South West Herts Local Housing Needs Assessment Update

Final Report

Iceni Projects Limited on behalf of
SW Herts Local Authorities

March 2024

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1. EXECUTIVE SUMMARY

1.1 This Local Housing Needs Assessment (LHNA) report has been prepared to provide an up-to-date evidence base on overall housing needs in SW Hertfordshire, the needs for specific types and size of homes, and the housing needs of specific groups within the population of demand from specific housing market segments. It forms part of the evidence base for local plans and the Joint Strategic Plan (JSP) and can inform the determination of planning applications.

1.2 The LHNA confirms that South West Hertfordshire represents a functional Housing Market Area (HMA) but recognises that there also strong housing market relationships to London, and localised relationships with some other adjoining areas, in particular between St Albans and Welwyn Hatfield.

Housing Stock and Tenure Dynamics

1.3 Housing stock growth in SW Herts has been below average, influenced by strategic development constraints and a lack of up-to-date local plans in some parts of the area. Over the 2011-21 period, housing affordability has deteriorated which has contributed to a decline in home ownership from 69% to 66%. The relative size of the social rented sector has also fallen, with private renting being the key growth sector in the housing market and now accommodating 18% of households – with particularly strong growth in the sector evident in Watford.

1.4 Housing growth has been focused towards flatted accommodation in the sub-region, with 69% of new-build homes completed being of 1- and 2-bed properties. In Watford 85% of completions have been of these smaller properties. In the rented sectors, more than 8,000 homes are overcrowded. However the supply of larger properties is being supported by extensions of homes, such as through loft conversions which provide additional bedrooms. This will particularly be within owner occupied homes.

1.5 Whilst housing delivery has been improving within SW Herts over time, it has been below what might be expected for a housing market with high demand characteristics. 21% of homes delivered over the last 5 years have been of affordable housing, with the highest affordable housing provision achieved in Dacorum and Watford (27-29%).

Housing Market Dynamics

1.6 Median house prices vary within the sub-region from £407,000 in Watford to £625,000 in St Albans District. Whilst the housing market is cyclical, and house prices may fall short-term, the long-term trend has been of significant and sustained increases in house prices in SW Herts with prices

growing on average by £16,000 per year over the last 10 years. This is indicative of a supply/demand imbalance.

1.7   There are particular affordability pressures in SW Herts with the entry-level house prices for first-time buyers more than 14 times earnings, with the highest in Dacorum. Whilst there may be some short-term correction in house prices, there are particular barriers for younger buyers in saving sufficient funds for a deposit; and rising interest rates in the short-term may affect households' ability to secure and service mortgage finance. This is feeding through into a strong lettings market.

Overall Housing Need

1.8   National policies state that the starting point for assessing housing need is the 'standard method' set out in Planning Practice Guidance. This takes 2014-based Household Projections as a starting point and then applies upward adjustments to improve affordability.

1.9   The analysis shows that the sub-region has seen sustained and consistent house price inflation; and house prices are at a level at which there are significant barriers for local households in getting on the housing ladder. Declining affordability and constrained housing supply have contributed to declining home ownership and a significant level of overcrowding in rented tenures.

1.10   Household growth has been lower than in the 2014-based Projections, with both lower natural change and net migration to the area, resulting in 7.6% population growth over the 2011-21 decade compared to 11.0% in the 2014-based projections. However lower change is not a factor which is specific to SW Hertfordshire: it is seen nationally and is not exceptional in these terms. Lower net migration correlates closely to housing delivery, with the evidence indicating that this has been influenced by a lack of up-to-date local plans which provide for objectively assessed housing needs.

1.11   When these factors, and the very significant affordable housing need, are taken into account, the Assessment does not find that exceptional circumstances exist to justify housing need below the standard method. Expected job creation locally and infrastructure investment have also been considered; however the evidence does not suggest that housing need is higher than the standard method figures.

1.12   The standard method figures should therefore be taken forwards as providing an appropriate assessment of housing need. It is for the plan-making process to balance housing need with environmental, infrastructure and policy constraints – including Green Belt – drawing together the housing need with the wider evidence base, to define what level of housing provision should be planned for. The housing need figures are thus an advisory starting point rather than a housing requirement or target. The LHMA has principally considered the 2023 standard method figures; but

the table below also shows the figure for 2024, taking account of the latest affordability ratios released in March 2024 immediately before the Study's finalisation.

Table 1.1 Local Housing Need in SW Hertfordshire

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need using the Standard Method (2023)	1,017	726	887	637	911	4,178
Minimum Local Housing Need using the Standard Method (2024)	1,016	731	885	640	850	4,122

Affordable Housing Need

1.13   The LHNA provides an assessment of the need for affordable housing, including both rented homes and affordable home ownership. The analysis shows that households in SW Herts generally need an income of over £40,000 to rent without financial support, and in some areas over £80,000 to buy a home.

1.14   Across SW Herts, the assessment shows an annual need for 2,258 rented affordable homes to 2041. It shows that of these households, 15% can afford an affordable rent without subsidy, 29% can afford a social rent on this basis, and 55% need benefit support. It also demonstrates that there is a case for delivering affordable rented homes at 60% of market values, which would deliver housing which is genuinely affordable based on local incomes and minimise households' recourse to housing benefit. But this needs to be balanced against viability evidence, funding availability and individual councils' priorities in setting policies.

1.15   In addition, the report identifies an annual need for 1,066 affordable home ownership properties across SW Herts. Within this there is a need to provide different housing products. Shared ownership homes are accessible to households with lower savings; whilst the report also shows potential need for rent-to-buy homes and First Homes/ discounted sale homes.

1.16   The evidence indicates that a discount of 30% to market values, and potentially 40% in St Albans and Three Rivers, would be necessary to make low cost market homes affordable for households in the study area, based on the income profile locally, but the case for higher discounts needs to be balanced against scheme viability and the level of affordable housing delivered.

1.17   The evidence however points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.

Table 1.2 Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	590
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,066	3,324

1.18   At a strategic level, Iceni would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. St Albans however has a notably higher affordable home ownership need which may justify a greater focus on this needs segment, such as a 60/40 split. In contrast, the evidence would support a higher proportion of rented affordable homes in Watford than other areas. It is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, relevant national policies, their own viability evidence and local housing priorities.

1.19   Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

Sizes and Types of Homes Needed

1.20   The LHNA has modelled the sizes and types of homes needed in SW Herts taking account of demographic changes, the prevalence of overcrowding and under-occupation of homes – whilst recognising that for market homes in particular some households will want and can afford additional bedrooms – as well as other factors such as space to work from home and the important contribution which house extensions are playing to the delivery of larger homes in the HMA.

1.21   The LHNA identifies a preferred housing mix, which is set out below, which can be used as a monitoring tool and in assessing the appropriate mix of homes on larger development sites.

However site location, area character and the form of development are relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Table 1.3 Recommended Housing Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

1.22   The assessment provides evidence of demand for bungalows but recognises that there can be practical difficulties in delivering them.

Housing for Older & Disabled People

1.23   SW Herts' population is ageing, with growth of 48,000 people aged 65+ projected to 2041; which includes growth of 29,000 aged 75+. This is expected to drive growth of over 3,900 people with dementia and an increase of 9,000 with mobility problems.

1.24   The Assessment models an increasing need for specialist housing, driven by these demographic trends. Based on work with Hertfordshire County Council, it indicates a need for additional market housing with support; for housing with care, which includes extra care housing; and for nursing care accommodation.

1.25   The need is expressed as a range, with one scenario based on the Housing Learning & Information Network's (SHOP@) modelling assumptions; and an Enhanced Extra Care Scenario which aligns with Hertfordshire County Council's Strategy to more strongly develop the provision of specialist housing – particularly for extra care – as an alternative to providing care home bedspaces. In this latter scenario, the delivery of housing with care units is expected to reduce future needs for residential care accommodation, in particular older provision in smaller care homes and which does not meet modern standards.

Table 1.4 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need, 2021- 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Table 1.5 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need, 2021 - 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

1.26   In framing policies for the provision of specialist older persons accommodation, the Councils will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of individual developments to be mixed market/affordable tenure given the way care and support services are paid for (through monthly services charges).

1.27   In addition, a need is shown for 2,000 – 3,700 dwellings for wheelchair users (meeting technical standard M4(3). Given the evidence, the Councils could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes meeting M4(3) – wheelchair user dwellings in the market sector (a higher proportion of around a tenth in the affordable sector). There is local precedent for this within the current Watford Local Plan (2022) under Policy HO3.10. Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should

be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

Specific Market Segments

1.28   The evidence indicates that there have been 1,125 registrants on Council Self and Custom-Build Housing Registers to October 2022. The level of permissions granted in Dacorum, Hertsmere and Three Rivers is above the minimum required; but there is a shortfall in permissions granted in Watford and particularly St Albans. Given the development constraints in the sub-region, a range of the permissions relate to the delivery of replacement dwellings on individual plots. Government policy and legislation is generally seeking to encourage and support custom and self-build development and it is appropriate for this therefore to be reflected in new local plan policies.

1.29   There is modest student housing demand in SW Herts, which reflects the lack of HE institutions within the area. Without a critical mass of students, there is not a specific case to support site allocations for Purpose-Build Student Accommodation, although the Assessment concludes that this should be kept under review.

1.30   However the Assessment does identify an emerging market for Build to Rent. The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. Iceni would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.

1.31   The report concludes that it would be appropriate for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.

1.32   With limited children's home spaces in SW Herts, including in comparison to other parts of the County, the Assessment indicates that schemes coming forward – including through conversions of existing homes – should be treated positively through the planning process.

2. INTRODUCTION

Scope of the LHNA Update

2.1   This Local Housing Needs Assessment (LHNA) is intended to provide an updated evidence base on housing needs for local authorities in South West Hertfordshire ('SW Herts'). It considers and provides an up-to-date and consistent evidence base on:

- Overall housing needs – the report considers overall housing needs on an objective and policy-off basis. It does not set housing targets, but provides an input to doing so;

- The need for different types/sizes of homes – including an updated assessment of the needs for affordable housing and the need for different sizes of homes;

- The housing needs of specific groups within the population, such as older people and those with disabilities, and students;

- Specific housing market segments – the report considers the demand for self- and custom-build housing; build to rent and co-living and wider private rental market dynamics.

2.2   The report builds on previous housing evidence which has been prepared for SW Herts: a Strategic Housing Market Assessment 2016 (the '2016 SHMA'); and a Local Housing Needs Assessment 2020 (the '2020 LHNA'). These reports were prepared by GL Hearn with Justin Gardner Consulting (JGC).

2.3   The preparation of this report has been led by Iceni Projects ('Iceni') with support from JGC and has been coordinated by a Project Steering Group which includes representatives of the constituent SW Herts authorities: Dacorum BC; Hertsmere BC; St Albans CDC; Three Rivers DC; and Watford BC; and the team which are leading the preparation of the SW Herts Joint Strategic Plan (JSP).

2.4   This updated report takes account of changes in economic and market circumstances since 2020 and further data releases, including 2021 Census data. It provides an assessment of housing need over a core period to 2041. Key analysis in **Appendix A6** is considered to 2040 to reflect the plan period for the emerging plan in Hertsmere (see Table 2.1); and to 2050 to take account of the timeframe for the Joint Strategic Plan (JSP).

2.5   The LHNA Update forms part of the evidence base which the Councils will use in developing their respective Local Plans. It 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. The LHNA itself does not set housing targets: these are judgements for individual local councils to make bringing together evidence through the plan-making process. The housing needs evidence in the LHNA is also a material consideration in determining planning applications.

2.6   The report does not address the housing needs of gypsies and travellers, which are considered through separate evidence-base studies prepared by the Councils as part of the plan-making process.

Geography of the Sub-Region

2.7   The SW Herts sub-region sits to the north of London and includes towns, of varying sizes, as well as smaller settlements, countryside and green space. Its larger towns include Watford, Hemel Hempstead and St Albans, as well as smaller urban settlements such as Potters Bar, Harpenden, Borehamwood, Rickmansworth and Berkhamsted.

2.8   The area is close to, and influenced by, London; with the M25 orbital motorway running through it and other key transport corridors running north-south into the Capital include the M1 and rail lines. East-west connectivity is poorer and is recognised as a strategic issue within the sub-region. Luton, and London Luton Airport, sit just beyond the northern boundary of the sub-region.

2.9   There are notable strategic constraints to development, including the Chilterns Area of Outstanding Natural Beauty, the Chilterns Beechwoods Special Area of Conservation and extensive coverage of Metropolitan Green Belt.

Policy Context

2.10   The LHNA Update is being prepared at a time when national planning policy is evolving. A Levelling Up and Regeneration Act ('LURA' was enacted by Parliament in October 2023; whilst alongside this the Government has made changes to national planning policies in the National Planning Policy Framework (NPPF)[1] which include identifying that housing need is an advisory starting point and needs to be brought together with other factors, including development constraints, in setting housing targets through local plans.

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[1] National Planning Policy Framework - GOV.UK (www.gov.uk)

2.11   The SW Herts local authorities are at different stages in the plan-making process currently. The table below sets out the current progress and timescales for preparation/ review of local plans across the five authorities:

Table 2.1 Local Plan Progress & Timeframes in SW Herts

Authority	Progress & Timeframes	Plan Period
Dacorum	Reg 18 consultation October to December 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2040/41
Hertsmere	Reg 18 consultation expected in April 2024. Reg 19 consultation anticipated Autumn 2024.	2025-2041
St Albans	Reg 18 consultation July to September 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2041
Three Rivers	Reg 18 consultation October to December 2023; with Reg 19 consultation anticipated in 2024.	2024-2041
Watford	Local Plan adopted October 2022. A timetable for the review of the adopted Watford Local Plan has not yet been agreed.	2021 – 2038

Housing Market Geography

2.12   A review of the geography of the Housing Market Area has been undertaken as part of the preparation of this report. This is set out in **Appendix A1**. Previous studies have defined a Housing Market Area as including the local authorities identified above. The more recent data which is available continues to show a strong correlation between these areas. This includes continued strong migration between the local authorities within the Study Area and particularly with Watford from all areas. House prices also remain broadly similar to those in 2016 and house price change has been reasonably consistent across the HMA.

2.13   The evidence would thus justify the continued use of the South West Hertfordshire HMA and for the Councils continuing to cooperate on strategic matters including housing. The evidence also shows, consistent with previous evidence, that there are cross-boundary inter-relationships with London and localised relationships with other areas, in particular between St Albans and Welwyn Hatfield.

Report Status and Structure

2.14   The remainder of the report is structured as follows:

- Section 3: Current housing stock in SW Herts;

- Section 4: Reviewing current housing market dynamics;

- Section 5: Standard method figures for SW Herts;

- Section 6: Demographic review and implications for overall housing need;

- Section 7: Affordable housing need;

- Section 8: Need for different types and sizes of homes;

- Section 9: Housing for older and disabled people; and

- Section 10: Specialist Market Segments.

3.   CURRENT HOUSING STOCK IN SW HERTS

3.1   This section of the report starts out by profiling the current housing stock profile in SW Hertfordshire and how this has been changing. As much of the housing stock which will exist in 2040/41 and beyond exists now, an understanding of the current profile of homes is an important starting point in considering future housing needs.

Dwelling Stock

3.2   As of 2021 there were 252,771 dwellings in SW Herts. Since 2011, the number of homes in SW Herts has increased by around 18,400, or 7.3%.

3.3   As Table 3.1 shows, Dacorum and St Albans are the largest local authority areas in terms of the number of homes within them; with Three Rivers the smallest.

3.4   The largest percentage increase in the dwelling stock between 2011-21 has been in Watford at 10.7%. Hertsmere is the only other authority that has had seen growth in the dwelling stock above the national average; with growth in Dacorum, Three Rivers and St Albans all falling below the national figure. Housing delivery trends, which influence this, are considered later in this section.

Table 3.1 Dwelling Stock Change, 2011-21

	2011	2021	% increase
Watford	37,404	41,412	10.7%
Dacorum	61,942	65,989	6.5%
Three Rivers	36,155	38,422	5.9%
Hertsmere	40,993	44,926	8.8%
St Albans	57,891	62,022	6.7%
SW Herts HMA	234,385	252,771	7.3%
East of England	2,531,907	2,762,294	8.3%
England	22,976,066	24,927,591	7.8%

Source: ONS, 2021 Census

3.5   The latest data indicated that 2.5% of the dwelling stock in the HMA is vacant; which is in line with the regional average and consistent with the level which we would consider is necessary to allow for frictional vacancy within a functional housing market, recognising that at any time there will be some vacant properties to allow for repair, renovations and turnover of properties. Less than 1% of the housing stock is long-term vacant, equating to homes that are vacant for over 6 months, across SW Herts.

3.6   The only authority with a higher vacancy rate evident is Hertsmere where the number of long-term vacant dwellings recorded through Council Tax data has been increasing since 2016 (rising from c.

300 to 770 properties vacant for over 6 months). The Council has a 2018 Empty Homes Strategy, but the current data would suggest that it may be appropriate to refresh this to further understand the reasons for the higher level of empty homes, and to identify actions which could be taken forward to address this. The 2018 Strategy identified that there were multiple causes of empty homes, including those caught in probate issues, possessions, those being repaired, and second home / employment-related properties. The Council is currently undertaking some additional exploratory work in regards to empty homes in the District.

Table 3.2 Vacant Dwellings and Vacancy Rate, 2022

Oct-22	Vacant Dwellings	% Dwelling Stock Vacant	% Dwelling Stock Long-term Vacant
Dacorum	1,654	2.5%	1.0%
Hertsmere	1,467	3.2%	1.7%
St Albans	1,514	2.4%	0.7%
Three Rivers	770	2.0%	0.6%
Watford	899	2.1%	0.6%
SW Herts HMA	6,304	2.5%	0.9%
East of England	69,990	2.5%	0.9%
England	676,304	2.7%	1.0%

Source: DLUHC Live Table 125, and stock from Table 615

Tenure Profile

3.7   Owner occupation remains the most prevalent tenure type across SW Herts, based on the 2021 Census data. Home ownership levels are highest in St Albans and Three Rivers, at 71% and 72% of households respectively in 2021, greater than the rates across the East of England and England, at 66% and 62% respectively. Across SW Herts as a whole, 66% of households are owner occupied.

3.8   Watford has a much lower level of home ownership than the other authorities at 56%; and has a large Private Rented Sector (PRS) that accommodated 29% of households. In the other SW Herts authorities, private renting is below the national average.

3.9   The proportion of social rented properties can influence the ability of each authority to meet affordable housing need. St Albans sees the lowest proportion of social rented properties (12.3%) which contrasts with the area's high relative housing costs, and feeds into the higher relative affordable housing need shown. On the other hand, Dacorum sees the highest proportion of social rented dwellings (21.2%), influenced by delivery of affordable housing by the New Town Corporation at Hemel Hempstead. As a function of this, it has a relatively lower proportion of dwellings in the Private Rented Sector, with PRS demand influenced by the higher social rented stock available to meet the affordable need.

