	659,219	54,166	9.0%
	10-year migration	605,053	653,879	48,826	8.1%

Source: Demographic projections

Household Representative Rates (Household Formation)

- A1.26 Having studied the population size, the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).
- A1.27 The latest HRRs are contained in the ONS 2016-based subnational household projections (SNHP) – these were published in September 2018. It would be fair to say that the 2016-based SNHP has come under some criticism, this is largely because they are based only on data in the 2001-11 Census period and arguably build in the suppression of household formation experienced in that time. The previous (2014-based) projections used a longer time-series (all Census points back to 1971) and therefore do cover a wider housing market cycle.
- A1.28 Figure 25 compares HRRs in the 2014- and 2016-based SNHP – the figures are essentially the proportion of a particular age group that is considered to be the 'head of household' (HRP as described above).

Figure 25: Projected Household Representative Rates by age of head of household – South West Herts



Source: Derived from ONS and CLG data

- A1.29 The analysis shows that for many age groups the two projections are quite different. When looking at some of the younger age groups (particularly 25-34) notably, the HRRs in the 2014-based projections are somewhat higher (certainly in moving through to 2036) – this does suggest in South West Herts (as nationally) that there may be some degree of suppression being built into the 2016-based projections, or certainly not an improvement in the formation rates of younger people. This does suggest that a more positive approach to household formation could take account of the 2014-based projections.
- A1.30 As well as looking at the 2014-based SNHP, a sensitivity test has been developed to look at an alternative approach to HRRs. In this sensitivity, a ‘part-return-to-trend’ analysis has been developed, where the rate of household formation sits somewhere between figures in the 2014-based projections and those in an older 2008-based version. This approach was widely used before the 2016-based SNHP being published and was an approach previously suggested by the Local Plans Expert Group (LPEG). Therefore, three HRR scenarios have been used as described below:
- Linking directly to 2016-based SNHP – 2016-SNHP HRRs;
 - Linking directly to 2014-based SNHP – 2014-SNHP HRRs; and
 - Linking to the 2014-based SNHP but with a part-return to previous trends for the 25-34 and 35-44 age groups – 2014-PRT

Household Growth and Housing Need

- A1.31 Table 123 shows estimates of household growth with each of the three HRR scenarios, the table also shows an estimate of the number of additional dwellings expected to be needed. All the figures link to population growth in the 2016-based SNPP – as previously discussed this looks to be a reasonable projection, taking account of reasonable alternatives.
- A1.32 To convert households into dwellings the analysis includes an uplift to take account of vacant homes. For the purposes of analysis, it has been assumed that the number of vacant homes in new stock would be 1.4% to 2.4% higher than the number of occupied homes (which is taken as a proxy for households). These figures have been drawn from Council Tax data for each local authority and household growth figures are uplifted by the relevant percentage to provide an estimate of housing need.
- A1.33 The analysis below shows the housing need outputs when linked to the 2016-based SNPP (for illustrative purposes). This shows an overall housing need for 1,929 dwellings per annum (dpa) across the study area when using the 2016-based SNHP as the underlying household projection. This figure increases to 2,194 dpa with the previous HRR figures and up slightly further (to 2,245 dpa) using a part-return to trend methodology.

Table 123: Projected housing need – the range of household representative rate assumptions – South West Herts (linked to 2016-based SNPP)

	Households 2020	Households 2036	Change in households	Per annum	Dwellings (per annum)
2016-SNHP HRRs	243,919	274,184	30,265	1,892	1,929
2014-SNHP HRRs	250,397	284,837	34,441	2,153	2,194
Part-return to trend	247,561	282,789	35,228	2,202	2,245

Source: Demographic projections

A1.34 Table 124 shows the same information for each local authority. This shows the same pattern in each area (i.e. the 2016-based figures are lowest, followed by 2014-based and then the part-return to trend).

Table 124: Projected housing need – the range of household representative rate assumptions – local authorities (linked to 2016-based SNPP)

		Households 2020	Households 2036	Change in households	Per annum	Dwellings (per annum)
Dacorum	2016-SNHP HRRs	65,219	73,661	8,441	528	539
	2014-SNHP HRRs	66,391	75,444	9,052	566	577
	Part-return to trend	65,846	74,891	9,045	565	577
Hertsmere	2016-SNHP HRRs	41,767	47,554	5,788	362	370
	2014-SNHP HRRs	42,851	48,566	5,715	357	366
	Part-return to trend	42,507	49,245	6,738	421	431
St. Albans	2016-SNHP HRRs	58,663	65,238	6,575	411	419
	2014-SNHP HRRs	60,821	68,028	7,207	450	459
	Part-return to trend	60,118	68,219	8,101	506	516
Three Rivers	2016-SNHP HRRs	38,170	42,570	4,400	275	279
	2014-SNHP HRRs	39,011	45,171	6,160	385	390
	Part-return to trend	38,565	43,976	5,410	338	343
Watford	2016-SNHP HRRs	40,100	45,161	5,061	316	322
	2014-SNHP HRRs	41,323	47,629	6,307	394	401
	Part-return to trend	40,525	46,458	5,934	371	378
South West Herts	2016-SNHP HRRs	243,919	274,184	30,265	1,892	1,929
	2014-SNHP HRRs	250,397	284,837	34,441	2,153	2,194
	Part-return to trend	247,561	282,789	35,228	2,202	2,245