Figure 3.1 Households by Tenure, 2021[2]
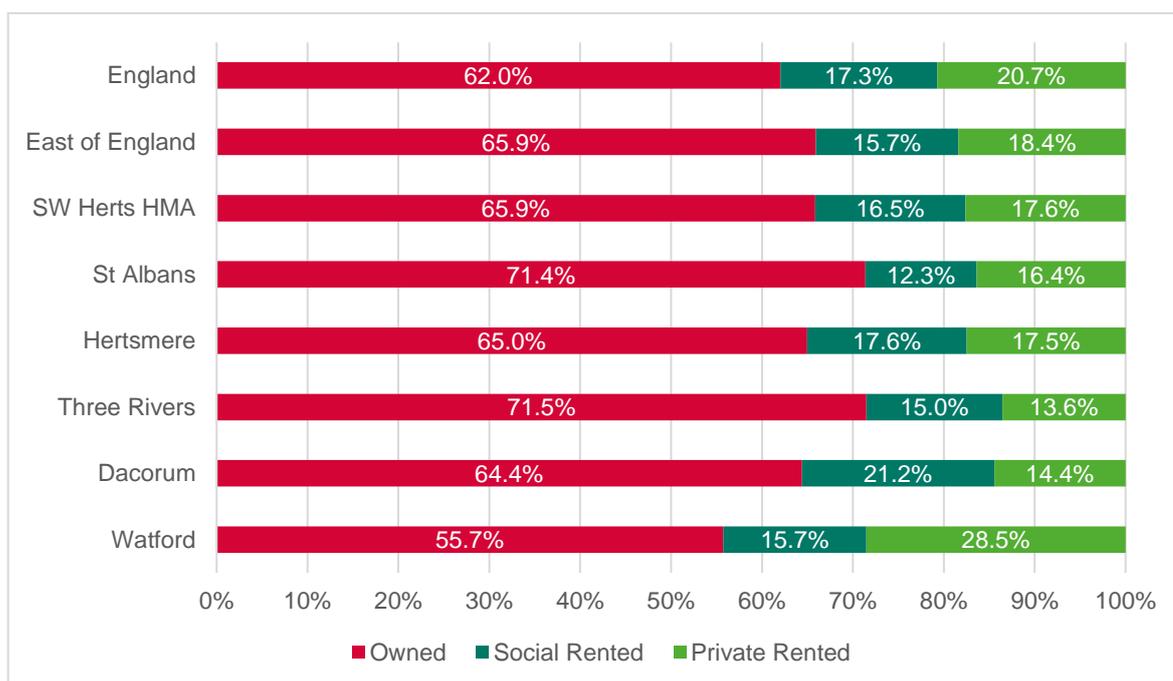
Source: 2021 Census

3.10   The stock of low cost home ownership homes is also relevant in considering the housing offer. The table below sets out the stock of such properties drawing on the latest data from the Regulator of Social Housing. The highest stock in absolute terms is in Hertsmere, and Watford.

3.11   It is possible to also consider 2021 Census data on shared ownership dwellings: which similarly shows that the highest shared ownership stock (in proportional terms) is higher in Hertsmere and Watford. Overall the data shows that across the HMA, shared ownership homes account for under 1% of homes.

Table 3.3 Low Cost Homeownership Stock by Authority

	Low Cost Home ownership stock (2023)	% of total housing stock (as at Census 2021)
Dacorum	439	0.7%
Hertsmere	533	1.3%
St Albans	283	0.5%
Three Rivers	292	0.8%
Watford	446	1.1%
Total SW Herts Authorities	1,993	0.8%

Source: Regulator of Social Housing Data 2023 and Census 2021

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[2] The social rent tenure is likely to include affordable rented properties

3.12   The absolute changes seen in the tenure profile in SW Herts between 2011-21 are shown below. Across the HMA, the Private Rented Sector accommodated 72% of the growth in households, with it seeing the strongest growth across each constituent local authority. The strongest growth in the PRS was seen in Watford, where – in contrast – the number of owner occupying households fell. Relative to regional/ national trends, Hertsmere and Watford have seen stronger relative growth in Private Renting. The change in social rented households is small in all authority areas, this will be a factor of a stock level that has not changed hugely over the time period.

Figure 3.2 Change in Household by Tenure, 2011-21
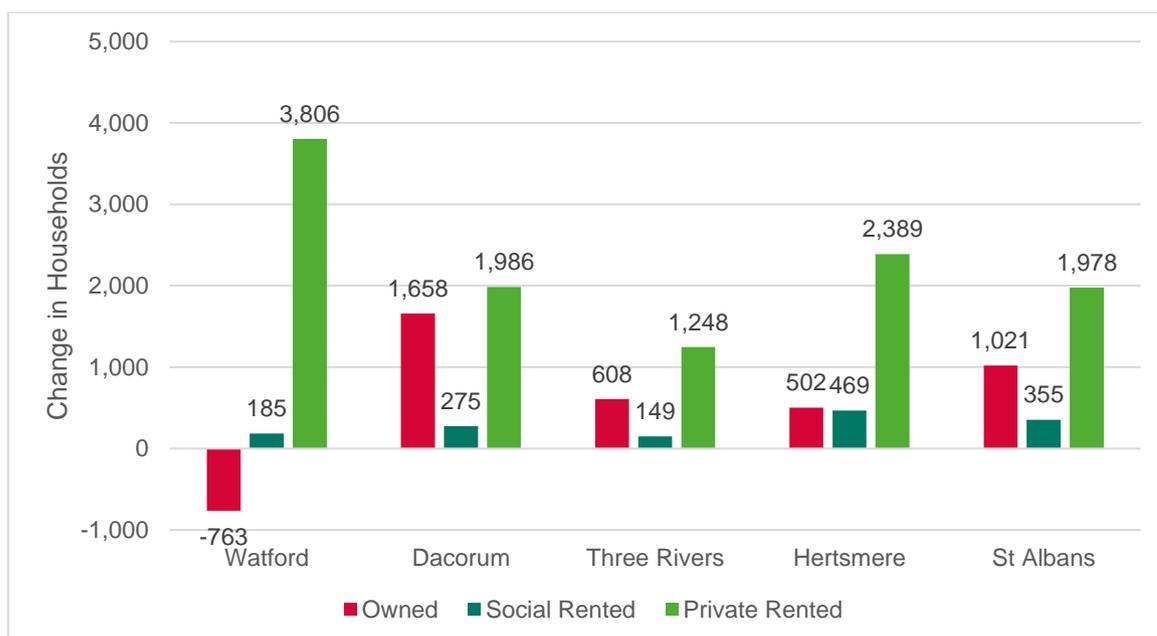
Source: 2011 Census; 2021 Census

3.13   The proportion of owned dwellings fell across SW Herts, and in each local authority within it, between 2011-21; despite the increase seen in absolute terms, the rate of home ownership fell from 69.2% to 65.9% of all households across the HMA. The greatest proportional reduction was seen in Watford. These reductions in home ownership correlate with the evidence of increasing affordability pressures and restricted housing land supply.

Table 3.4 Changes in Home Ownership, 2011-21

	2011	2021	Change
Dacorum	65.9%	64.4%	-1.5%
Hertsmere	69.3%	65.0%	-4.3%
St Albans	73.9%	71.4%	-2.5%
Three Rivers	73.9%	71.5%	-2.4%
Watford	62.9%	55.7%	-7.1%
SW Herts HMA	69.2%	65.9%	-3.3%
East of England	69.0%	65.9%	-3.0%
England	64.7%	62.0%	-2.7%

Source: 2011 Census; 2021 Census

3.14   Whilst the stock has risen, the size of the Social Rented Sector[3] as a proportion of all households has fallen moderately in each area. It remains larger in Dacorum than in other areas (reflecting the high social housing delivery within Hemel Hempstead as a New Town) and lower in St Albans. Of the five SW Herts authorities, both Dacorum BC and St Albans CDC have retained their affordable housing stock.

Figure 3.3 Social Renting in SW Herts, 2011-21
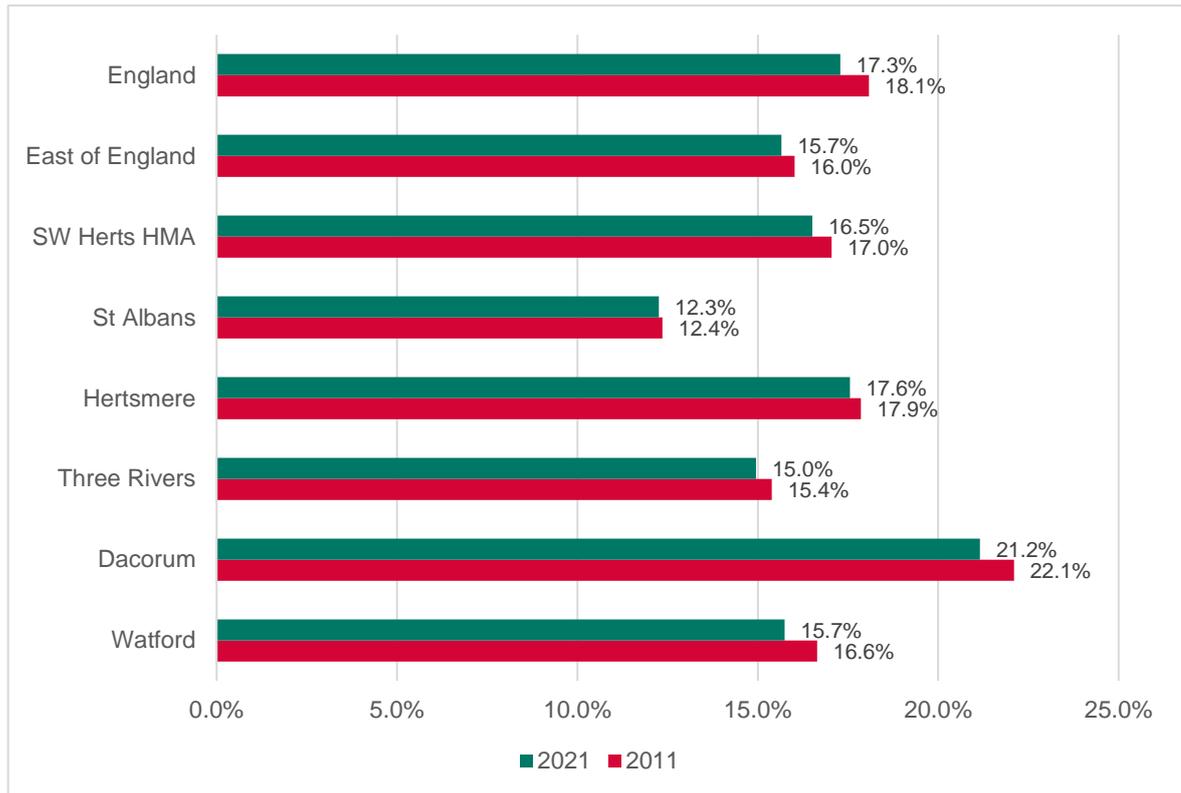
Source: 2011 Census; 2021 Census

3.15   The Private Rented Sector has been the key growth sector in the housing market, and accommodated 17.6% of all households in 2021, up from 13.8% in 2011. The strongest growth, and highest concentration, of private renting is in Watford.

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[3] This will include homes let at both social and affordable rents

Figure 3.4 Private Renting in SW Herts, 2011-21
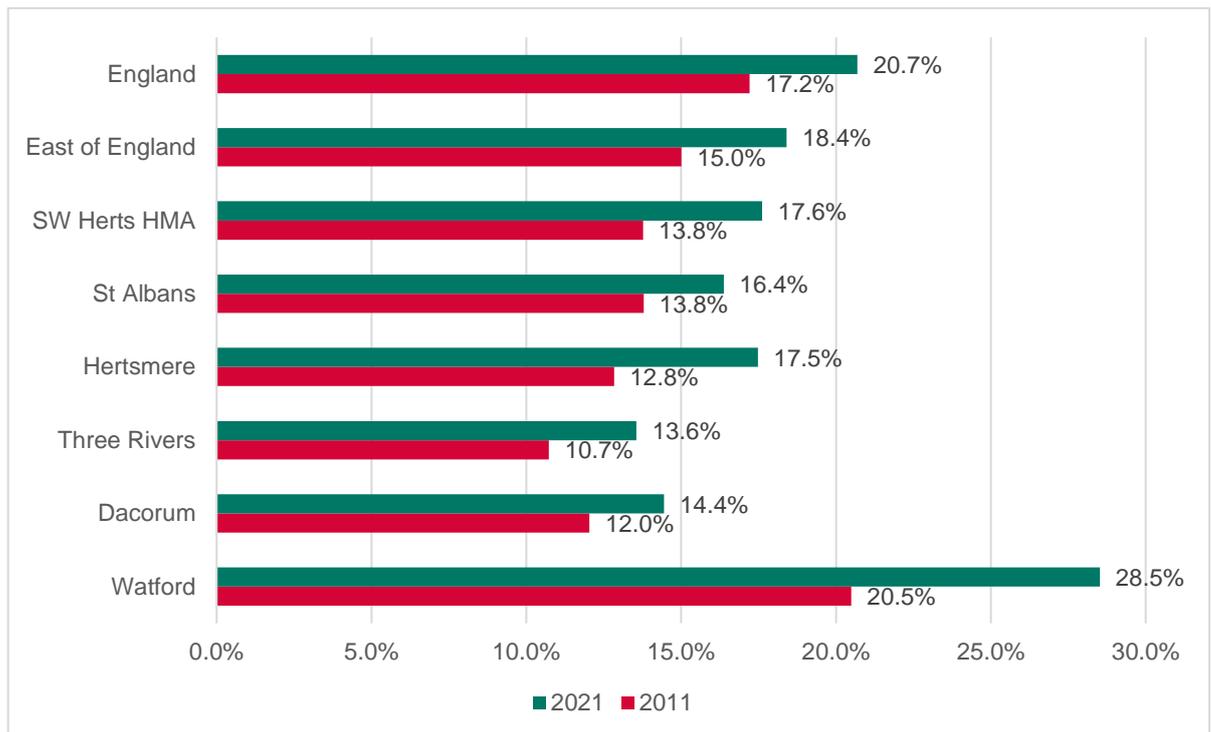
Source: 2011 Census; 2021 Census

Socially rented homes are concentrated in the urban areas in SW Herts, particularly Hemel Hempstead, Watford and Borehamwood. Similarly, the percentage of private renters is more concentrated in urban areas. The opposite is true for home ownership, with higher proportions of home ownership in rural locations.

3.16 The table below shows the number of public sector owned dwellings in each area: these dwellings are usually in social rented tenure. Dacorum has the highest number of local authority dwellings as the Council has retained its own housing stock, this will contribute to the higher proportion of social rent in the area. St Albans has also retained its housing stock.

Table 3.5 Public Sector owned dwellings (2022)

	Local Authority Owned	**Other Public Sector ownership**
Dacorum	10,239	0
Hertsmere	151	0
St Albans	4,912	0
Three Rivers	53	0
Watford	45	50

Source: Local Authority Housing Statistics (2022)

Figure 3.5 Percentage Home Ownership
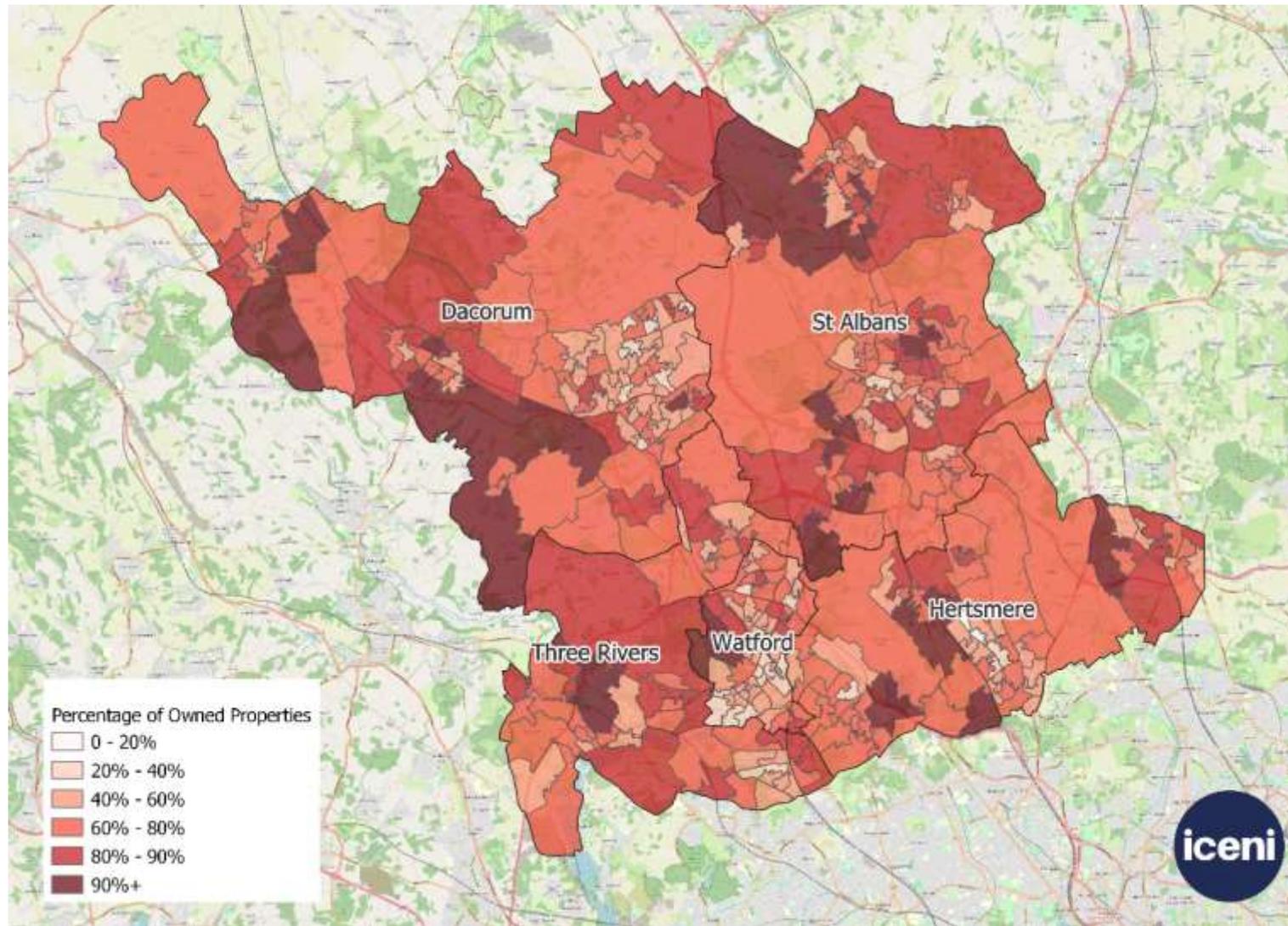
Figure 3.6 Percentage of Private Rented Properties or Living Rent Free
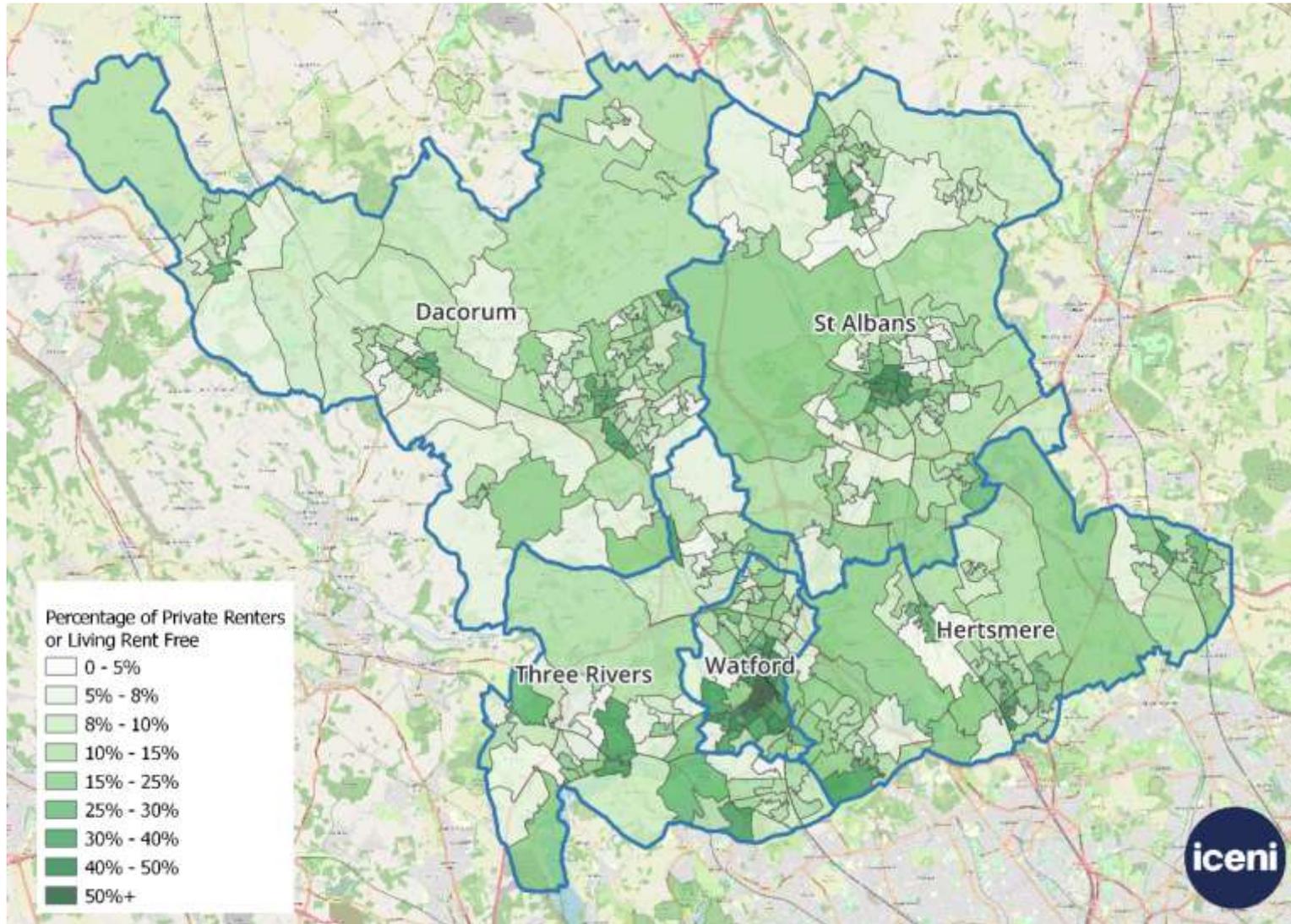
Figure 3.7 Percentage of Socially Rented Properties
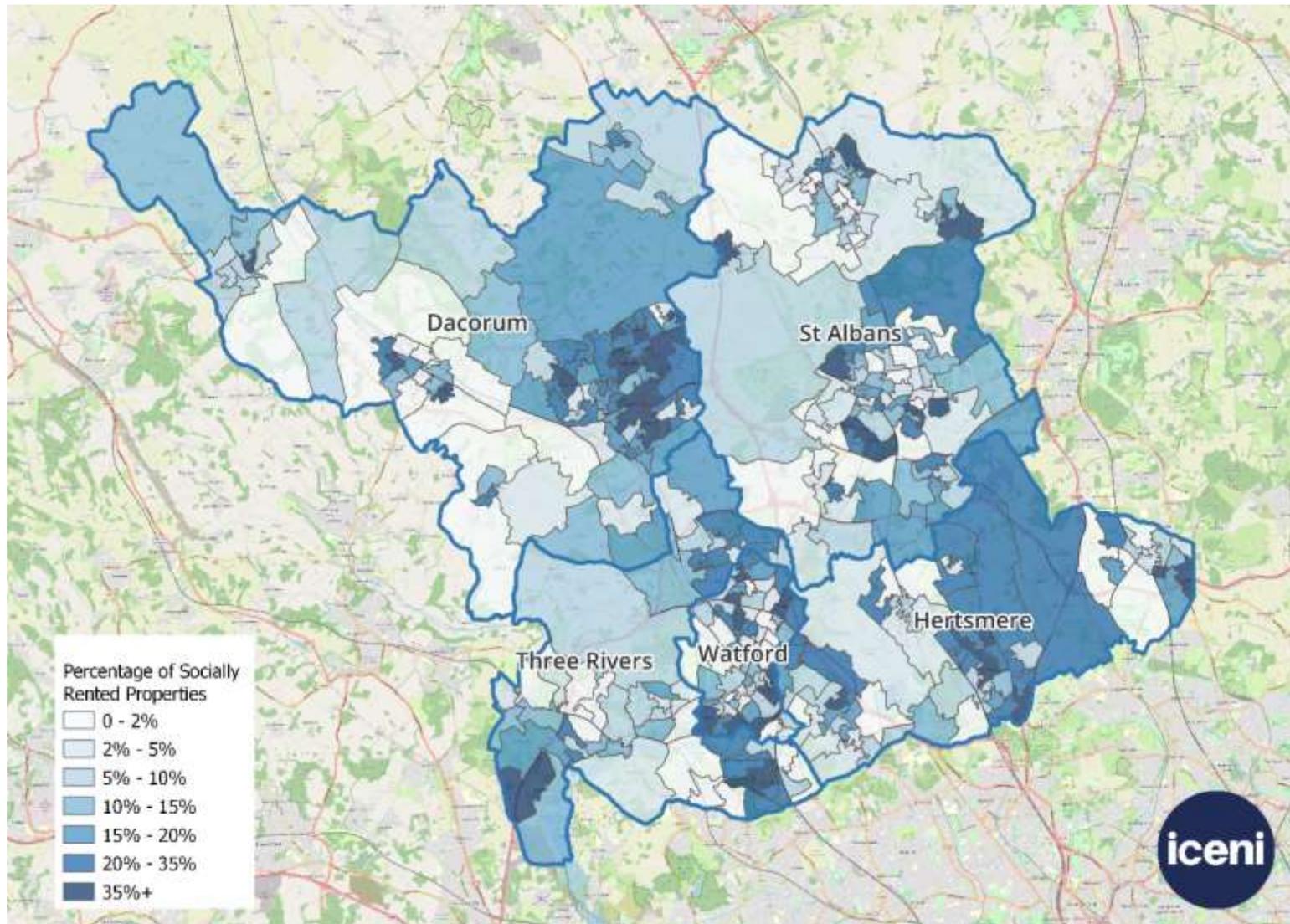
Profile of Homes by Type and Size

3.17 SW Herts has a generally broad and balanced profile of different dwelling types; with semi-detached homes the most prevalent accounting for 30% of all homes; followed by flats (25.8%), terraced (23.3%) and detached properties (21.1%).

Figure 3.8 Profile of Dwellings in SW Herts, 2021

Detached	50,742
Semi-detached	71,664
Terraced	56,077
Flats	62,068
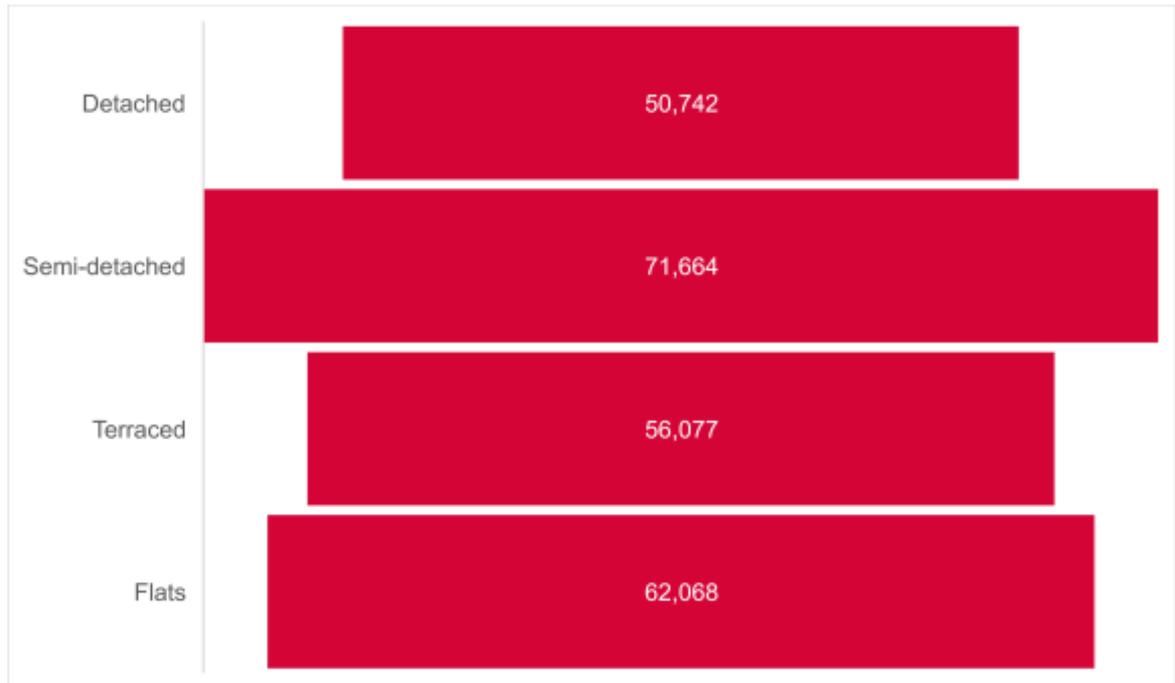
Source: 2021 Census

3.18 The housing mix is fairly similar to the proportional mix seen across England as a whole. SW Herts has fewer detached and semi-detached properties; and more flats and terraced housing than the East of England region but this is particularly influenced by the higher proportion of flats and lower proportion of detached homes in Watford.

Figure 3.9 Dwellings by Type 2021
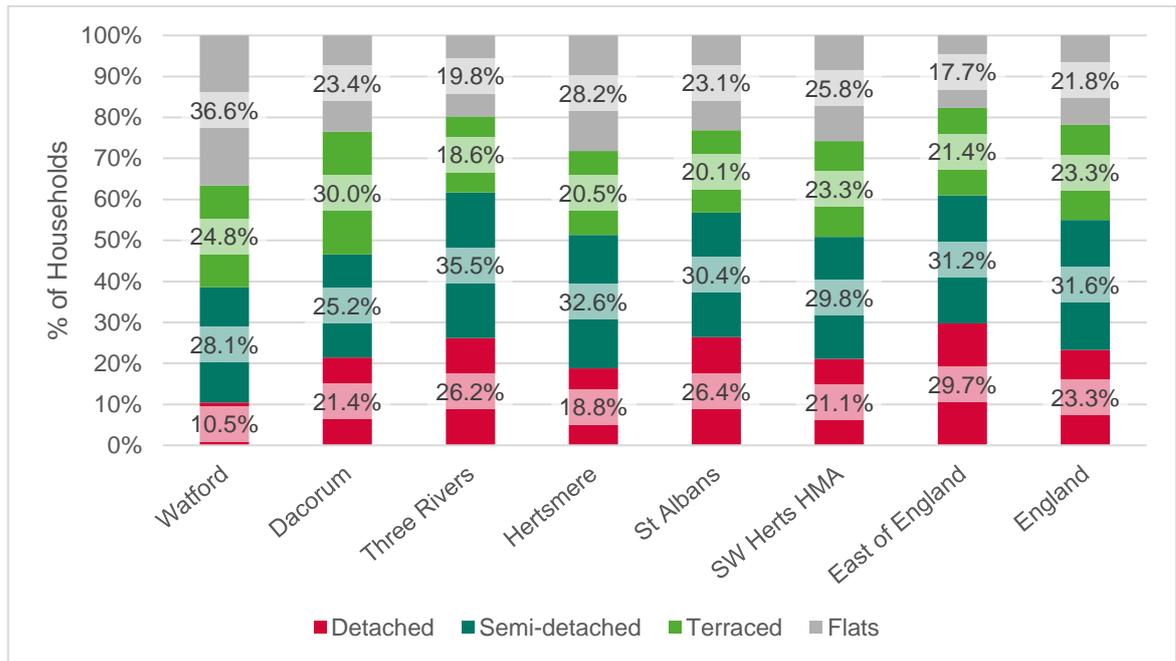
Source: 2021 Census

3.19   The percentage of flats, maisonettes or apartments is highest in the denser, more populated areas of SW Herts.

Figure 3.10 Percentage of Detached Properties
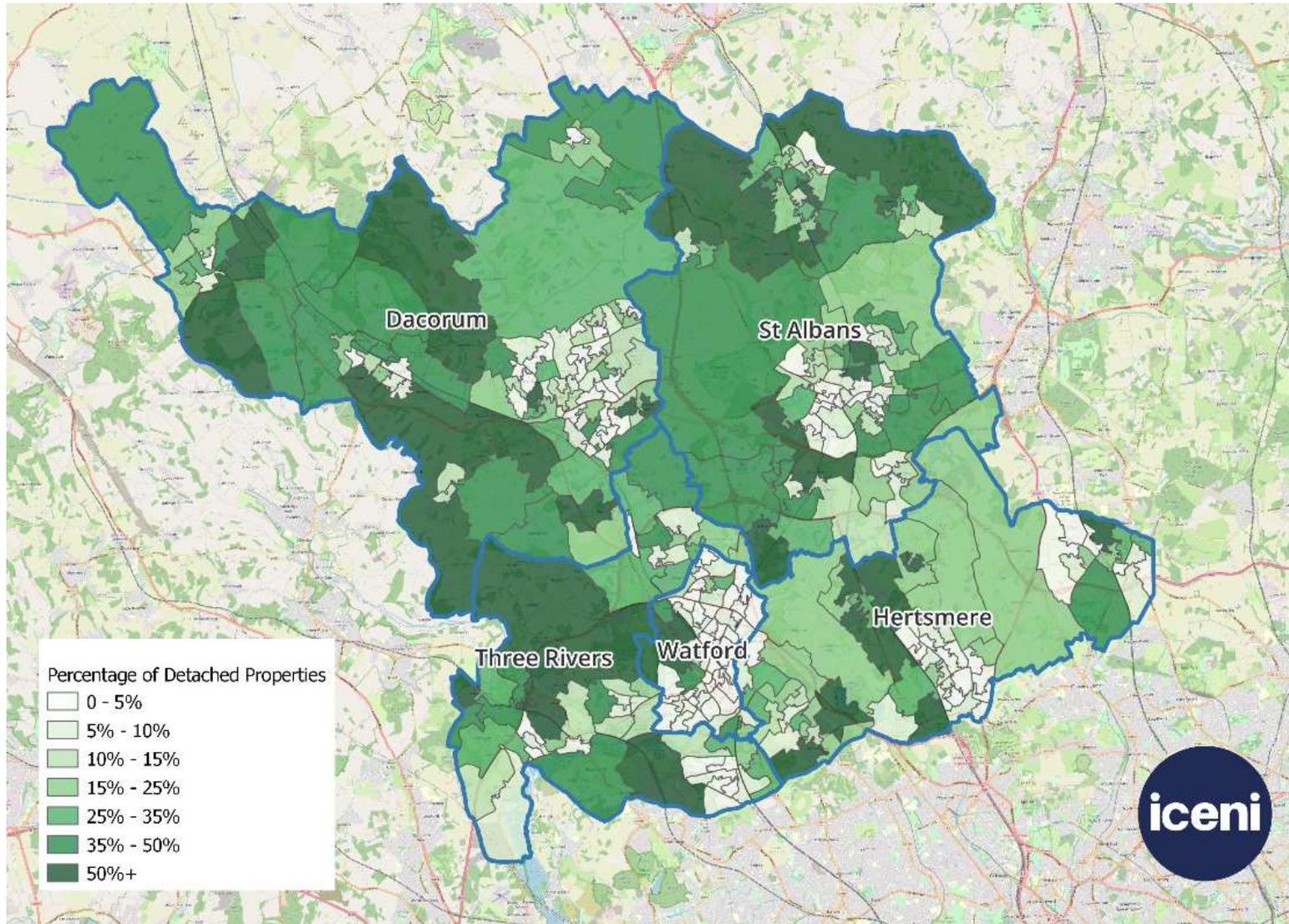
Figure 3.11 Percentage of Flats, Maisonettes or Apartments

Percentage of Flats, Maisonettes or Apartments
- 0 - 5%
- 5% - 10%
- 10% - 20%
- 20% - 30%
- 30% - 45%
- 45% +
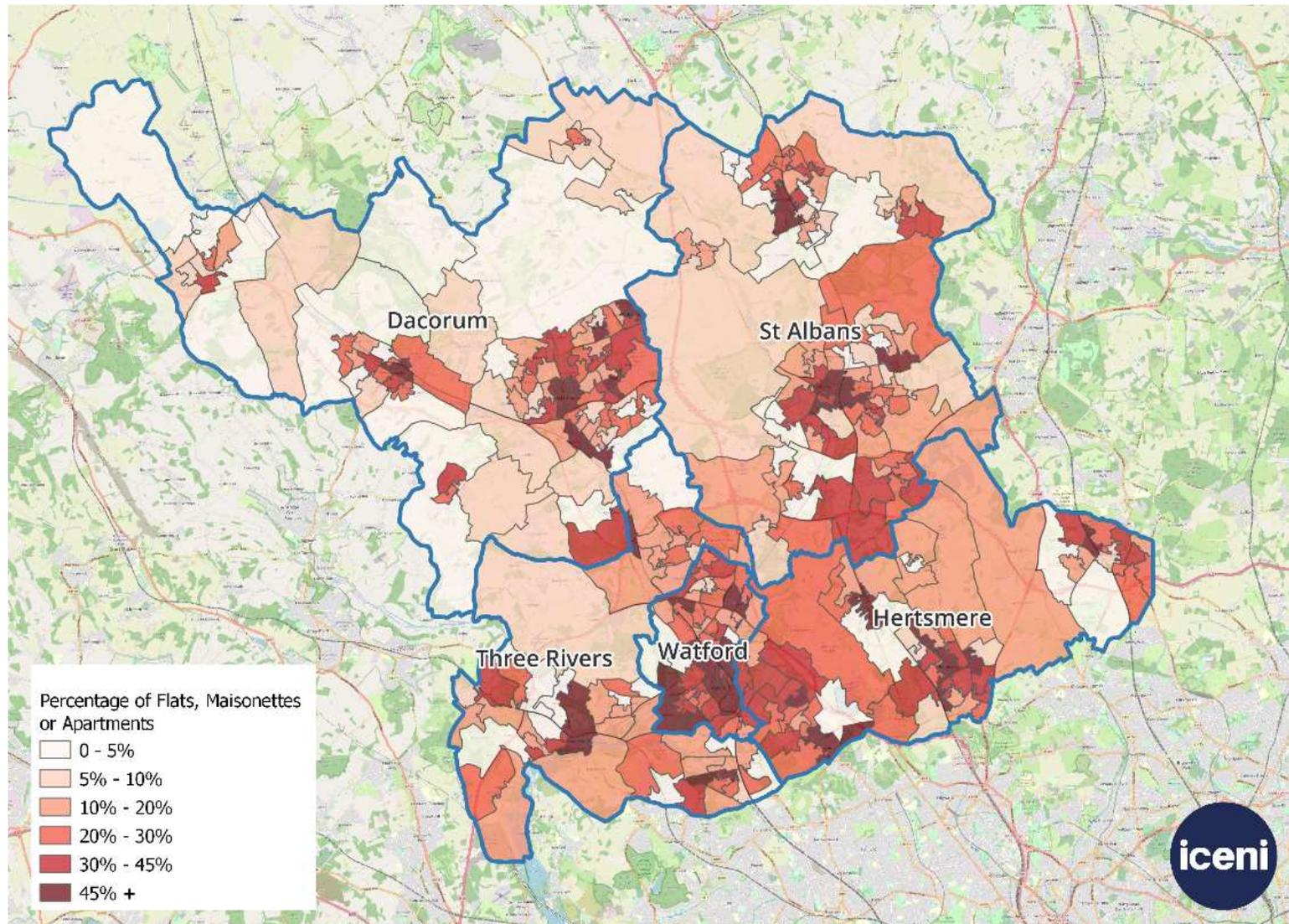
3.20   The chart below shows the growth in different types of dwellings over the 2011-21 decade. The strongest growth in flatted accommodation has been in Watford and Hertsmere, however as the graph below shows all authorities have seen a large percentage increase of flatted dwellings and a proportional decrease in other types of dwelling. This is likely to have been influenced by strategic constraints to development in South West Herts and a limited supply of greenfield land which typically supports the delivery of houses (as opposed to flats which are more characteristic of urban brownfield development). It is notable that Dacorum is the only area to see an increase in the proportion of any type of houses (with a modest growth in semi-detached stock).