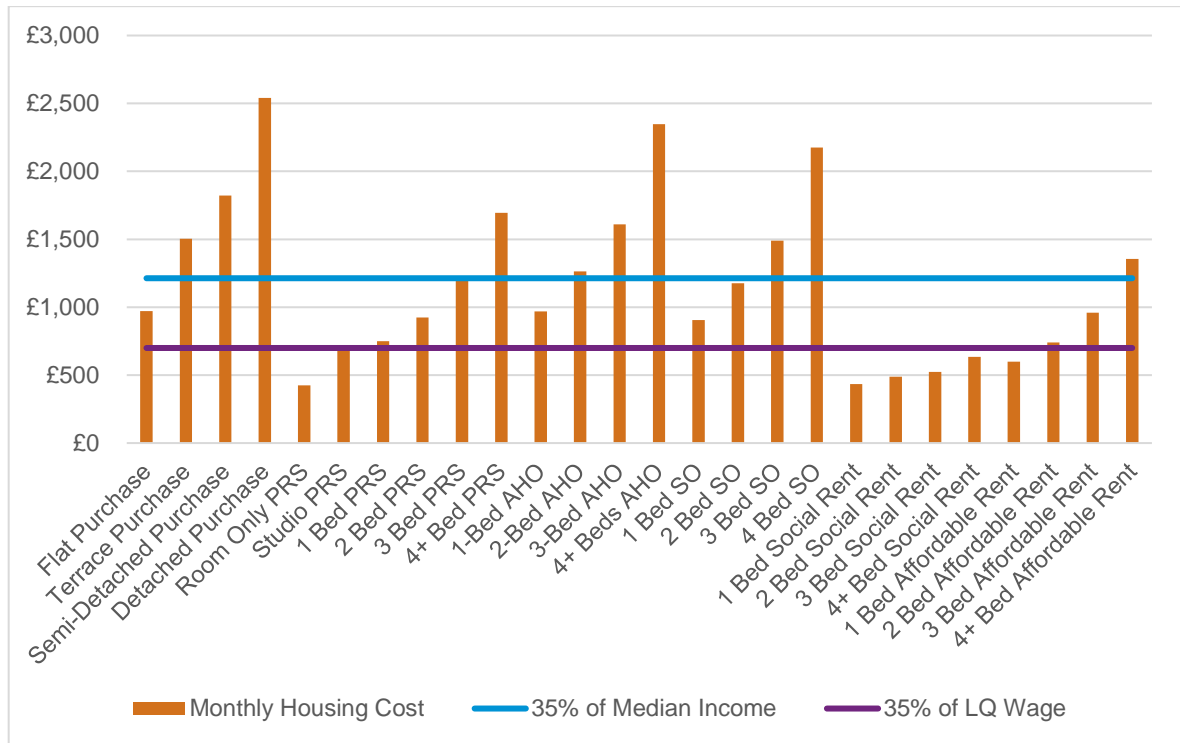
Source: Demographic projections

A1.35 Given the criticisms that have been made of the 2016-based SNHP it is considered that concluding the level of housing need linked to official population projections is more robustly based on looking at the previous set of SNHP. These earlier projections looked at longer-term trends in household formation and are therefore less likely to build in any of the suppression/constraints faced by households since the early 1990s.

- A1.36 However, including a further adjustment to take a more positive view about household formation is considered prudent and therefore it is concluded that the most robust approach to household representative rates is a scenario using 2014-based figures with a part-return to 2008-based figures.
- A1.37 It is also worth noting that even if a 40% uplift is applied to the concluded need it would not exceed that set out in the standard methodology.

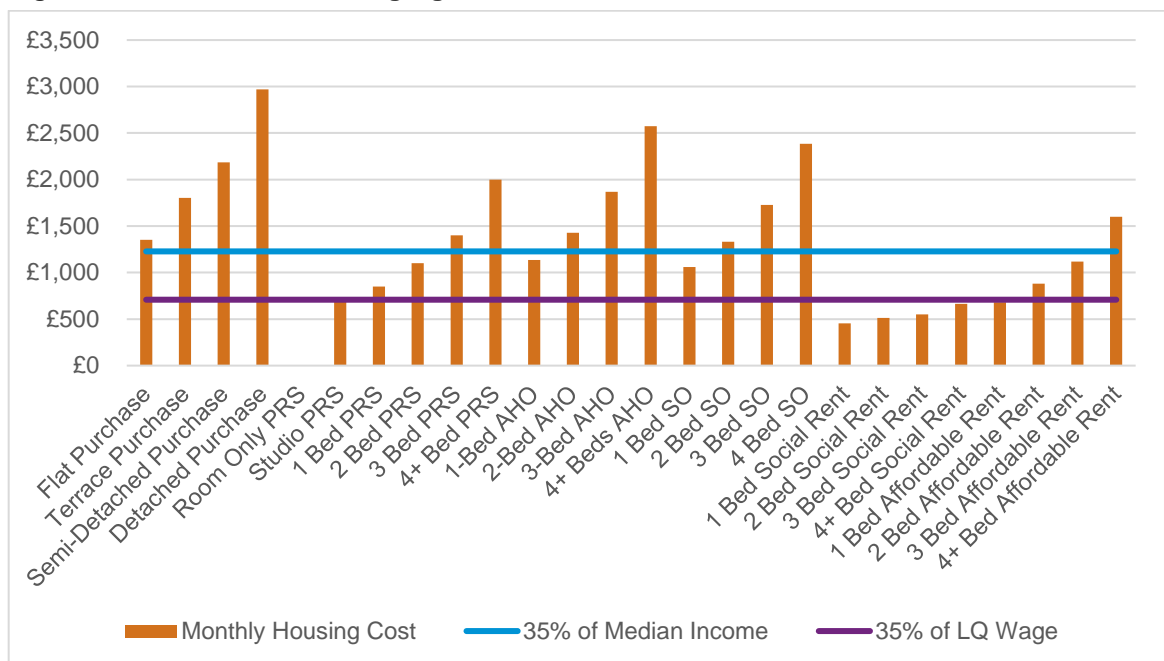
APPENDIX B: Cost and Affordability Analysis by Local Authority

Figure 26: Cost of Housing Against Incomes – Dacorum



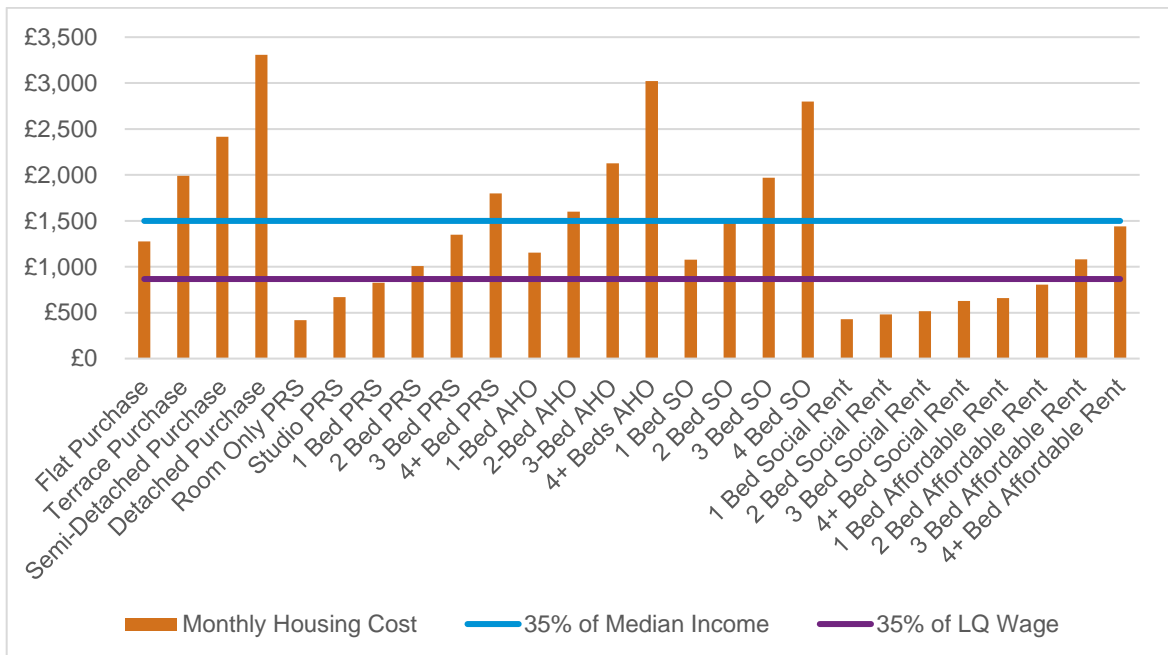
Source: ASHE, VOA and HMLR

Figure 27: Cost of Housing Against Incomes – Hertsmere



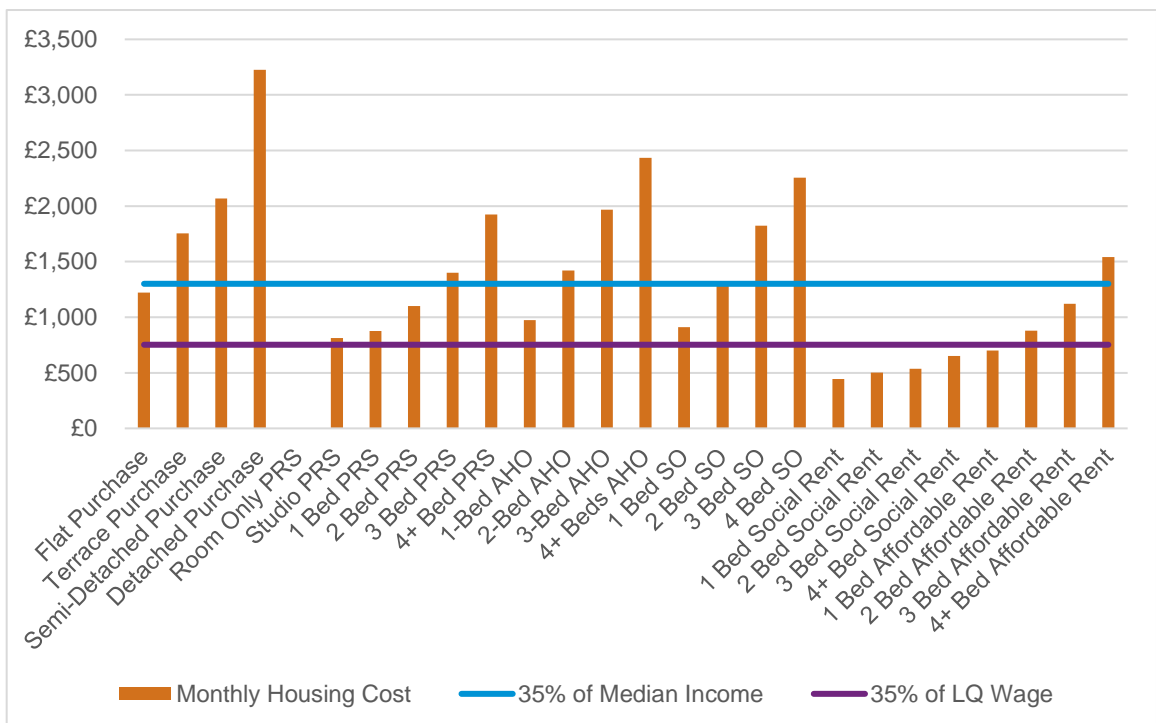
Source: ASHE, VOA and HMLR

Figure 28: Cost of Housing Against Incomes – St. Albans



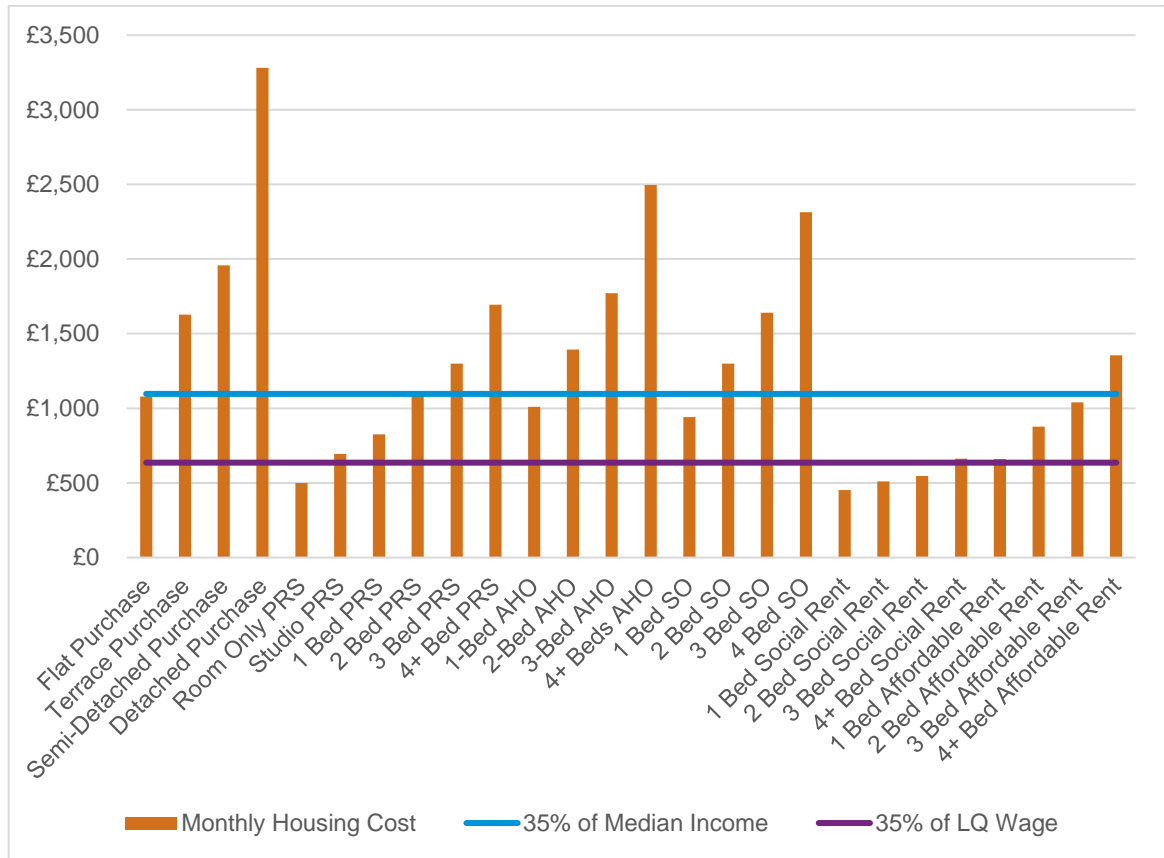
Source: ASHE, VOA and HMLR

Figure 29: Cost of Housing Against Incomes – Three Rivers



Source: ASHE, VOA and HMLR

Figure 30: Cost of Housing Against Incomes – Watford



Source: ASHE, VOA and HMLR

APPENDIX C: Change in Household Types at a Local Authority Level

Table 125: Change in household types 2020-36 (linked to Standard Method) – Dacorum

	2020	2036	Change	% change
One-person household (aged 65 and over)	8,078	10,752	2,675	33.1%
One-person household (aged under 65)	11,473	14,932	3,459	30.1%
Couple (aged 65 and over)	7,769	11,723	3,954	50.9%
Couple (aged under 65)	8,981	8,066	-914	-10.2%
A couple and one or more other adults: No dependent children	5,037	5,903	867	17.2%
Households with one dependent child	9,187	11,859	2,673	29.1%
Households with two dependent children	8,485	10,287	1,802	21.2%
Households with three dependent children	2,940	3,170	230	7.8%
Other households	3,897	5,188	1,291	33.1%
TOTAL	65,846	81,881	16,036	24.4%
Total households with dependent children	20,612	25,316	4,704	22.8%

Source: Demographic projections

Table 126: Change in household types 2020-36 (linked to Standard Method) – Hertsmere

	2020	2036	Change	% change
One-person household (aged 65 and over)	5,692	8,039	2,347	41.2%
One-person household (aged under 65)	6,434	8,210	1,776	27.6%
Couple (aged 65 and over)	5,233	8,204	2,971	56.8%
Couple (aged under 65)	4,020	3,055	-965	-24.0%
A couple and one or more other adults: No dependent children	3,963	5,193	1,230	31.0%
Households with one dependent child	6,051	7,322	1,271	21.0%
Households with two dependent children	6,005	7,227	1,222	20.3%