Figure 3.12 Change in Households by House Type, 2011-21

Source: 2011 Census; 2021 Census

3.21   SW Herts has a similar profile of dwellings by size of property to the position across the East of England region. Two and three-bed properties predominate; but there is a slightly higher proportion of homes with 4 or more bedrooms than found at the regional or national level.

3.22   The proportion of larger, 4+ bed properties is highest in St Albans (34.0%) and Three Rivers (29.3%). In contrast it is below the regional average, at 19.0%, in Watford – which has a higher proportion of 1- and 2-bed properties than other areas.

Figure 3.13 Dwelling Stock by Number of Bedrooms (2021)
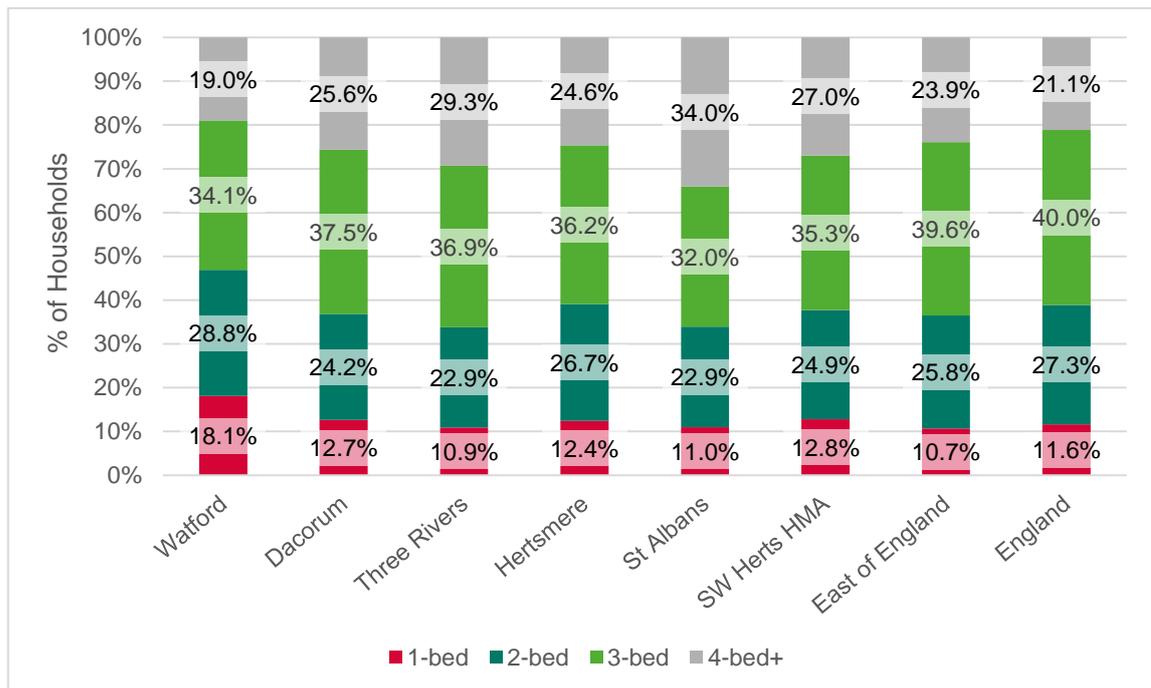
Source: 2021 Census

3.23   Considering the changes in the profile of homes by size between the 2011 and 2021 Census is complicated by slightly different ways in which the stock was measured. Our analysis below suggests that the greatest growth in the total housing stock between 2011-21 has been in 4+ bed dwellings. This appears odd against data on new-build development; but is considered to reflect trends in the extensions of properties – with evidence that households will stay in homes and extend them, such as through adding additional bedrooms through loft conversions, rather than move (in particular given the high transactional costs of moving associated with Stamp Duty). High transactional costs essentially mean that a range of households appear to have sought to extend their existing homes to create additional bedrooms, rather than move, over the 2011-21 decade. These trends are similar to those seen across East of England and England.

3.24   The Census data shown in the figure below suggests that 84% of the growth in occupied homes was of growth in 4+ bed properties, with this part influenced by a decline in 3-bed properties (except in Dacorum) as homes were extended. The drivers of this are thus likely to have included the high transactional costs of moving in particular (including moving costs and Stamp Duty); as well as potentially some impact from changing working patterns (and associated growth in home working) and development of replacement dwellings on existing plots.

3.25   Growth in 1- and 2-bed stock is more modest, and likely to be particularly influenced by development of flats.

Figure 3.14 Changes in Housing Stock by Size, SW Herts 2011-21
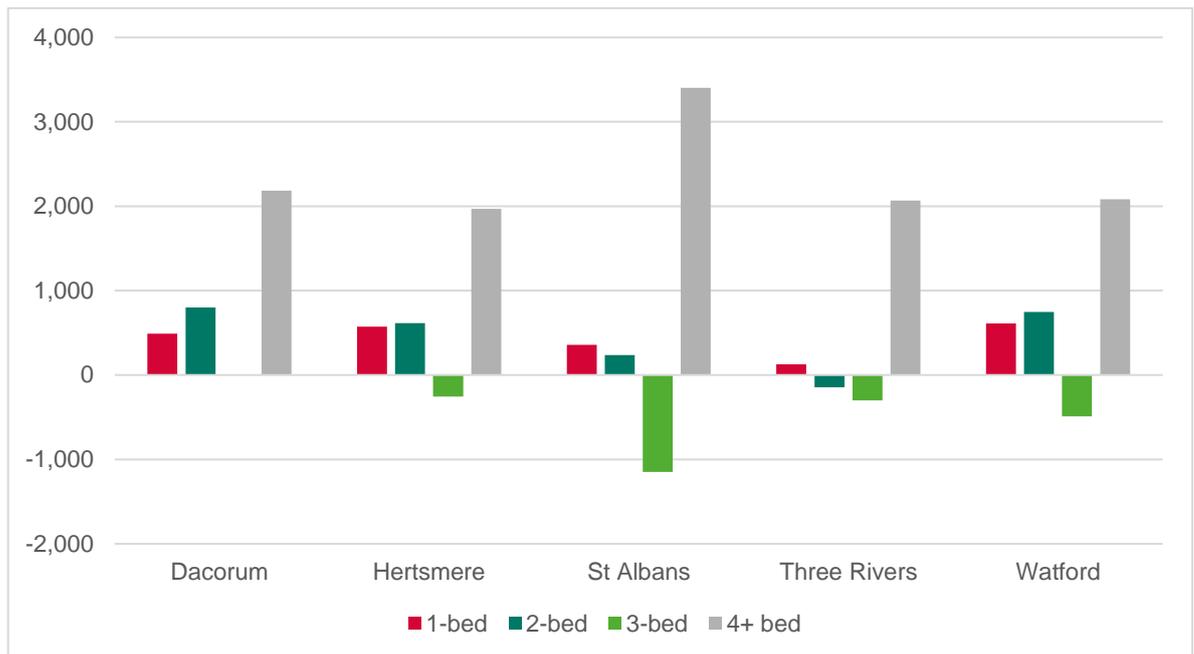
Source: 2001 Census; 2021 Census

3.26   To augment this analysis, Iceni has analysed housing completions over the period since 2011 as shown in the figure below. Over this period, 69% of dwelling completions recorded by Councils have been of 1- and 2-bed properties; with 15% 3-bed and 15% 4+ bed properties. Comparing this to Figure 3.14 above highlights the important role which extensions of properties have been having on the changing size mix of the housing stock in SW Herts.

Figure 3.15 New-build Housing Completions by Size – SW Herts, 2011-22
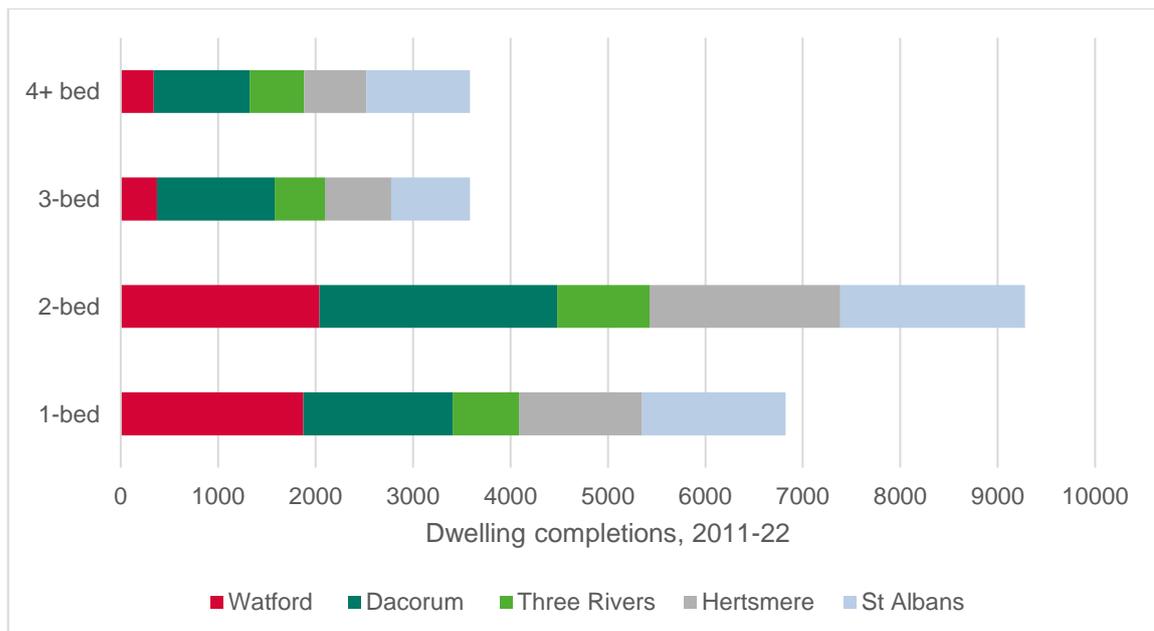
Source: Iceni analysis of Council monitoring data

Table 3.6 New-Build Completions by Size, 2011/12 – 2021/22

	1-bed	2-bed	3-bed	4+ bed
Dacorum	25%	40%	20%	16%
Hertsmere	28%	43%	15%	14%
St Albans	28%	36%	15%	20%
Three Rivers	25%	35%	19%	21%
Watford	41%	44%	8%	7%
SW Herts	29%	40%	15%	15%

Source: Iceni analysis of Council monitoring data

3.27   Watford, and to a lesser extent Hertsmere, have seen a notably low proportion of delivery of family-sized homes with 3 or more bedrooms, at 15% and 29% respectively; but all authorities have seen delivery focused on smaller dwellings.

3.28   The map overleaf shows the spatial distribution of housing completions of different sizes over the period since 2011. The Energy Performance Certificate (EPC) data used provides information on property types but not the number of bedrooms, which Iceni has therefore estimated based on the unit sizes.

3.29   Considering the existing housing mix, the towns and cities of SW Herts have the highest number of 2-bedroom properties. Watford, St Albans, Rickmansworth, Hemel Hempstead and Borehamwood for example. Conversely, those rural areas in SW Herts have a higher percentage of 4-bedroom properties.

Figure 3.16 Housing Completions by Estimated Property Size, SW Herts

Housing Completions (2011-2023)
- Less than 60 sq.m (1-bed)
- 60 - 75 sq.m (2-beds)
- 75 - 100 sq.m (3-beds)
- Greater than 100 sq.m (+4-beds)
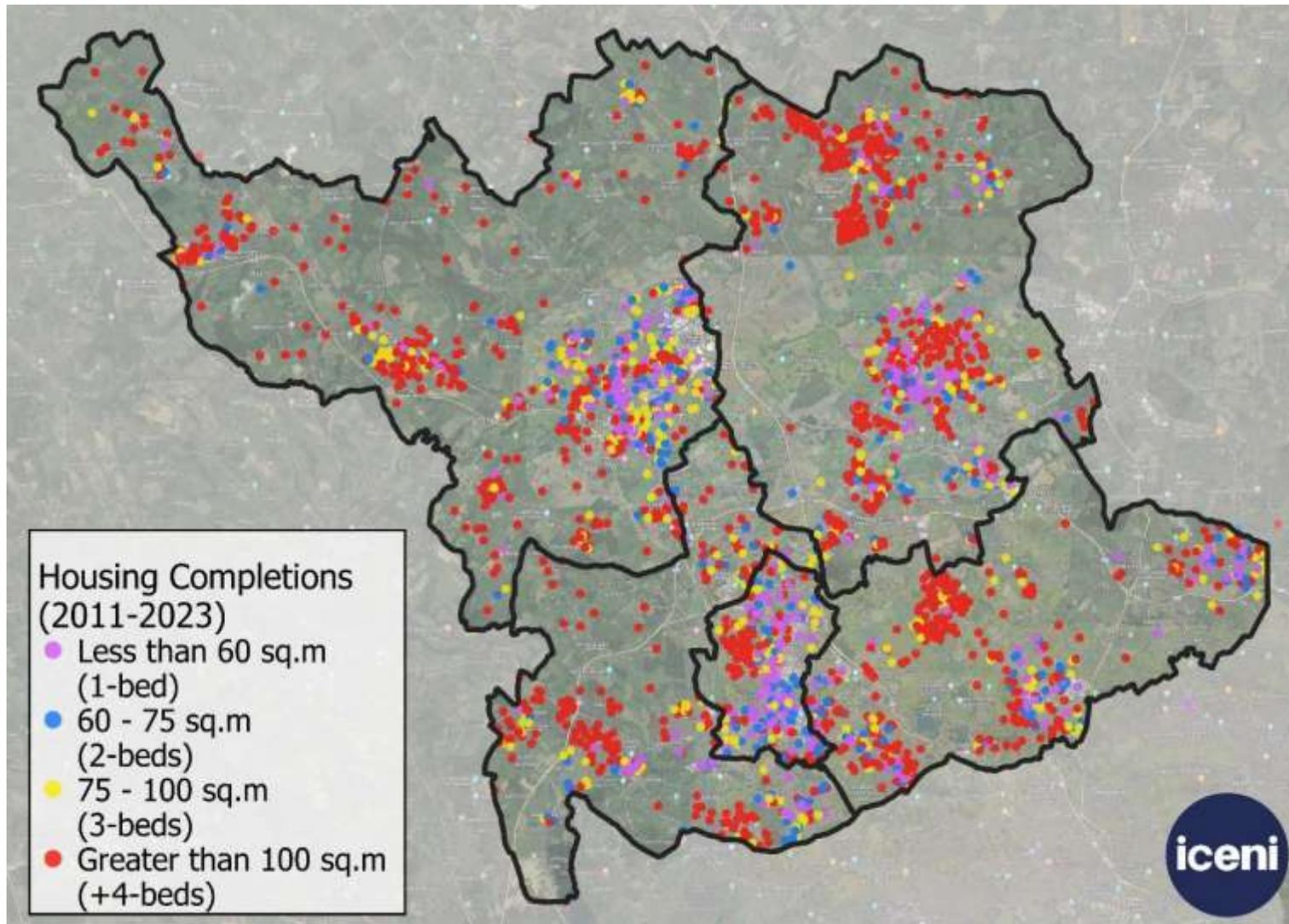
Source: Iceni analysis of EPC data