Households with three dependent children	2,096	2,349	253	12.1%
Other households	3,014	4,109	1,095	36.3%
TOTAL	42,507	53,708	11,201	26.4%
Total households with dependent children	14,152	16,898	2,746	19.4%

Source: Demographic projections

Table 127: Change in household types 2020-36 (linked to Standard Method) – St. Albans

	2020	2036	Change	% change
One-person household (aged 65 and over)	6,966	9,045	2,080	29.9%
One-person household (aged under 65)	8,742	10,488	1,746	20.0%
Couple (aged 65 and over)	7,484	11,030	3,546	47.4%
Couple (aged under 65)	8,008	7,645	-363	-4.5%
A couple and one or more other adults: No dependent children	4,437	5,740	1,303	29.4%
Households with one dependent child	7,930	9,612	1,683	21.2%
Households with two dependent children	9,518	11,660	2,142	22.5%
Households with three dependent children	3,362	3,738	376	11.2%
Other households	3,671	5,180	1,509	41.1%
TOTAL	60,118	74,139	14,021	23.3%
Total households with dependent children	20,810	25,010	4,200	20.2%

Source: Demographic projections

Table 128: Change in household types 2020-36 (linked to Standard Method) – Three Rivers

	2020	2036	Change	% change
One-person household (aged 65 and over)	4,948	6,636	1,688	34.1%
One-person household (aged under 65)	5,939	7,899	1,961	33.0%
Couple (aged 65 and over)	4,825	7,494	2,669	55.3%
Couple (aged under 65)	4,371	3,697	-674	-15.4%
A couple and one or more other adults: No dependent children	3,590	4,769	1,179	32.8%
Households with one dependent child	5,378	6,605	1,226	22.8%
Households with two dependent children	5,618	6,772	1,155	20.6%
Households with three dependent children	1,762	1,851	89	5.1%
Other households	2,134	2,689	555	26.0%
TOTAL	38,565	48,413	9,848	25.5%
Total households with dependent children	12,758	15,228	2,470	19.4%

Source: Demographic projections

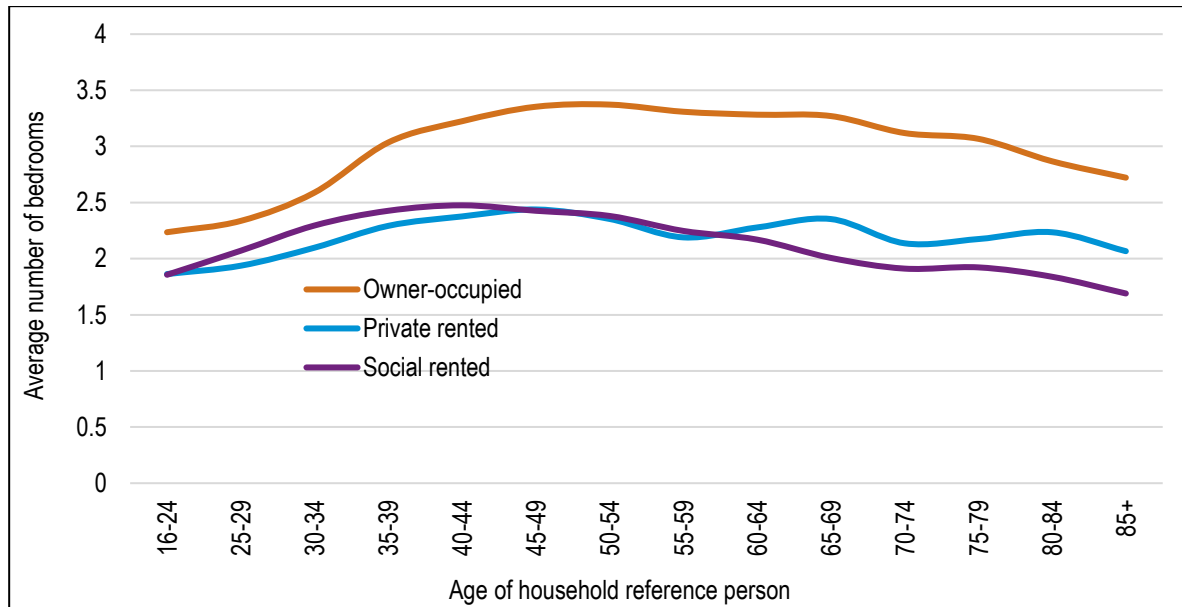
Table 129: Change in household types 2020-36 (linked to Standard Method) – Watford