Figure 3.17 Percentage of 2-bedroom homes
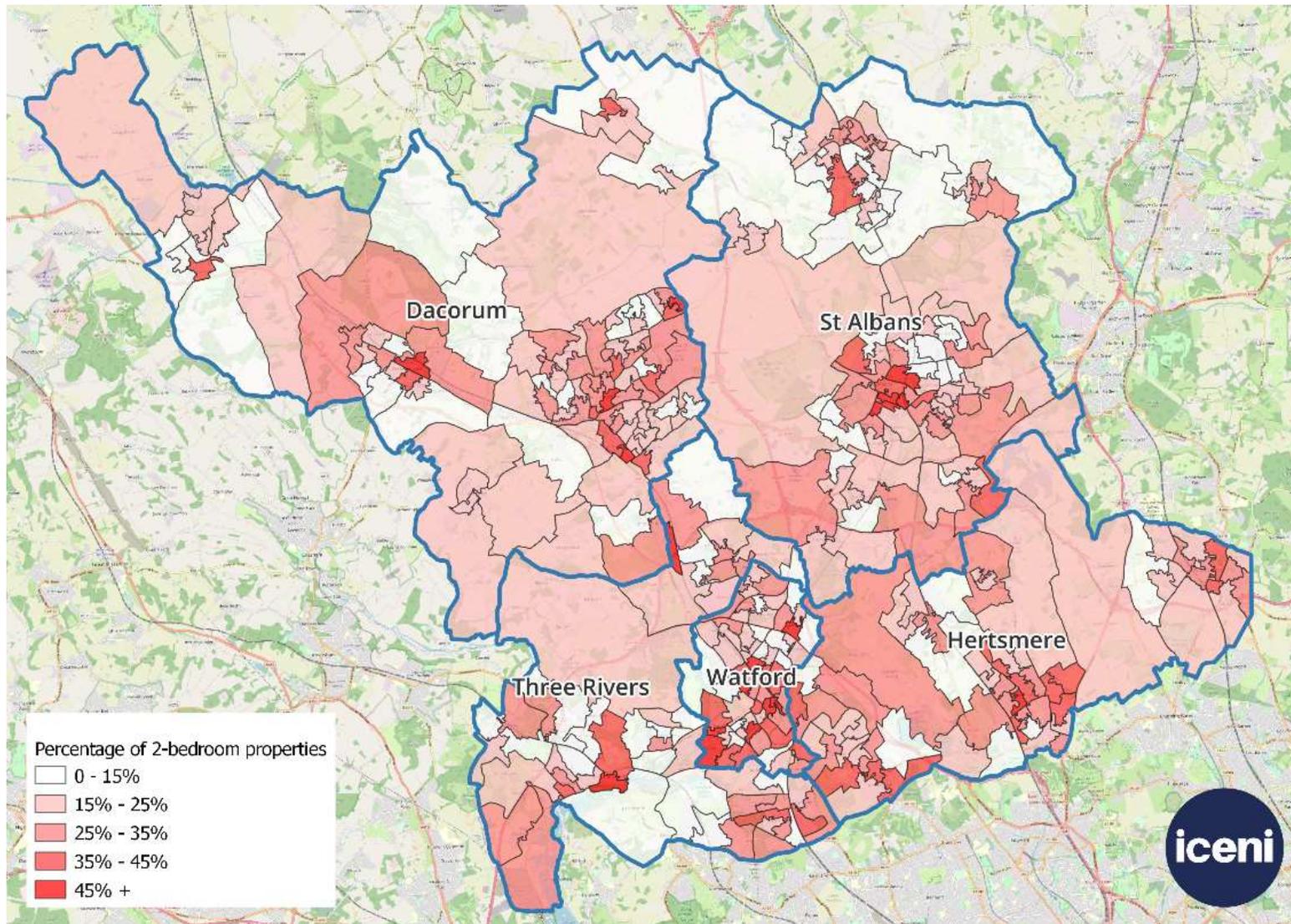
Figure 3.18 Percentage of 3-bedroom Homes
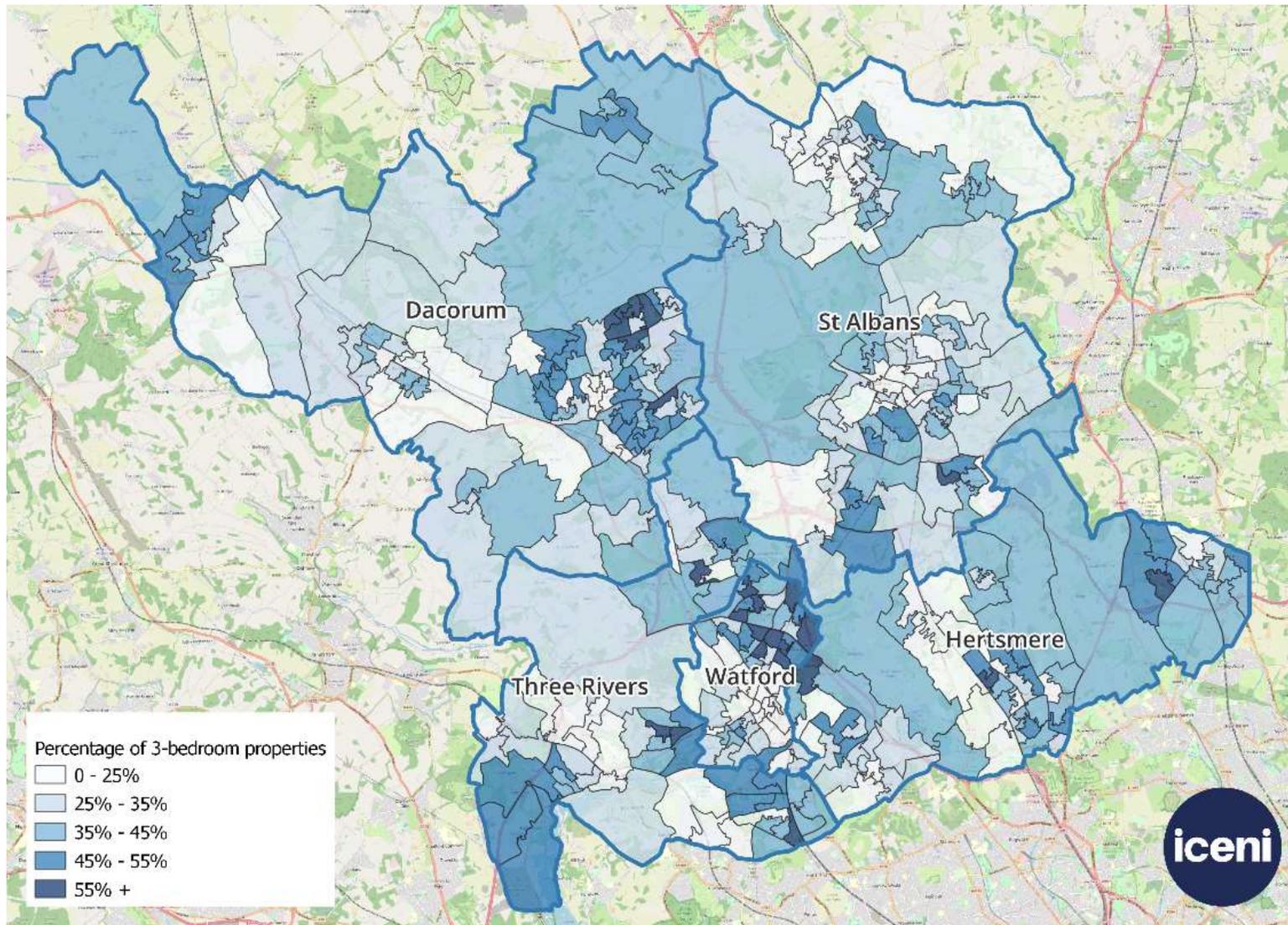
Figure 3.19 Percentage of 4-bedroom Homes
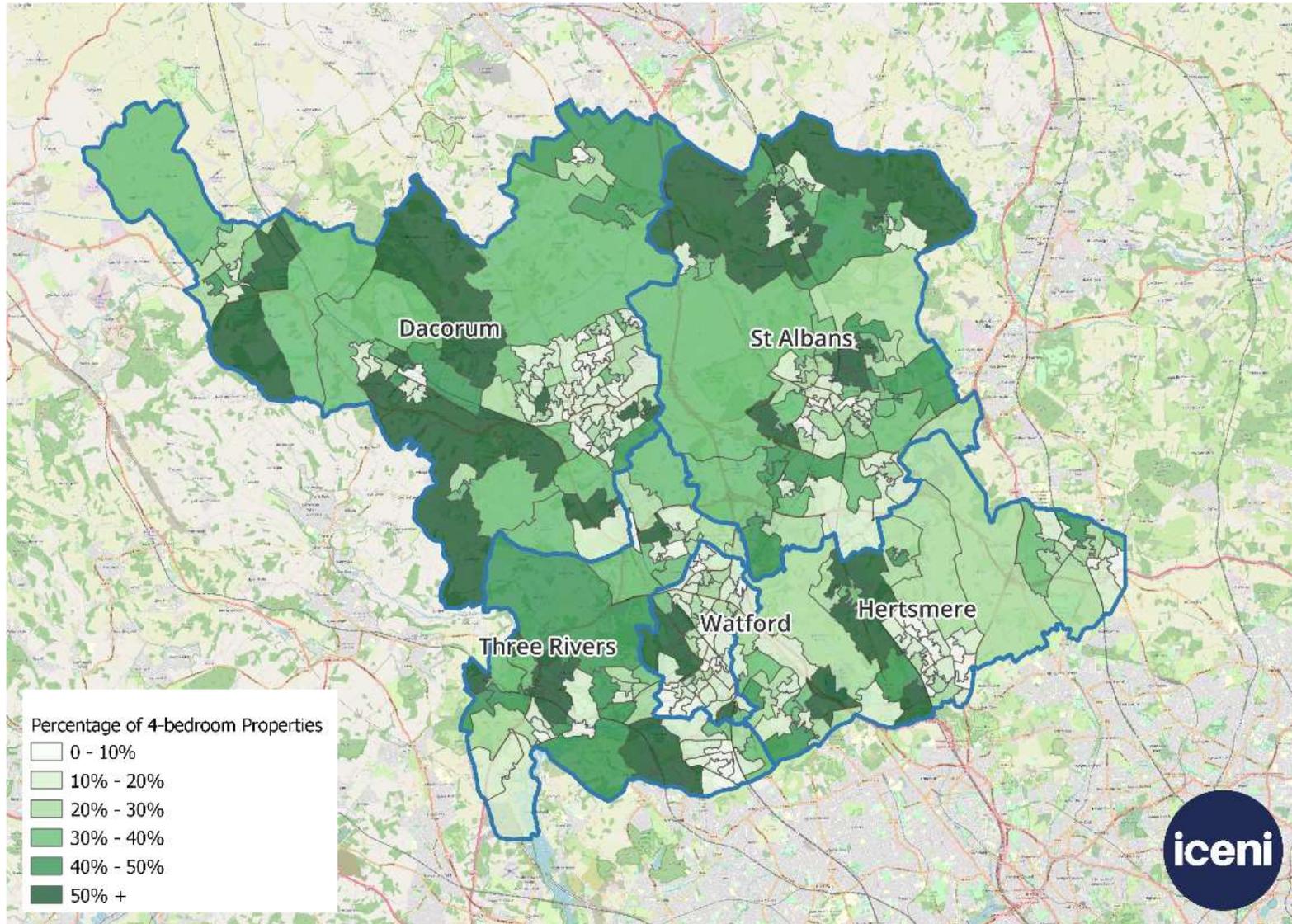
3.30   Many homes in SW Herts are under-occupied, in particular as home ownership is the predominant tenure and households can and do occupy homes which are larger than they necessarily 'need' to provide flexibility for friends, relative or children to come and stay.

3.31   Overcrowding is measured using the 'bedroom standard' which takes account of the structure of households and relationships between people in the household.[4] The Census data indicates that 67% of homes were under-occupied in 2021 in that they notionally have more rooms than the household might require as a minimum, with 4.5% of households overcrowded. The incidence of overcrowding was however above the regional average in both Hertsmere and (in particular) Watford. These authorities have a higher existing incidence of smaller homes.

Table 3.7 Overcrowding and Under-Occupied Homes in 2021 using Bedroom Standard

	Under-Occupied	Right-Sized	Overcrowded
Dacorum	68.5%	28.4%	3.1%
Hertsmere	66.0%	28.8%	5.2%
St Albans	73.7%	23.2%	3.1%
Three Rivers	70.5%	26.0%	3.5%
Watford	54.6%	36.8%	8.7%
SW Herts	67.4%	28.2%	4.5%
East	71.4%	25.2%	3.4%

Source: 2021 Census

3.32   Overcrowding is however particularly a factor which affects non-home owners. Across SW Herts, the proportion of households living in the Private Rented Sector and Social Rented Sector which are overcrowded – using the bedroom standard – is 10%. In absolute terms, this equates to 3,800 households in the Social Rented Sector; and 4,210 households in the Private Rented Sector.

Table 3.8 Overcrowding by Tenure in SW Herts, 2021

	Under-Occupied	Right-Sized	Overcrowded
Owner Occupied	83.3%	15.0%	1.7%
Private Rented	40.9%	28.8%	9.9%
Social Rented	31.2%	59.2%	9.6%

Source: 2021 Census

3.33   The chart below shows the profile of overcrowded households by tenure and district/borough across SW Herts. The highest concentration of overcrowding is evidently in Watford, and is

---

4

https://www.ons.gov.uk/census/census2021dictionary/variablesbytopic/housingvariablescensus2021/occupancyratingforbedrooms

particularly focused in the Private Rented Sector. It reflects the larger size of this sector in Watford. In St Albans there is a particularly high level of overcrowding in the Social Rented Sector.

Figure 3.20 Overcrowded Households by Tenure and Location, 2021
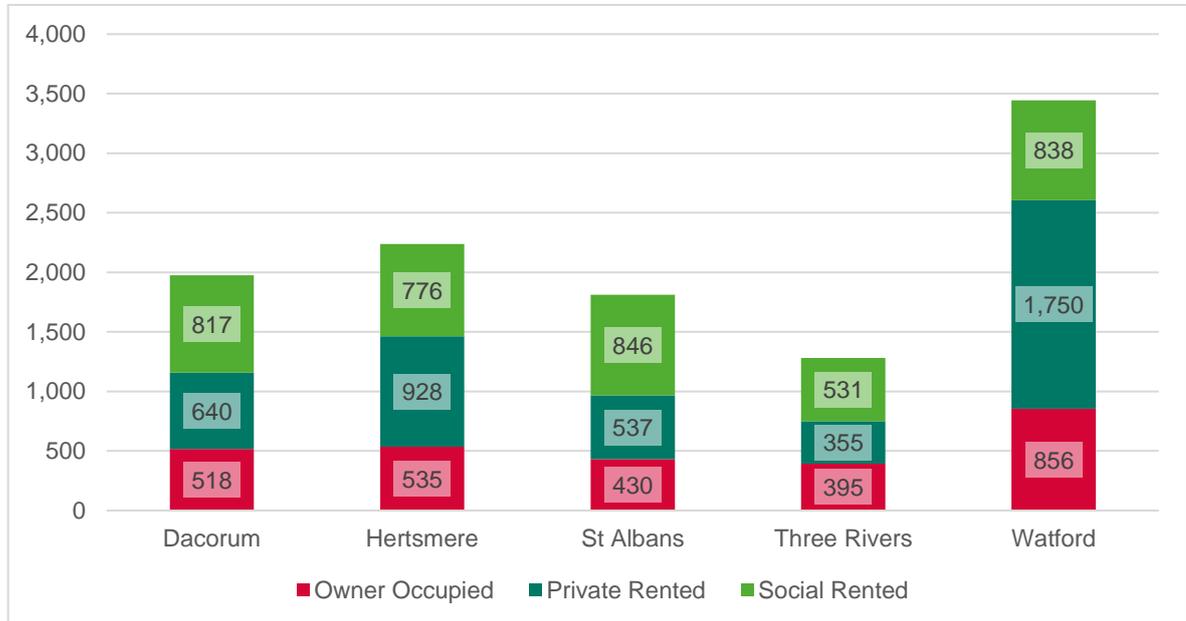
Source: 2021 Census

3.34   There is potential to address overcrowding through the delivery of larger properties, but this can be difficult; and part of the reasons for overcrowding in the rented sectors will be a lack of larger homes which households can afford, or (in the case of the social rented sector) which become available to let. Overcrowding issues are considered and addressed in the Section 8 analysis considering the mix of homes needed.

Housing Delivery Trends

3.35   There has been generally an upward trend in housing delivery in SW Herts over the last 20 years, as the figure below shows. Over the 2003-7 period, net completions averaged around 1,600 homes a year. This increased to 1,771 dpa between 2007-12 despite weaker economic / market conditions (as explored in Section 3); and to 1,778 dpa between 2012-17. It has then increased again, with the latest 5 year period indicating net completions of 2,306 dpa within the sub-region. This represents increased housing delivery in Dacorum, Hertsmere and Watford (and to a lesser extent St Albans).

Figure 3.21 Trends in Net Housing Completions in SW Herts, 2003-22
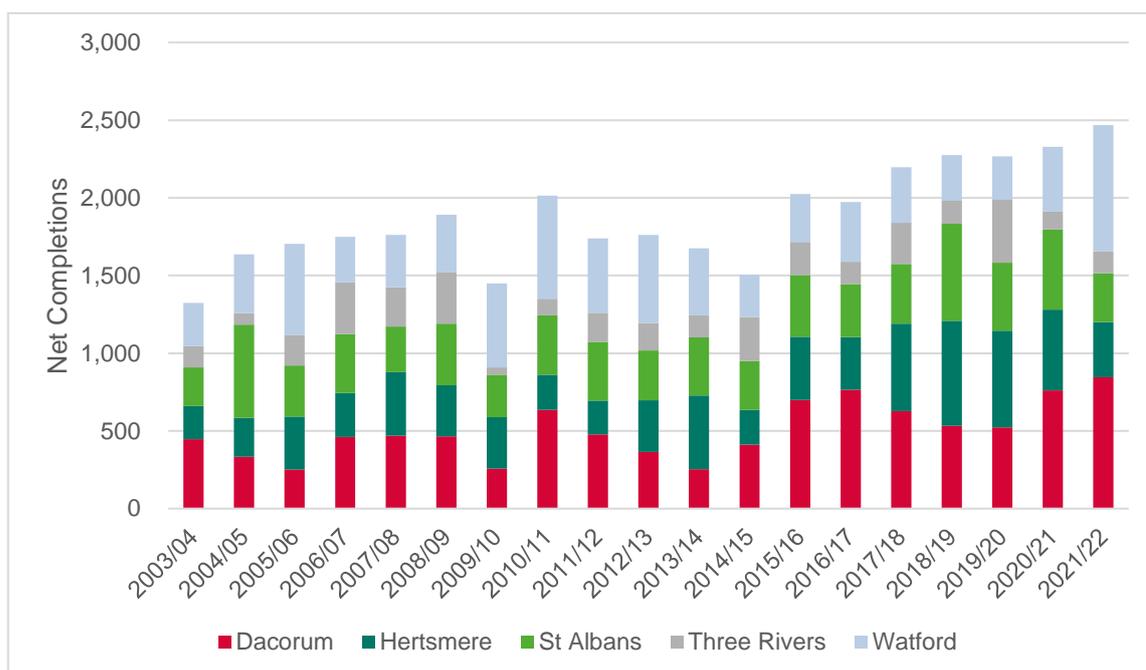
Source: Council-supplied data/ Authority Monitoring Reports (AMRs)

Table 3.9 Annualised Net Housing Completions (dpa)

	2003-7	2007-12	2012-17	2017-22
Dacorum	373	461	499	657
Hertsmere	273	302	356	548
St Albans	389	345	349	455
Three Rivers	186	185	192	215
Watford	384	478	392	431
SW Herts	1,604	1,771	1,788	2,306

Source: Council-supplied data/ AMRs

3.36   Housing delivery will have been influenced by past local plans, which influence what land is released for housing delivery. The performance of the LPAs in the sub-region in terms of maintaining an up-to-date local plan however varies widely:

- Dacorum BC adopted a Core Strategy in Sept 2013 and then a Site Allocations Plan in July 2017. The Core Strategy fell short of meeting housing need in full over the plan period, and was adopted with the intention that a Partial Review would be adopted by 2017/18. This timetable has not been achieved;

- Hertsmere BC adopted a Core Strategy in Jan 2013, an Area Action Plan for the Elstree Way Corridor in July 2015 and a Site Allocations Plan in Nov 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years. This timetable has not been achieved;

- St Albans does not have an up-to-date local plan, having last adopted a Local Plan in 1994. It has one of the oldest local plans of local authorities across England;

- Three Rivers has an adopted Core Strategy from 2011, which was based on the East of England Plan. It adopted Development Management Policies in 2013 and a Site Allocations Plan in 2014; but again does not have a Local Plan which has been informed by an up-to-date assessment of housing need;

- Watford adopted a new Local Plan in October 2022, based on the NPPF and an assessment of housing need. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford's capacity evidence.

3.37 Historical housing targets within the sub-region have thus been influenced by historical policies and strategic constraints to development. Besides Watford, the other sub-regional authorities have not had an adopted Plan since 2012 which has been prepared against the policy framework in the NPPF.

3.38 To provide a comparative analysis of housing delivery performance, Iceni has considered net growth in the housing stock over different 5 year time periods looking back to 2002, and benchmarked this against regional and national trends. Housing delivery performance across SW Herts has essentially been broadly in line with that seen nationally over the last 20 years, with slightly weaker performance over the past 5 years. There is an important context however to interpreting this: firstly, is commonly recognised that housing delivery nationally has fallen below that which is needed and Government has set out the aim to significantly boost housing supply (NPPF Para 60). However secondly, there are strategic constraints to development in the sub-region, including extensive coverage of Metropolitan Green Belt; and areas which fall within the Chiltern Area of Outstanding Natural Beauty (AONB) / National Landscape. These impact on land supply and housing delivery.

3.39 Achieving Government's ambition of delivering 300,000 homes per annum over the next decade would equate to an average annual growth rate in the housing stock of 1.1% per annum. In higher value, more economically dynamic areas such as SW Herts, you might expect the market to support higher delivery rates than the national average in the absence of development constraints.

3.40 Growth performance at an individual authority level within the HMA varies, with the weakest relative performance in Three Rivers; and the strongest in Watford. Watford is the only authority in which historical housing delivery has exceeded a growth rate of 1.1% of housing stock per annum. Three Rivers has seen the most consistent rate of growth over time, albeit low compared to other parts of the area.

Table 3.10 Annual Growth Rates in the Housing Stock, SW Herts

	2002-7	2007-12	2012-17	2017-22	Overall 2002-22
Dacorum	0.8%	0.8%	0.6%	0.8%	0.8%
Hertsmere	0.5%	0.6%	0.8%	1.1%	0.7%
St. Albans	0.8%	0.7%	0.6%	0.7%	0.7%
Three Rivers	0.6%	0.5%	0.6%	0.6%	0.6%
Watford	1.2%	1.4%	1.1%	1.1%	1.2%
SW Herts	0.8%	0.8%	0.7%	0.9%	0.8%
East of England	1.0%	0.8%	0.8%	1.0%	0.9%
England	0.9%	0.7%	0.7%	1.0%	0.8%

Source: Iceni analysis based on DLUHC Live Table 125

3.41   Overall these are relatively low housing delivery rates for local authorities which sit in a relatively economically dynamic, high value market which is close to London. Iceni consider that they reflect in particular the limited progress with maintaining up-to-date local plans - in the context where Government expects plans to be typically updated every 5 years - and in particular the lack of post-NPPF plans which fully meet housing needs. As above, they are partly a reflection of strategic constraints to development in the sub-region, including land supply constraints in Watford, and coverage by the Green Belt and national landscape, and the influence which these have had on housing land supply.

3.42   Turning to consider affordable housing delivery, with increasing overall housing delivery there has been an evident increase in affordable housing delivery in recent years; with on average 523 affordable homes delivered per year over the last 5 years (2017-22) in SW Herts. The highest absolute and relative affordable housing delivery has been in Dacorum and Watford; with the other local authorities seeing delivery numbers of less than 100 affordable homes per year. Hertsmere saw the lowest affordable delivery, at just 11% of gross completions; with Dacorum and Watford the highest at 29% and 27% respectively.

3.43   Affordable delivery can be influenced by the proportion of completions coming through on small sites which do not contribute and permitted development schemes. It can also reflect issues associated with residential development viability. Generally, higher levels of affordable housing delivery are achieved on greenfield than brownfield sites (albeit that this can be influenced by infrastructure requirements).

Table 3.11 Affordable Housing Completions per 5 year period, (absolute)

	2003-7	2007-12	2012-17	2017-22	Total
Dacorum	49	109	117	190	465
Hertsmere	34	57	53	59	203
Three Rivers	60	35	53	64	212
St Albans	72	78	58	92	300
Watford	65	159	89	118	431
SW Herts	280	439	370	523	1,612

Source: Council-supplied data/ AMRs

Table 3.12 Affordable Housing Completions as a percentage of Gross completions per 5 year period

	2003-7	2007-12	2012-17	2017-22
Dacorum	13%	25%	23%	29%
Hertsmere	11%	20%	15%	11%
Three Rivers	26%	17%	24%	23%
St Albans	17%	18%	13%	17%
Watford	17%	30%	23%	27%
SW Herts	21%	32%	25%	26%

Source: Council-supplied data/ AMRs

3.44 The figure below shows the annual completions each year in the SW Herts authorities. Affordable home delivery has increased in the most recent 5 years (2017-2022) to an average annual delivery of 523 dwellings from an average of 370 in the years 2012-17.

Figure 3.22 Annual Net Completions, Affordable Dwellings
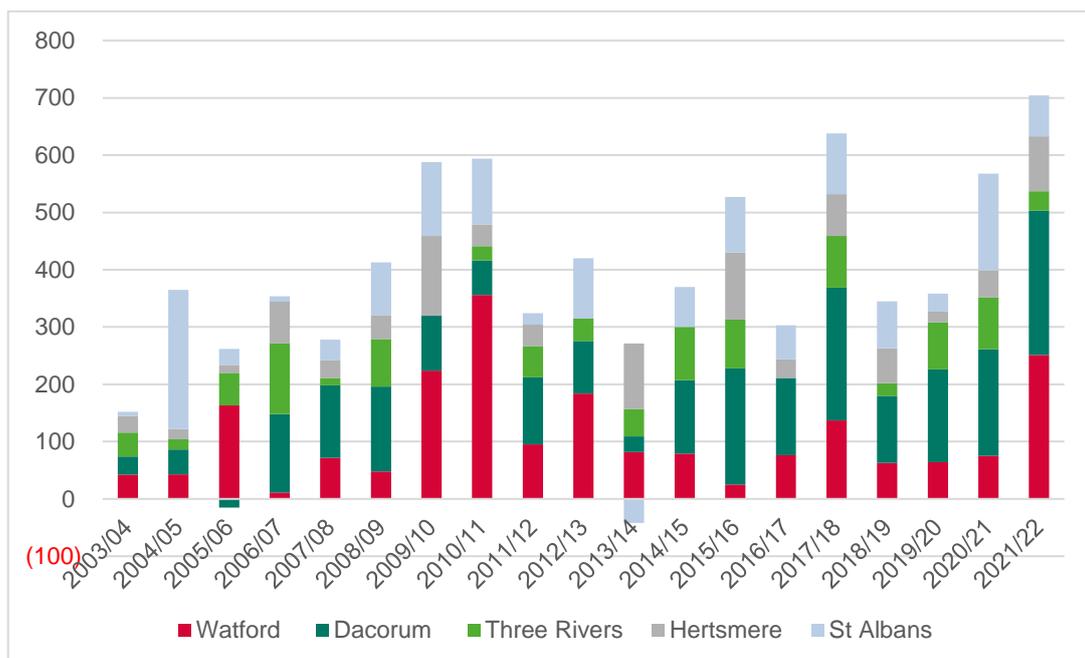
Source: Council-supplied data/ AMRs

3.45   Analysis of the types of affordable homes being delivered indicates around 78-80% of affordable delivery has been of social/ affordable rented homes, albeit that the profile has shifted towards affordable rented homes over the last 5 years. Intermediate housing provision has been focused on shared ownership homes.

Figure 3.23 Gross Affordable Housing Completions by Type, SW Herts
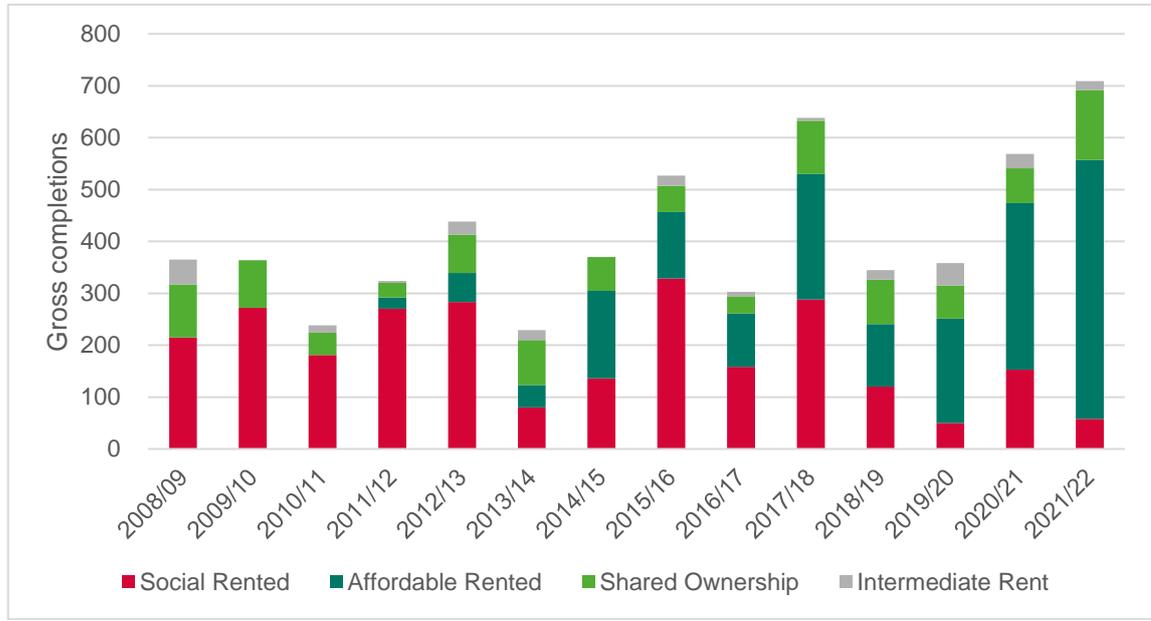
Source: Council-supplied data/ AMRs

Figure 3.24 Profile of Affordable Housing Completions, SW Herts
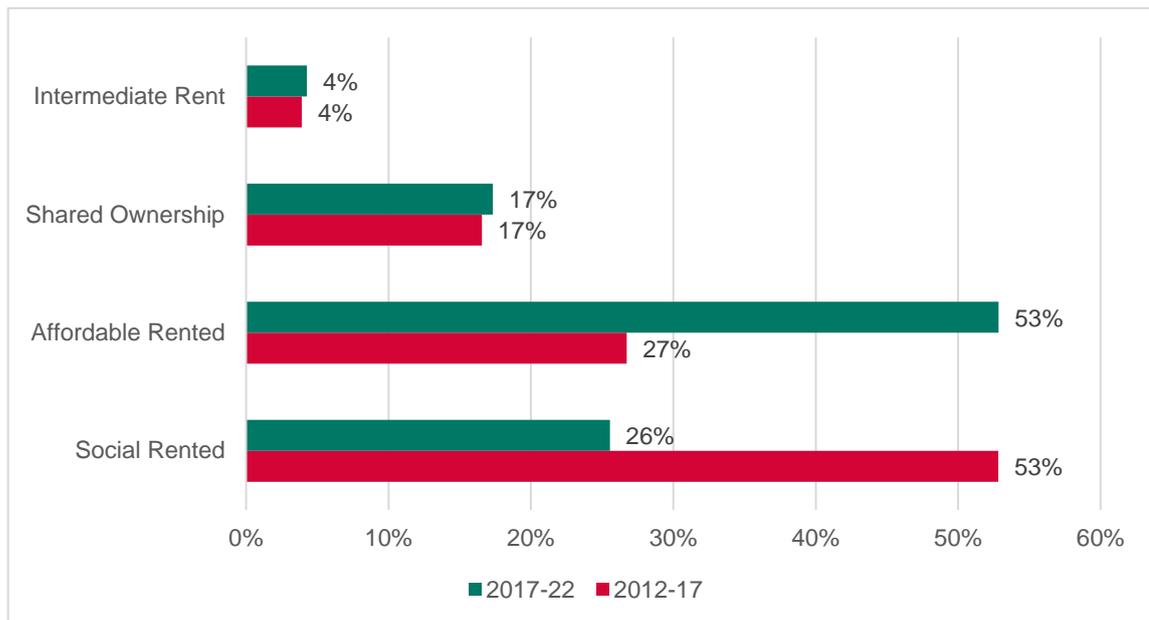
	2012-17	2012-17	2017-22	2017-22
Social Rented	197	53%	134	26%
Affordable Rented	100	27%	277	53%
Shared Ownership	62	17%	91	17%
Intermediate Rent	15	4%	22	4%
Total Affordable	373	100%	524	100%

Source: Council-supplied data/ AMRs

4. REVIEWING HOUSING MARKET DYNAMICS

4.1   This section moves on to review housing market dynamics, considering both the sales market first; and then the rental market.

Sales Market

House Price Trends

4.2   In the year to September 2022 the median house price across SW Herts was £513,000. The highest median house price in the HMA is in St Albans, at £625,000; whilst the lowest are £407,000 in Watford.

4.3   Median property prices in SW Herts are clearly very high in comparison to the rest of England, likely due to the area's proximity to London, high demand for housing, and strategic constraints which affect the supply of land for residential development.

Table 4.1 Median House Prices, Year ending September 2022

Area	Median Price
Dacorum	£425,000
Hertsmere	£547,500
Three Rivers	£560,000
St Albans	£625,000
Watford	£407,200
SW Herts HMA	£512,940
East of England	£328,000
England	£275,000

Source: ONS Median House Prices for Administrative Geographies

4.4   Table 4.2 highlights the house price growth in SW Herts over time. In the year to September 2022, house prices in SW Herts increased by 5.8%, an increase in value of £28,000, whilst across England prices fell by -3.5%.

4.5   The longer-term trend, over the last decade, has been of consistent house price inflation, which has averaged £15,800 per annum – notably stronger growth than seen regionally and nationally. In percentage terms, this is slightly below average but reflects the high existing house prices in the area.

4.6   Stronger house price growth is evident in St Albans, Hertsmere and Three Rivers over the last 10 years, with price growth exceeding £24,000 per annum; whereas in Watford and Dacorum average prices have grown more modestly (c. £18,000 pa).

Table 4.2 Annual Growth in Median House Prices

Area	1 year Change		5 year Change		10 year Change	
	Absolute pa	CAGR	Absolute pa	CAGR	Absolute pa	CAGR
Dacorum	0	0.0%	£10,000	2.5%	£18,000	5.7%
Hertsmere	£17,500	3.3%	£19,500	4.0%	£25,600	6.5%
Three Rivers	£65,000	13.1%	£19,000	3.8%	£24,500	5.9%
St Albans	£45,000	7.8%	£21,300	3.8%	£28,000	6.1%
Watford	£12,200	3.1%	£9,440	2.5%	£18,220	6.1%
SW Herts HMA	£27,940	5.8%	£15,848	3.4%	£22,964	6.1%
East of England	£3,000	0.9%	£10,600	3.6%	£13,800	5.6%
England	-£10,000	-3.5%	£9,000	3.6%	£9,350	4.2%

Source: ONS Small Area House Price Statistics (CAGR represents the annual growth rate in house prices as a Compound Annual Growth Rate)

4.7   The graph below highlights the divergence in house price trends which has been seen, even since 2008. Whilst in many areas of the country house price increases between 2008-13 were modest (influenced by more restricted mortgage availability), SW Herts saw median house prices increasing. Since 2013, house prices have grown rapidly: in most areas this was particularly a characteristic of the period to 2017, however St Albans stands out as sustaining strong growth since.

Figure 4.1 Long-term Trends in Median House Prices, 1995-2022
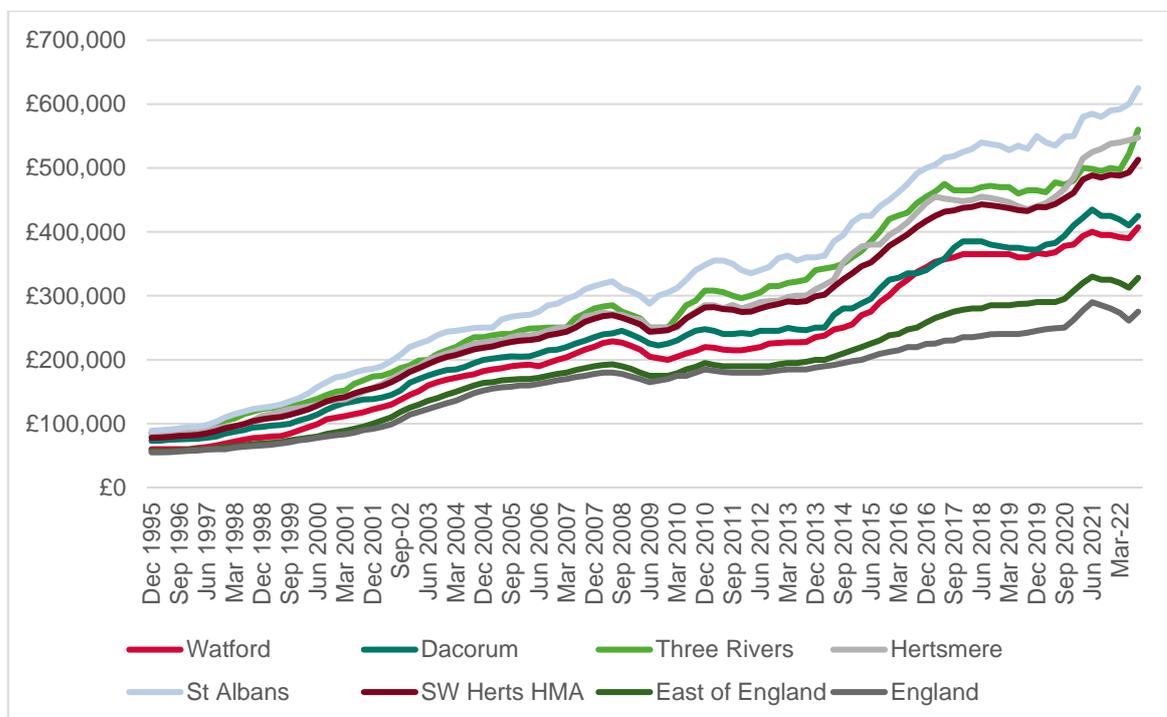
Source: ONS Small Area House Price Statistics

4.8   Overall it is clear that the SW Herts authorities have all seen a significant and sustained increase in
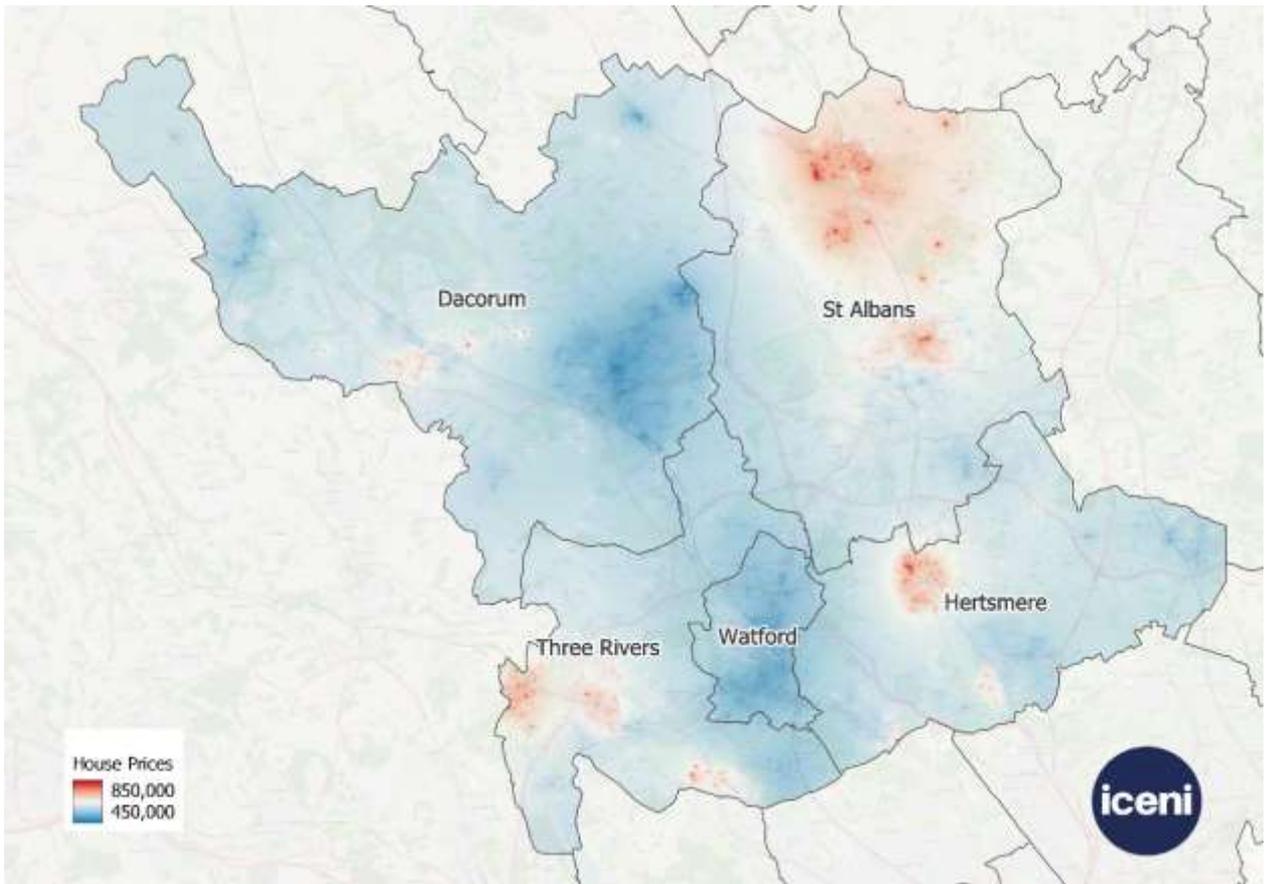
house prices. The absolute increase in prices has exceeded regional and national trends; and it is clear that there has been a sustained imbalance between the supply and demand for homes.