	2020	2036	Change	% change
One-person household (aged 65 and over)	4,184	6,099	1,915	45.8%
One-person household (aged under 65)	8,506	11,863	3,357	39.5%
Couple (aged 65 and over)	2,935	4,452	1,518	51.7%
Couple (aged under 65)	4,395	3,957	-439	-10.0%
A couple and one or more other adults: No dependent children	3,073	4,111	1,038	33.8%
Households with one dependent child	7,012	9,978	2,966	42.3%
Households with two dependent children	5,260	6,170	909	17.3%
Households with three dependent children	2,252	2,456	204	9.1%
Other households	2,907	3,806	899	30.9%
TOTAL	40,525	52,891	12,366	30.5%
Total households with dependent children	14,525	18,604	4,079	28.1%

Source: Demographic projections

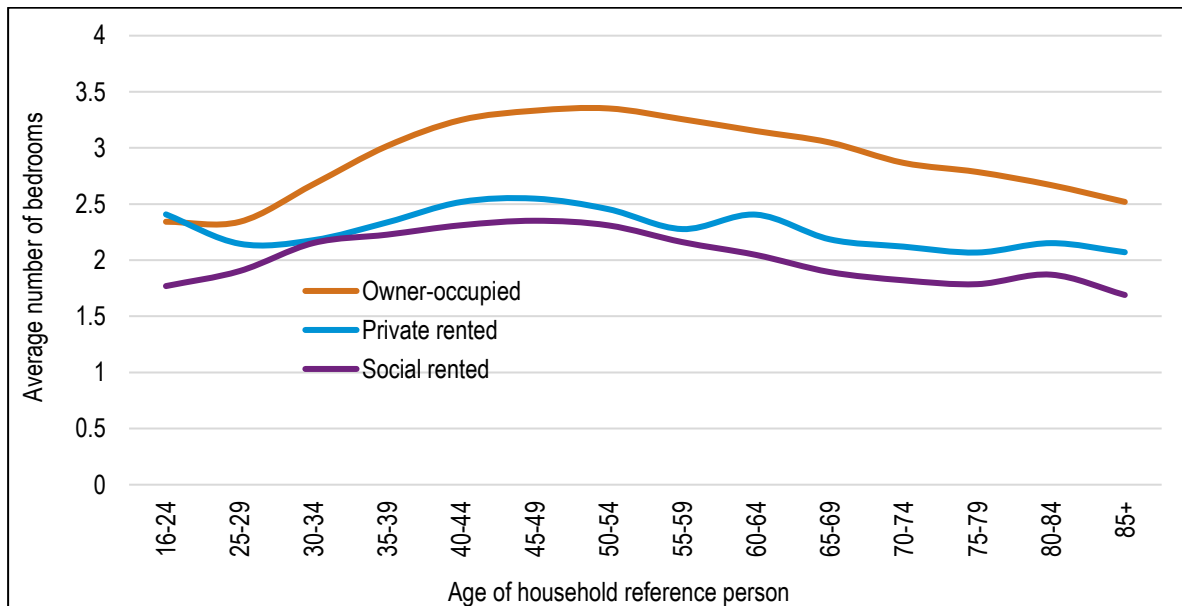
APPENDIX D: Average Bedroom By Age and Tenure

Figure 31: Average Bedrooms by Age and Tenure – Dacorum



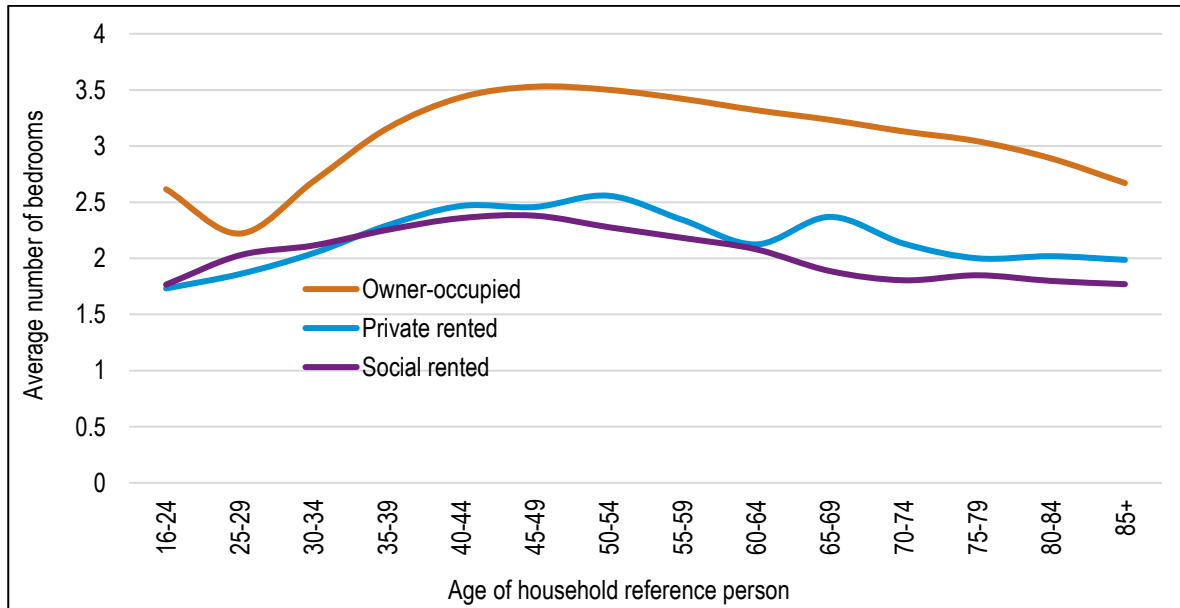
Source: Derived from ONS Commissioned Table CT0621 (census 2011)

Figure 32: Average Bedrooms by Age and Tenure – Hertsmere



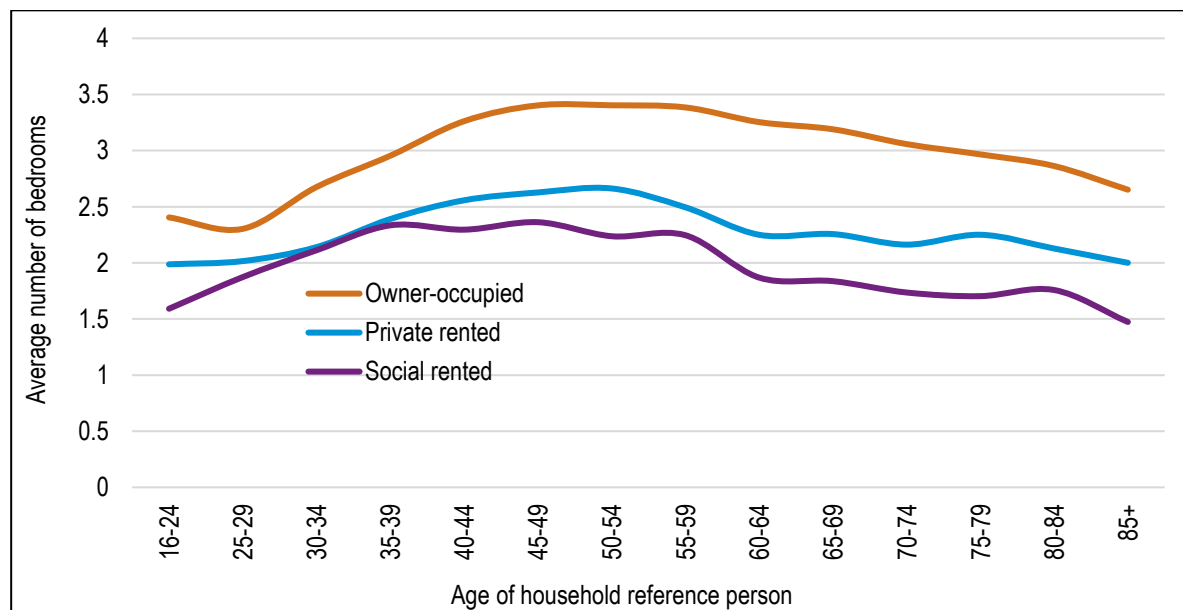
Source: Derived from ONS Commissioned Table CT0621 (census 2011)

Figure 33: Average Bedrooms by Age and Tenure – St. Albans



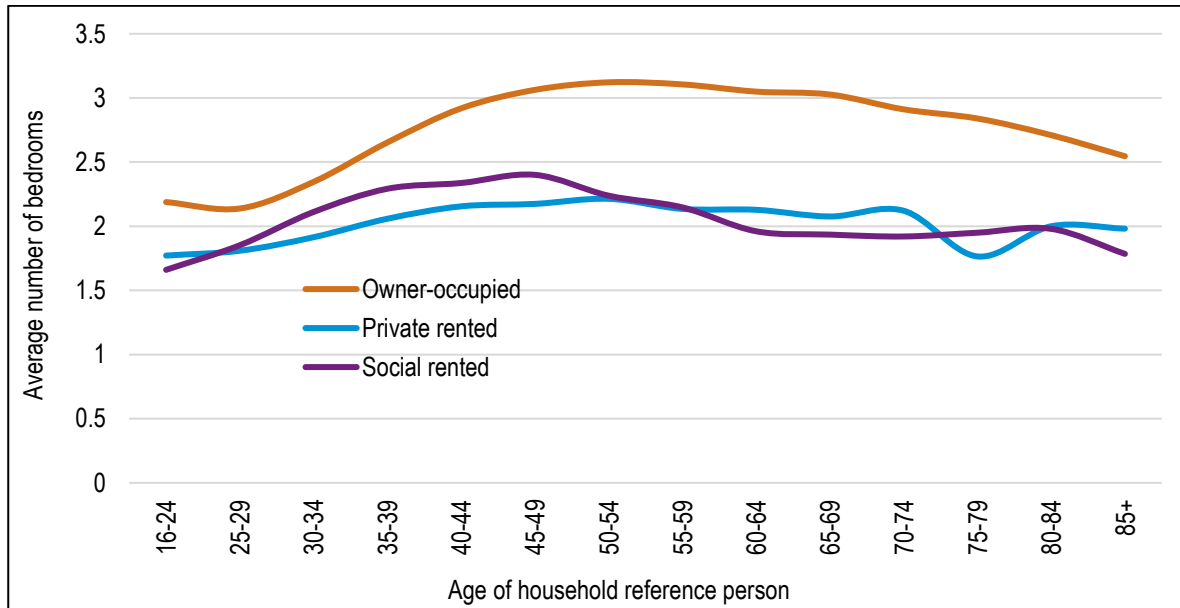
Source: Derived from ONS Commissioned Table CT0621 (census 2011)

Figure 34: Average Bedrooms by Age and Tenure – Three Rivers



Source: Derived from ONS Commissioned Table CT0621 (census 2011)

Figure 35: Average Bedrooms by Age and Tenure – Watford



Source: Derived from ONS Commissioned Table CT0621 (census 2011)

APPENDIX E: Change in households by age of household Reference Persons for each local authorities

Table 130: Projected change in households by age of household reference person – Dacorum - Linked to Standard Method