Figure 4.2 **House Price Heat Map**
Source: Iceni analysis of EPC data

4.9   Using data from Rightmove, based on HM Land Registry transactions data, we have profiled below the price geography in the main towns in SW Herts. The cheapest places to buy are Hemel Hempstead, Watford and Tring; whilst the highest prices are in Rickmansworth, and in particular Radlett, Chorleywood and Harpenden.

Table 4.3 Average House Prices, Main Towns (Year to May 2023)

	Average price	Change over last Year
Hemel Hempstead	£458,584	10%
Watford	£532,276	7%
Tring	£535,525	-1%
Borehamwood	£543,961	-4%
Potters Bar	£587,501	2%
Bushey	£645,129	8%
St Albans	£668,895	6%
Berkhamsted	£770,074	16%
Rickmansworth	£788,509	7%
Chorleywood	£915,135	8%
Harpenden	£942,947	6%
Radlett	£1,295,020	0%

Source: Rightmove

4.10   We have next analysed house prices by type. The prices of properties varies by size, but it is notable that across all areas there is a marked premium on prices relative to the regional average. This is particularly the case for larger (detached and semi-detached) properties. For most property types, St Albans has the highest comparative house prices; but for detached homes, prices in St Albans are exceeded by those in Hertsmere and Three Rivers. House prices across house types are lowest in Watford and Dacorum.

Figure 4.3 Median House Prices by Type, Year to Sept 2022
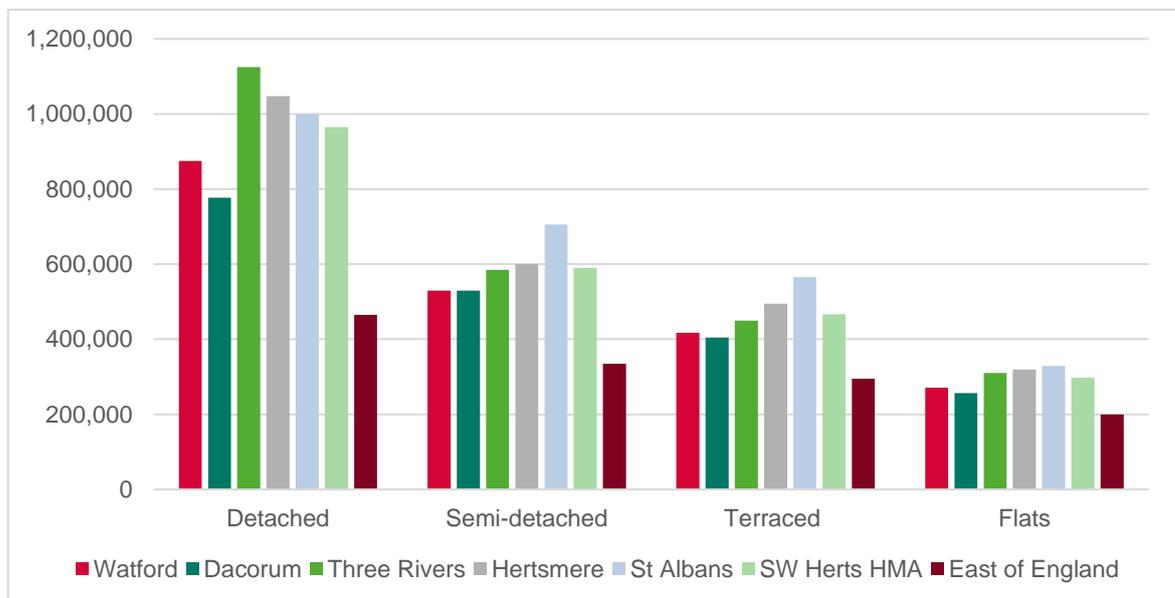
Source: ONS Small Area House Price Statistics

Table 4.4 Median House Prices by Type, Year to Sept 2022

	Detached	Semi-detached	Terraced	Flats	All
Dacorum	£777,000	£530,000	£405,000	£257,000	£425,000
Hertsmere	£1,047,500	£600,000	£495,000	£319,215	£547,500
St Albans	£1,000,000	£705,500	£565,000	£329,000	£625,000
Three Rivers	£1,125,000	£585,000	£450,000	£310,000	£560,000
Watford	£875,011	£530,000	£417,000	£271,500	£407,200
SW Herts HMA	£964,902	£590,100	£466,400	£297,343	£512,940
East of England	£465,000	£335,150	£294,625	£200,000	£328,000

Source: ONS Small Area House Price Statistics

Sales Trends

4.11   Sales trends have varied over time, and have followed similar trends in each area. Sales peaked in 2013/14 as mortgage finance availability increased; and then fell steadily over the subsequent years. The effect of the Covid-19 lockdown in Spring 2020 resulted in a low point in sales in 2020; but the Stamp Duty Holiday, and effects that lockdowns had in causing households to re-evaluate their living circumstances, resulted in a peak of housing market activity in the Year to Sept 2021. The graph does not yet capture the effects of market uncertainty and rising interest rates since mid-2022.

Figure 4.4 Trends in Sales – All Properties
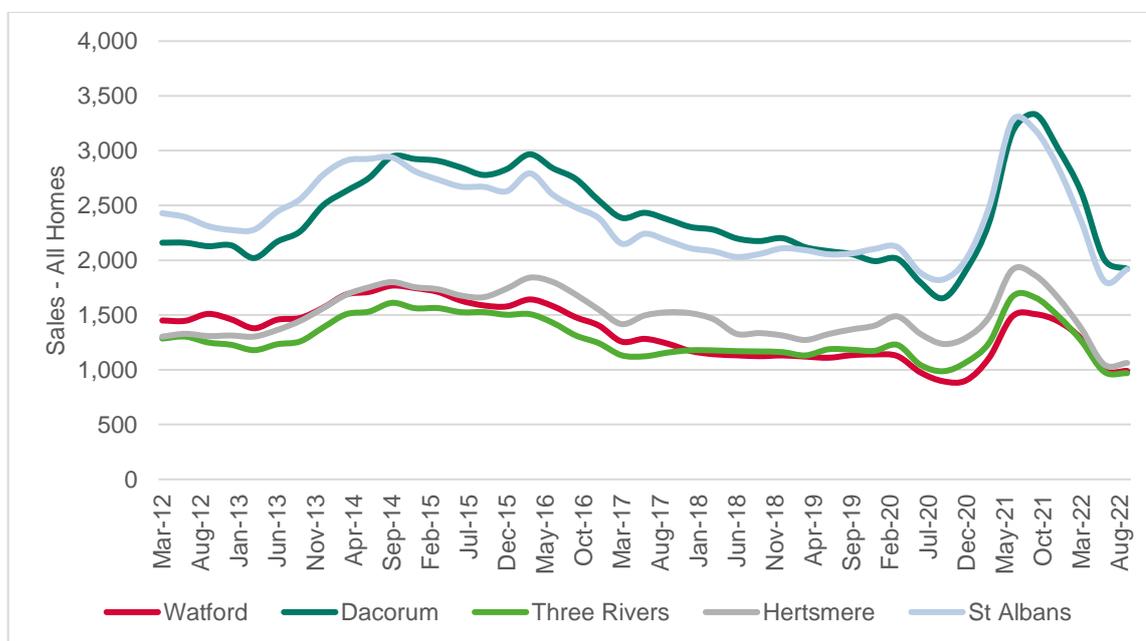
Source: ONS Small Area House Price Statistics

4.12   HM Land Registry data indicates that across England, sales in January 2023 were 55% lower than the number in September 2022. Whilst this will partly reflect market seasonality, it is clear that transactions volumes and the market have been affected by growth in interest rates and a weakening economic backdrop.

4.13　Our experience is that typically 10% of all sales might be of new-build properties. The new-build market has been buoyed over recent years by the Help-to-Buy Equity Loan scheme which has seen a range of areas out-perform this. However besides Hertsmere, in SW Herts most authorities have seen weaker levels of new-build sales (8.5 – 8.6%), with notably low new-build sales in Watford and Three Rivers over the last 5 years.

Table 4.5 Percentage Sales of New-Build Properties

	5 Year Average (2017-22)	**10 Year Average (2012-22)**
Dacorum	7.0%	8.6%
Hertsmere	10.7%	11.6%
St Albans	8.0%	7.9%
Three Rivers	6.3%	7.5%
Watford	5.0%	7.5%
SW Herts HMA	7.5%	8.6%
East of England	10.7%	10.6%
England	10.5%	10.6%

Source HM Land Registry/Iceni analysis

4.14　With the end of the Help-to-Buy Equity Loan scheme, the year to Sept 2022 saw new-build sales fall to 2.8% of sales across SW Herts (with only Dacorum notably out-performing this).

Affordability of Housing for Sale

4.15　Figure 4.5 shows median workplace-based affordability ratios over time. This is the ratio between median house prices and median earnings of those working in SW Herts. In all areas the affordability has worsened between 1997 and 2022 and SW Herts now has a median house price-to-income ratio of 14.81, worse than those seen in East of England and England (10.08 and 8.28 respectively). There is limited difference in the affordability ratios between the local authorities, however, St Albans has consistently shown an affordability ratio that is worse than its neighbouring authorities which is currently at 18.44.

4.16　The SW Herts affordability ratio has remained pretty consistent across time with one dip in 2009 due to the financial crisis and smaller dip in 2019 to 13.52. Since 2019 the ratio has increased year-on-year hitting its all-time high in 2022 at 14.81. However there have been some recent falls in the ratio in Hertsmere and Three Rivers.

4.17　These affordability ratios illustrate the difficulty of securing and funding a mortgage in SW Herts for households that don't already have considerable equity.

Figure 4.5 Median Affordability Ratio (1997 – 2022)
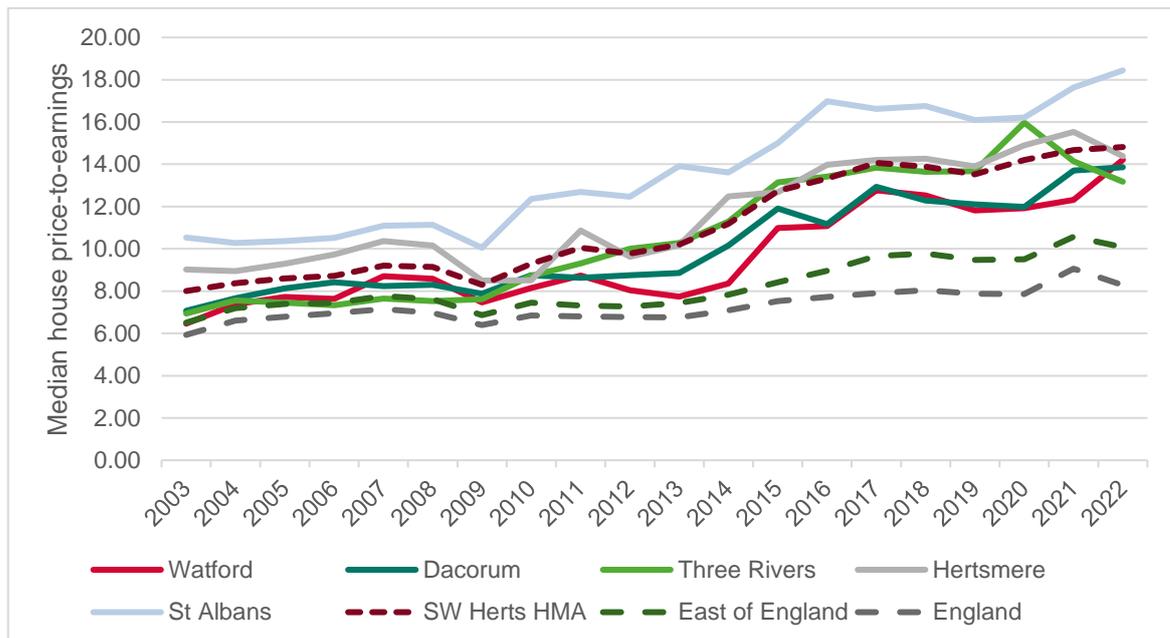
Source: ONS House price to workplace-based earnings ratio

4.18   Table 4.6 shows the latest median and lower quartile (LQ) affordability figures in SW Herts. The lower quartile figures show the ratio of affordability for the lower 25% of house prices to lower 25% of workplace-based earnings. The strongest affordability pressures are in St Albans, but it is evident that there are significant affordability pressures in all parts of SW Herts, where both LQ and median ratios are well above national/ regional averages. Tables 4.6 – 4.7 show the derivation of the headline ratios.

Table 4.6 Median and Lower-Quartile Affordability Figures 2022

Area	Median	Lower-Quartile
Dacorum	13.86	15.23
Hertsmere	14.39	13.98
St Albans	18.44	16.53
Three Rivers	13.17	12.85
Watford	14.21	13.19
SW Herts HMA	14.81	14.36
East of England	10.08	9.90
England	8.28	7.37

Source: ONS House price to workplace-based earnings ratio

Table 4.7 Derivation of Median Affordability Ratios, 2022

	Median House Price	Median Workplace-based Income	Median Affordability Ratio, 2022
Dacorum	£425,000	£30,674	13.9
Hertsmere	£547,500	£38,046	14.4
Three Rivers	£560,000	£42,524	13.2
St Albans	£625,000	£33,895	18.4
Watford	£407,200	£28,651	14.2

Source: ONS House price to workplace-based earnings ratio

Table 4.8 Derivation of LQ Affordability Ratios, 2022

	LQ House Price	LQ Earnings	LQ Affordability Ratio, 2022
Dacorum	£325,000	£21,340	15.2
Hertsmere	£396,000	£28,332	14.0
Three Rivers	£400,000	£31,134	12.8
St Albans	£430,000	£26,015	16.5
Watford	£306,000	£23,193	13.2

Source: ONS House price to workplace-based earnings ratio

4.19 This deterioration in housing affordability in SW Herts correlates with reductions in home ownership rates and increasing households living in the Private Rented Sector.

4.20 The total savings required to get on the housing ladder include the deposit, moving and solicitors costs and Stamp Duty Land Tax (SDLT). The standard amount of deposit needed for a home for First-time Buyers (FTBs) is 10%. With the Lower Quartile house price in SW Herts currently standing at £371,000, this would mean a deposit of £37,100 would be required. Households' savings are therefore a key barrier for FTBs to get on the housing ladder.

4.21 There are however several major lenders that are taking part in the Government's Mortgage Guarantee Scheme that allow access to 95% loan-to-value mortgages.

4.22 Moving costs can vary depending on various factors such as the distance of the move and the amount of belongings you have. Hiring a removal company or van costs can range from a few hundred pounds to over a thousand pounds. Packing materials and insurance also add expense. There are typically also fees for conveyancing which need to be paid by First-time Buyers.

4.23 Stamp Duty Land Tax (SDLT) is a tax paid when purchasing a property in England. The rates and thresholds for Stamp Duty vary depending on the value of the property. At the time of this report, the following rates applied in England:

- Up to £250,000 – Zero rate

- The portion from £250,001 to £925,000 – 5% rate

- The portion from £925,001 to £1.5 million – 10% rate

- The portion above £1.5 million – 12% rate

4.24   If you are purchasing a first home there is Stamp Duty relief up to £425,000. There is a 5% SDLT on the portion from £425,001 to £625,000. If the price is over £625,000, you cannot claim the relief.

4.25   The average First-time Buyer (FTB) seeking to buy a home in SW Herts would therefore need between £17,000 - £22,000 in savings to purchase with a 5% deposit and upwards of £33,000 of savings to buy with a 10% deposit.

Table 4.9 Savings needed to Buy a new home with 10% Deposit

	LQ Price, Yr to Sept 22	10% Deposit	FTB Stamp Duty	Moving and Solicitors Costs	Savings Required
Dacorum	£325,000	£32,500	£0	£2,000	£34,500
Hertsmere	£396,000	£39,600	£0	£2,000	£41,600
St Albans	£430,000	£43,000	£250	£2,000	£45,250
Three Rivers	£400,000	£40,000	£0	£2,000	£42,000
Watford	£306,000	£30,600	£0	£2,000	£32,600

Source: HM Land Registry/Iceni Calculations

4.26   A further major issue currently affecting the housing market is interest rates. The UK's 'base rate' as set by the Bank of England, at the time of writing this report, stood at 5.25%. The Bank of England's Monetary Policy Committee has now raised interest rates in each of 14 consecutive meetings.

Figure 4.6 UK Interest Rate Since 2010
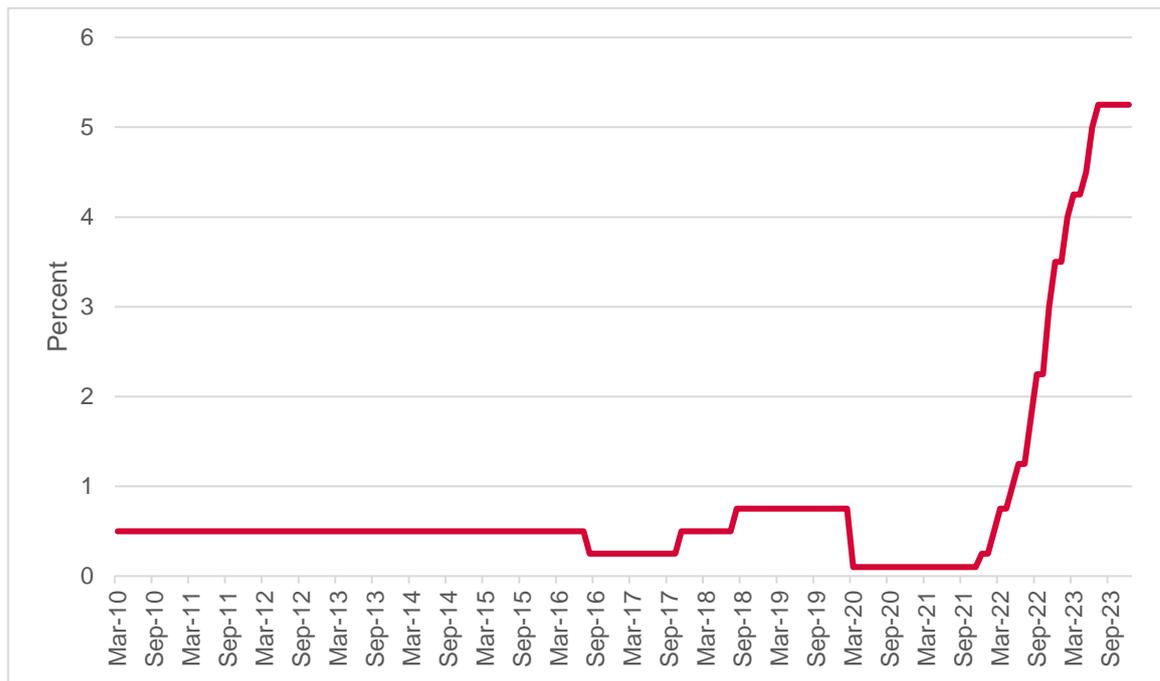
Source: Bank of England

4.27   The rise in interest rates are aimed at bringing down inflation. The Consumer Price Index (CPI) measures the average change in prices paid over a period of time by consumers for goods and services. The Consumer Price Index reading stood at 8.7% in the 12 months to April 2023, down from 10.1% in March. This has fallen from its peak in October 2022 where it stood at 11.1%; but then fell to 4.0% at year end. The latest data from February 2024 shows a figure of 3.4% which provides some prospect that interest rates could fall relatively rapidly over the next year.