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	1,163	1,533	370	31.9%
25-29	3,335	4,144	809	24.3%
30-34	5,177	5,591	414	8.0%
35-39	6,233	6,932	699	11.2%
40-44	6,135	7,532	1,397	22.8%
45-49	6,386	7,784	1,399	21.9%
50-54	6,574	7,644	1,069	16.3%
55-59	6,675	7,203	529	7.9%
60-64	5,625	6,553	928	16.5%
65-69	4,786	6,361	1,575	32.9%
70-74	4,645	6,397	1,752	37.7%
75-79	3,433	5,169	1,736	50.6%
80-84	2,665	4,017	1,352	50.7%
85 & over	3,016	5,023	2,007	66.5%
Total	65,846	81,881	16,036	24.4%

Source: Demographic projections

Table 131: Projected change in households by age of household reference person – Hertsmere - Linked to Standard Method

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	662	904	242	36.5%
25-29	1,916	2,527	611	31.9%
30-34	3,199	3,845	645	20.2%
35-39	3,684	4,312	628	17.0%
40-44	3,920	4,790	870	22.2%
45-49	3,975	4,670	695	17.5%
50-54	4,259	4,766	507	11.9%
55-59	4,380	4,642	262	6.0%
60-64	3,529	4,275	746	21.1%
65-69	3,055	4,148	1,093	35.8%
70-74	3,262	4,346	1,084	33.2%
75-79	2,450	3,643	1,193	48.7%
80-84	2,009	2,953	944	47.0%
85 & over	2,207	3,888	1,680	76.1%
Total	42,507	53,708	11,201	26.4%

Source: Demographic projections

Table 132: Projected change in households by age of household reference person – St. Albans - Linked to Standard Method

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	789	937	148	18.7%
25-29	2,725	3,546	821	30.1%
30-34	4,288	5,068	780	18.2%
35-39	5,434	6,806	1,371	25.2%
40-44	6,552	7,517	965	14.7%
45-49	6,703	7,410	707	10.6%
50-54	6,378	6,992	614	9.6%
55-59	5,869	6,592	722	12.3%
60-64	4,642	6,149	1,507	32.5%
65-69	3,966	5,511	1,545	39.0%
70-74	4,197	5,369	1,173	27.9%
75-79	3,111	4,200	1,089	35.0%
80-84	2,674	3,426	752	28.1%
85 & over	2,789	4,615	1,826	65.5%
Total	60,118	74,139	14,021	23.3%

Source: Demographic projections

Table 133: Projected change in households by age of household reference person – Three Rivers - Linked to Standard Method

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	561	709	148	26.5%
25-29	1,546	1,945	400	25.8%
30-34	2,531	2,878	347	13.7%
35-39	3,262	3,848	586	18.0%
40-44	3,873	4,437	565	14.6%
45-49	3,979	4,624	645	16.2%
50-54	4,052	4,506	455	11.2%
55-59	3,979	4,511	532	13.4%
60-64	3,208	4,047	839	26.1%
65-69	2,764	3,948	1,184	42.8%
70-74	2,884	3,937	1,054	36.5%
75-79	2,195	3,141	946	43.1%
80-84	1,801	2,463	661	36.7%
85 & over	1,933	3,419	1,487	76.9%
Total	38,565	48,413	9,848	25.5%

Source: Demographic projections

**Table 134: Projected change in households by age of household reference person –
Watford - Linked to Standard Method**

	Hhs 2020	Hhs 2036	Change in hhs	% change
16-24	892	1,241	349	39.2%
25-29	2,471	3,277	806	32.6%
30-34	3,892	4,390	498	12.8%
35-39	4,757	5,362	605	12.7%
40-44	4,780	5,715	935	19.6%
45-49	4,146	5,169	1,022	24.6%
50-54	4,052	5,116	1,065	26.3%
55-59	3,565	4,631	1,066	29.9%
60-64	2,955	4,147	1,192	40.3%
65-69	2,316	3,647	1,331	57.5%
70-74	2,163	3,240	1,077	49.8%
75-79	1,715	2,535	821	47.9%
80-84	1,438	1,969	531	36.9%
85 & over	1,382	2,450	1,068	77.3%
Total	40,525	52,891	12,366	30.5%

Source: Demographic projections

APPENDIX F: Older Persons' Accommodation – Recent Planning Decisions

A1.38 There have been a few notable planning decisions concerning older persons' accommodation in recent years. Listed below is a summary of the most pertinent of these, although it should be noted that some of these have been superseded with the new guidance set out above.

Land to the rear of 237-259 London Rd, West Malling: Ref: APP/H2265/W/18/3202040

A1.39 This appeal³⁹ was made by Retirement Villages West Malling Ltd against the decision of Tonbridge & Malling Borough Council to refuse permission for a 79 unit extra-care market scheme within the Green Belt.

A1.40 The appellant argued that the acute housing need for older people was a very special circumstance to justify inappropriate development in the Green Belt and that delivering this type of accommodation would result in the freeing up of general housing as well as improving the health and well-being of residents.

A1.41 The appellant stated that they expect "4.5% of people in relevant age groups to be accommodated in extra care schemes, divided between 3% in leased units for sale and 1.5% in rented units" and that these were lower percentages than seen elsewhere around the world. In contrast, the SHMA identified zero need for this type of accommodation although this was based on a prevalence rate when there was a previous lack of provision.

A1.42 However, the inspector in allowing the appeal concluded that there was a need for this type of accommodation and that the development would help meet these needs, according it substantial weight noting that the SHMA had not accurately estimated this need. He also accorded significant weight to the fact that it would free up general housing stock and improve local the health and well-being of residents.

The Knowle, Station Rd, Sidmouth: Ref: APP/U1105/W/17/3177340

A1.43 This appeal⁴⁰ was made by PegasusLife against the decision of East Devon District Council to refuse permission for an assisted living community for older people comprising 113 extra care units. The appeal was notable in its defining of C2 and C3 use classes.

A1.44 There was disagreement between the parties as to whether the proposed development fell within use class C2 (residential institution) or C3 (dwelling houses) with the appellant favouring the former as C2 development would not attract a requirement for affordable housing. Paragraph 36 of the inspector's decision letter states:

³⁹ <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?caseid=3202040>

⁴⁰ <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?CaseID=3177340&CoID=0>

“The Use Classes Order defines a C2 use as “use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses)). Use as a hospital or nursing home. Use as a residential school, college or training centre.” Care is defined in the Order as “personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs, or past or present mental disorder and treatment.”

- A1.45 It was noted that the RTPI Good Practice Note⁴¹ and the Housing LIN⁴² provide guidance on the distinction between the two. The inspector noted that “Key to the distinction is the extent to which communal services are provided and the extent to which care is available to meet the needs of residents,” adding that both documents “define Extra Care in line with the Department of Health’s Extra Care Housing Toolkit, as “purpose built accommodation in which varying amounts of care and support can be offered and where some services are shared.”
- A1.46 However, the inspector noted that “Crucially, in this case, the development would be subject to a planning obligation which restricts occupation of the units so that the primary occupier must be 60 or over and in need of at least 2 hours of personal care per week, established by a health professional.”
- A1.47 He rejected the Council’s criticism that personal care was too broad a range as all the services will assist in practices which will become more challenging in advancing years. This was particularly relevant given the age restrictions of the development making such services increasingly necessary. It is also worth noting that the appellant confirmed the average age of occupant was 76 years of age despite the facility being open to those aged over 60.
- A1.48 In addition, the inspector noted that the development would have a “range of communal areas and facilities such as a restaurant/bar/cafe serving food throughout the day, a well-being suite comprising a gym, treatment rooms and pool and a communal lounge...a full-time Care Manager based on site who would be available to arrange the care needed for each resident... (and) Each apartment would include a range of specialised features and adaptations (that)... are likely to improve the safety and comfort of the intended occupants and would not necessarily be found in other housing stock”
- A1.49 The inspector concluded that for all of these reasons:

“it is clear to me that the development is offering much more than a dwelling house. Independent living accommodation is one element of the scheme but that would be provided alongside a range of communal facilities that are inextricably linked to an expected way of life. The scheme is designed to meet the needs of the target

⁴¹ https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/GPN8.pdf

⁴² https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Viewpoints/Viewpoint_20_Planning_Use_Classes.pdf

occupants and facilitate assisted living as well as social well-being and interaction with the outside world. Care would also be provided, specifically tailored to the needs of the occupant. Whilst some primary occupants of the development might, upon taking up residence, require only the minimum level of personal care there is likely to be a mix of care needs at any one time and those with limited need may well require additional care in the future.”

A1.50 Adding that:

“All of this leads me to conclude that the proposed development is properly to be considered a C2 use. As such, no affordable housing requirement exists in policy terms”.

A1.51 It is worth noting that this relates to local policy rather than national policy.

A1.52 Earlier in the letter, there was a recognition that C2 would challenge the viability of providing affordable units but that an overage clause should form part of a planning obligation so that if the scheme was subsequently found to be capable of supporting a contribution, it would be paid.

Land at The Elms, Upper High Street, Thame: Ref: APP/Q3115/W/19/3228431

A1.53 This appeal⁴³ was made Ms J Bowater, Rectory Homes Limited and FirstPort Retirement Property Services Limited against the decision of South Oxfordshire District Council to refuse planning permission for a 72 dwellings care development with an agreed C2 use class.

A1.54 However, “the main difference was how the individual units for those living on-site should be considered. The Council was of the view that they should be considered as dwellings ancillary to the overall use of the site as a C2 use, but the appellants considered that they would be “C2 units”, on the basis that the definition of Class C2 excludes “use within class C3 (dwellinghouse)” and through the operation of the Planning Obligation.”

A1.55 The Inspector noted that:

“There is no statutory definition of a dwelling in planning legislation, but the Courts have accepted that the distinctive characteristic of a dwellinghouse is its ability to afford to those who use it the facilities required for day-to-day private domestic existence. In this case, each of the units has all the necessary said facilities, that is kitchens, washing facilities, bedrooms and living areas.”

A1.56 The appellants argued that even though these facilities were provided within the units it did not necessarily mean they were dwellings in much the same way that an apart-hotel would be.

⁴³ <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?CaseID=3228431&CoID=0>

However, the inspector dismissed this argument as such developments are not a primary place of residence whereas the care village was. Additionally, the inspector noted that:

“One of the Planning Obligations deals with how the occupiers may utilise the site and ensures both an age restriction and a requirement for Personal Care but refers to each unit as a “Dwelling”. This term is specifically defined as a “building designed for residential occupation as extra care Dwellings”. This, therefore it seems to me, reinforces my conclusion rather than go against it.”

- A1.57 He concluded that “while ancillary to the overall C2 use of the appeal site, each accommodation unit represents a dwelling.” and as such meant that an affordable housing contribution was necessary in-line with the adopted local plan which “states that 40% affordable housing will be sought on all sites where there is a net gain of three or more dwellings subject to viability.”
- A1.58 The inspector did not consider paragraph 64 of the NPPF provided a get-out clause in the respect of the provision of affordable home ownership as the appellant had argued. This was because none of the internal design features of the housing was so specialist as to mean that they met the specific needs of the older person population rather than that of the wider population.
- A1.59 Overall on this issue, the inspector concluded that “By failing to provide affordable housing on the appeal site, the proposal would result in very substantial harm. The need for owner-occupied elderly persons extra care accommodation in the area does not outweigh this harm.

Oak Farm, Hampton Lane, Catherine De Barnes, Solihull: Ref: APP/Q4625/W/19/3237026

- A1.60 This appeal⁴⁴ was made by Mr. A Simpkin (Minton Care (CdeB) Ltd & Richmond Care Villages Ltd) against the decision of Solihull Metropolitan Borough Council to refuse a continuing Care Retirement Village consisting of 50 care beds, 49 care suites, 71 care apartments, 7 care cottages and 4 care bungalows.
- A1.61 Of note in this appeal decision the parties used different provision rates and while the inspector did not pick a preferred approach did note that the PPG only gives an example of one tool for working out the future need, and this is the Council’s approach.
- A1.62 The inspector also acknowledged that the supply was market accommodation and would therefore only address a particular segment of the overall need. But did concede that although this segment had a lower need it was a need, nevertheless.

⁴⁴ <https://acp.planninginspectorate.gov.uk/ViewCase.aspx?CaseID=3237026&CoID=0>

A1.63 The appellants had argued that the shortfall in care bed spaces would be higher if units with shared rooms or without en-suite facilities are removed from the total. This is because they are not seen to be 'market standard'. However, the inspector disagreed stating that:

"Whether the bed spaces are 'market standard' is a very different question as to whether they provide a bed space, which they clearly do. As such, given these care homes and/or nursing homes are registered by the Care Quality Commission as providing such facilities and bed spaces, to discount them for not providing a 'market standard' bed space would be unjustified. They provide a bed space and should be accounted for as such."