4.28   Figure 4.7 shows the different first time buyer mortgage repayments as a percentage of different workers take home pay in 2022. It is a national analysis but shows that for many occupations, mortgage repayments in 2022 were above 30% of take-home pay.

Figure 4.7 First Time Buyer Mortgage Repayments as a Percentage of Take Home Pay, 2022
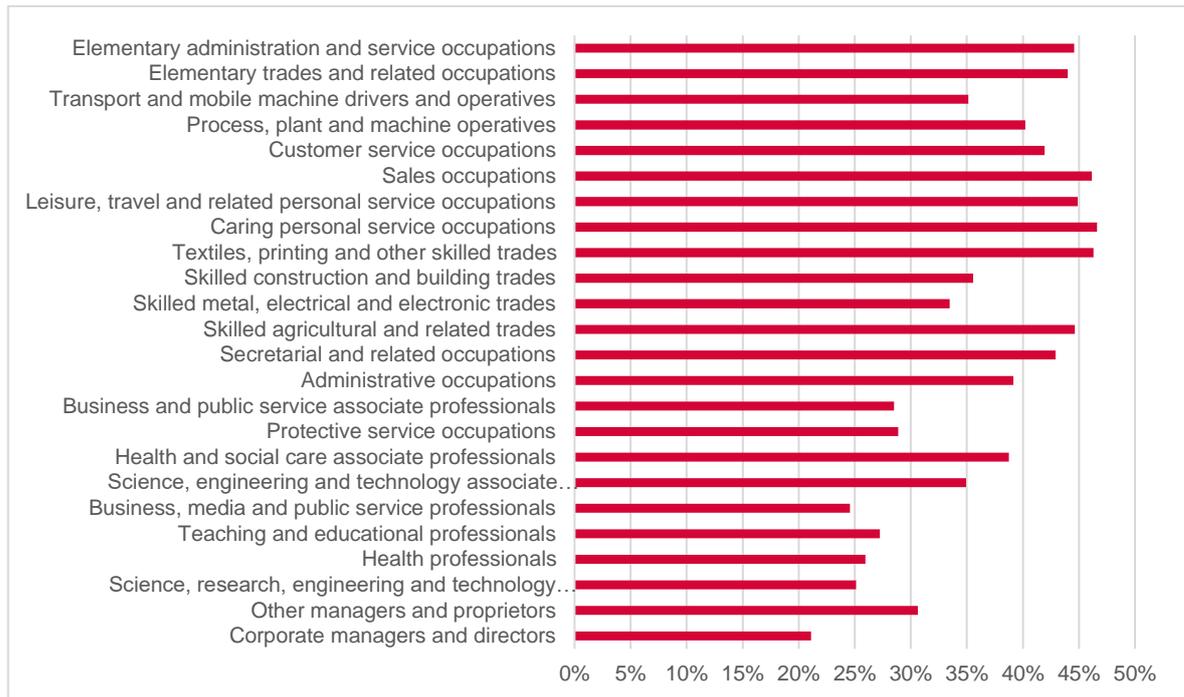
Source: Nationwide House Price Index

4.29 Thus whilst we may see some short-term correction in house prices (which may fall short-term), the effect of rising interest rates does not mean that this will improve affordability for non-home owners.

Market Outlook – Housing for Sale

4.30 Targeted telephone engagement with local estate agents in SW Herts took place in June 2023. This included discussions with agents in the main towns across the HMA. The following section collates these views although it should be caveated that not all views were universal, and the views are also anecdotal. However they provide a useful up-to-date and current position on market circumstances at the time of the assessment in Summer 2023.

4.31 The agents reported that sales demand across SW Herts is varied but the highest demand (at this point) is for one- and two-bed flats, typically close to town centres and rail stations. This will be in part reflected by the stock available in these locations; and market dynamics at the time of the assessment. There is also demand for three-bed properties within school catchment areas.

4.32 Almost all estate agents reported that there is a lack of stock of all types of homes, but there is a particular high demand for one- and two-bed properties when they become available, with these properties taking between four to eight weeks to sell on average. A few of the estate agents pointed to the difficulty in the rental market leading singles and couples to purchase their first homes out of necessity. This is in contrast to the owners of larger, more expensive properties who

are deciding not to move in the current climate with higher interest and mortgage rates, with resultant impacts on market activity. Many of those moving are doing so out of necessity.

4.33   Agents indicated that it is individuals, young couples and young families who are the buyers present in the market and that there has been a huge drop in the number of buy-to-let investors. Whereas post Covid-19 buyers were looking in more rural areas, there is now demand around town centres and stations as workers are finding that they are expected to commute into work more regularly. Many of the buyers are coming from London and looking for fast connections, larger properties at a cheaper price than in London and for good primary and secondary schools. The SW Herts area offers the benefit of proximity to London while also offering access to the countryside. Agents reported that there was an approximate split of 50% of buyers relocating, primarily from London; and 50% moving within the relevant local authority.

4.34   There is still demand in the market but there is a lack of supply of all properties, all the agents contacted reported. Buyers are significantly more cautious in light of rising interest rates, inflation and the cost of living crisis, which is leading to fewer offers and sales since the Summer of 2022. In addition, due to recent changes to legislation, agents are seeing an increase in the number of landlords selling their properties as renting out is becoming less profitable. This is having particular implications for the rental market (which is considered further later in this section).

4.35   Agents commented that there has always been a strong demand in their areas with a wide range of buyers and properties. There seems to be, at this time, a particularly strong demand for one- and two-bed properties. This translates to these properties having 20 to 30 viewings over two weeks and offers received and sold on average between one and two months.

4.36   Finally, in terms of the new build market, agents largely commented that there is a limited supply of new build properties coming to market, but those that do sell quickly.

4.37   Nationwide's House Price Index has recorded, at a national level, month-on-month falls in house prices since the Government's mini budget in September 2022 through to March 2023, before returning to positive growth in April 2023 pointing to a gradual return of confidence to the market. Market activity had reduced significantly, but again is showing some signs of recovery with new sales agreed in April 2023 at -6% below the 2017-19 average for the month, according to TwentyCI/ Savills; with mortgage approvals showing a similar trend but remaining 15% below the pre-Covid figure.

4.38   The RICS May 2023 UK Residential Market Survey[5] points to a subdued trend in buyer demand. It reported some improvement in market sentiment and activity relative to previous months, but noted that the recovery could be affected by further interest rate rises. Nationally many agents were reporting that house prices were falling, although the picture for London appeared to have stabilised; and the outlook was generally flat.

4.39   The improvement in market conditions through Spring 2023 is similarly noted in Savills market research, from June 2023,[6] which notes agreed sales coming within 2% of the pre-pandemic norm in May 2023; but noted that the recovery in mortgage approval rates appeared to have stalled and persistent upwards inflationary pressures are putting further upward pressure on mortgage rates and the housing market is therefore likely to remain price sensitive over the remainder of 2023 and into 2024.

Lettings Market

Rents and Rental Trends

4.40   The median monthly rent remains fairly consistent in price across the SW Herts local authorities ranging from £1,100 in Dacorum to £1,300 in Hertsmere. This is however considerably above that of East of England (£875) and England (£800 PCM).

4.41   The figure below shows the median rent for different sizes of property. It indicates a premium for larger properties (3 and 4+ bed) in St Albans.

[5] https://www.rics.org/news-insights/market-surveys/uk-residential-market-survey

[6] https://www.savills.co.uk/research_articles/229130/347940-0

Figure 4.8 Median Rents in SW Herts, Year to September 2022
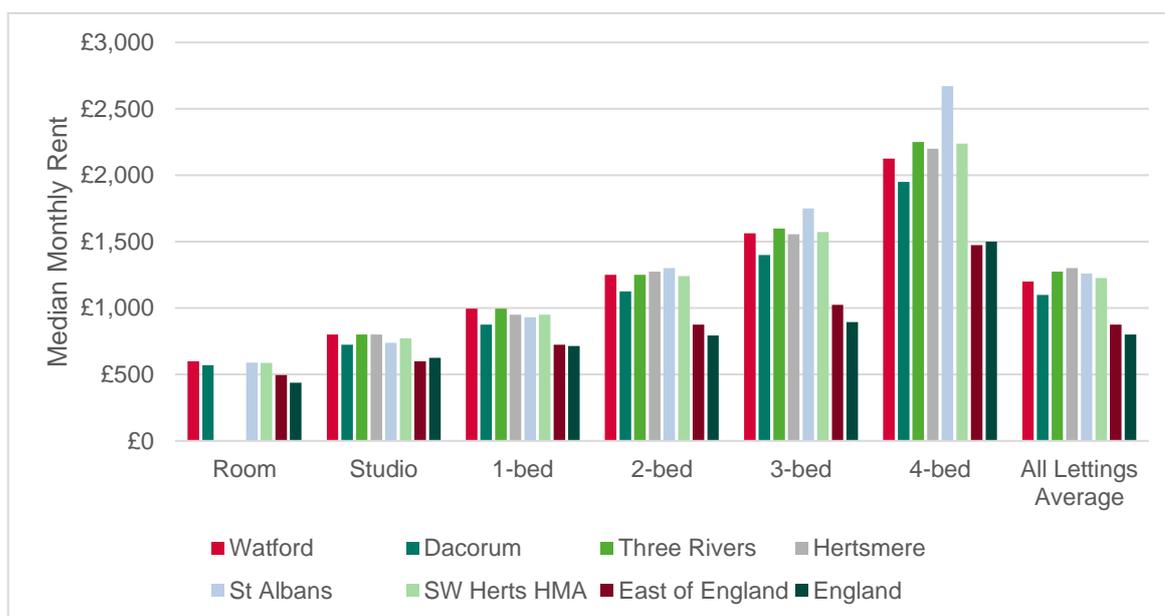
Source: ONS, Private Rental Market Summary Statistics

Table 4.10 Median Rents in SW Herts, Year to September 2022

	Room	Studio	1-bed	2-bed	3-bed	4-bed	All
Dacorum	£570	£725	£875	£1,125	£1,400	£1,950	£1,100
Hertsmere	-	£800	£950	£1,275	£1,555	£2,200	£1,300
Three Rivers	-	£800	£995	£1,250	£1,600	£2,250	£1,275
St Albans	£590	£738	£932	£1,300	£1,750	£2,670	£1,260
Watford	£600	£800	£995	£1,250	£1,563	£2,125	£1,200
SW Herts HMA	£580	£766	£938	£1,238	£1,576	£2,268	£1,234
East of England	£495	£600	£725	£875	£1,025	£1,475	£875
England	£438	£625	£715	£793	£895	£1,500	£800

Source: ONS Private Market Rental Statistics

4.42   The table below shows rental growth over the year to September 2022, and on average over the previous five years. It is clear that recent growth in rents has been particularly strong, albeit there is variation between authorities. The longer-term trend has stronger relative growth in rents in Watford and Dacorum in proportional terms than other areas. In absolute terms, growth in rents in Watford (of £125 per month) over the last 5 years has matched the national average; with absolute growth in other areas lower than this.

Table 4.11 Rental Growth per Annum, SW Herts

	1 Year Change (2021-22)	5 year Change (2017-22) CAGR
Dacorum	0.0%	2.0%
Hertsmere	4.0%	1.6%
Three Rivers	6.3%	1.2%
St Albans	0.8%	1.0%
Watford	4.3%	2.2%
SW Herts HMA	3.1%	1.6%
East of England	2.9%	3.1%
England	6.0%	3.5%

Source: ONS Private Market Rental Statistics (CAGR describes the growth in rents using a Compound Annual Growth Rate)

Market Outlook – Lettings

4.43   Targeted telephone engagement with local Letting Agents took place in June 2023. The following section collates their views although it should be caveated that not all views were universal, and the views are also anecdotal.

4.44   Lettings agents reported that the rental property market across SW Herts is very buoyant, with landlords demanding increasingly high rents as they seek to pass on the cost of mortgage/interest rate increases to renters. Agents suggested that proposed changes to the Renters Reform Bill as well as investors avoiding buy-to-let properties had led to there being very strong demand and a shortage of rental housing across SW Herts. These factors have combined to mean renters are having to bid for properties allowing landlords to secure record rents.

4.45   Agents reported strong demand for a range of property sizes through SW Herts but particularly for 1 and 2 bed flats and 3 bed houses. There is a particular demand for rental accommodation close to stations and within school catchment areas.

4.46   Agents indicated that there is a wide range of renters present in the market, including young professionals, couples and families. A large proportion of renters are young couples and families opting to move out of London to find more space, or move from Watford and Harrow to find good schools.

4.47   Agents reported that depending on the area, there could be between 5 and 30 viewings in a few days before properties are taken. The average tenancy agreement was 12 months.

4.48   There has been a trend of renters who moved to rural locations post Covid-19 pandemic needing to be closer to good train connections and public transport as some businesses require employees to return to the office. This is influencing demand in Watford and St Albans in particular. This has led to the return of strong demand for rental properties in city and town centres.

4.49   The RICS Residential Market Survey in May 2023 reported strong growth in tenant demand, but generally falling new landlord instructions and almost two-thirds of survey participants reported seeing an increase in the number of buy-to-let landlords looking to sell their properties. This is resulting in a continuing mismatch between rising demand and falling supply, which is driving rental growth. The Survey expects rental price growth to average just below 6% per annum over the next 5 years.

4.50   It is evident that the attractiveness of housing as an investment has weakened over recent years. The Government reformed mortgage interest relief in 2016, allowing landlords to claim tax relief only at the basic rate of income tax. The Renters Reform Bill, which at the time of writing is working through Parliament, proposes the abolition of Section 21 of the Housing Act 1988 (ending so called 'no fault evictions') whilst at the same time strengthening landlord powers to recover possession of property where there has been a breach of tenancy terms, or where the landlord intends to sell the property. The formalisation of the process for rent reviews is also proposed, requiring in effect landlords to justify rent increases using market evidence. More significantly, many landlords have mortgages on their properties – and with rising interest rates, the cost of servicing the debt is increasing, putting returns under pressure. This is having the greatest effect on smaller, more indebted landlords.

4.51   These dynamics mean that there are more landlords currently exiting the sector than buying properties; whilst demand is buoyant in particular given the barriers for younger households or those on lower incomes who might wish to buy a home. The resultant supply/demand imbalance can be expected to drive further rental growth.

4.52   Savills forecasts (Jan 2023) for the 'prime commuter zone' around London are for 3.0% growth in rents in 2023, and 2.0% in 2024, before easing to 1.0 – 1.5% in the subsequent years. The mainstream market outside of London is expected to see stronger growth of 6.5% in 2023, 4.0% in 2024 before easing to between 2.0 – 2.3% over the subsequent years to 2027.

4.53   The growth in rental costs is likely to put pressure on the ability of the Councils in SW Herts to discharge homelessness duties through the offer of private rental market properties.

5. STANDARD METHOD FIGURES FOR SW HERTS

Context: Standard Method Starting Point

5.1   The Government implemented a new "standard method" for assessing housing need through a revision to the National Planning Policy Framework (NPPF) in July 2018. This replaced the process of defining an area's 'objectively assessed housing need' (OAN) under the 2012 NPPF and associated Planning Practice Guidance (PPG) which was the approach considered in the Councils' 2016 Strategic Housing Market Assessment (SHMA).

5.2   The new standard method was informed by a review of the plan-making progress which the Government commissioned from a number of experts – the Local Plans Expert Group (LPEG) – and which reported to Government in March 2016.[7] LPEG identified that agreeing housing needs was one of the principal difficulties affecting the plan-making process and that the preparation of Strategic Housing Market Assessments (SHMAs) had "*become one of the most burdensome, complex and controversial aspects of plan making.*" It recommended a shorter, simplified standard methodology for assessing housing need, with the aim of saving time and resources and removing what Government considered to be unnecessary debate; with the aim that this would speed up the plan-making process.

5.3   Government endorsed these sentiments in its 2017 Housing White Paper and initiated a process of reviewing national planning policies and the process for calculating housing need, which culminated in the publication in July 2018 of a revised NPPF and associated changes to the Planning Practice Guidance on 'Housing and Economic Needs Assessments'.

5.4   The standard method was designed around the Government's 2014-based Household Projections, with the aim of meeting 300,000 homes nationally. The Government's core ambitions in reforming the method were to establish an approach which was *simpler, quicker and more transparent* than the approach to calculating OAN which it replaced, with the aim of speeding up plan-making. In doing so, the assessment takes account of less specific local information; but also removes much of the scope for 'professional judgement' in what scale of housing provision should be sought in a local authority.

5.5   Since the preparation of these (2014-based) household projections, Government has transferred responsibility for preparing official household projections to the Office for National Statistics (ONS).

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[7] Local Plans Expert Group Report to the Secretary of State

https://www.gov.uk/government/publications/local-plans-expert-group-report-to-the-secretary-of-state

ONS made a number of methodological changes to how household growth was projected in its 2016-based Household Projections, which were released in September 2018.[8] The overall result when these were inputted to Government's standard method formula was to reduce significantly the aggregate level of housing need across England (to around 213,000 homes). These equally affect other subsequent national household projections (such as the 2018-based household projections).

5.6   Government consulted on changes to the standard method in Autumn 2018.[9] It set out its views on the way forward in February 2019[10], concluding that the 2014-based Household Projections (around which the method was designed) should continue to be used to provide the demographic baseline within the assessment. Government's argument was that:

- Household projections are constrained by housing supply: if new homes are not built, households are unable to form; and the projections are trend-based;

- The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall;

- Other things being equal, a more responsive supply of homes through local authorities planning for more homes where we need them will help to address the effects of increased demand, such as declining affordability, relative to a housing supply that is less responsive.

- Population changes are only one aspect of the driver for housing supply. Rising incomes, changing social preferences and factors such as real interest rates and credit availability contribute to demand for housing.

5.7   Government set out on this basis that its judgement was that there is no need to change its aspirations for housing supply (to deliver 300,000 homes pa). It set out that the continued use of the 2014-based Household Projections provided **stability and certainty for the planning system**.

5.8   Government has since consulted on changes to the standard method in Autumn 2020[11], proposing adjustments to the formula which placed enhanced emphasis on affordability issues and introduction of a baseline related to an area's housing stock. However it did not take these forward,

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[8] These equally affect the 2018-based Household Projections which ONS released in June 2020

[9] MHCLG (Oct 2018) *Technical consultation on updates to national planning policy and guidance*

[10] MHCLG (Feb 2019) *Government response to the technical consultation on updates to national planning policy and guidance*

[11] MHCLG (Aug 2020) *Changes to the current planning system*

and instead in April 2021[12] introduced a 35% 'urban and cities uplift' which is applicable on top of the previous stages to London and 19 other large urban areas/cities across England. This does not specifically affect SW Hertfordshire.

5.9   The most recent consultation – *Reforms to National Planning Policy* – ran between December 2022 and March 2023. This set out that it remains important that there is a clear starting point for the plan-making process and did not propose any changes to the standard method formula itself.

5.10   Government then published revisions to the NPPF in December 2023. These emphasise that the outcome of the standard method is an 'advisory starting point' for establishing a housing requirement through the plan-making process (Paras 61 and 67). Read alongside the Government's Consultation Response, it is clear that Government continues to expect local housing need to be determined using the standard method, unless there are exceptional circumstances, such as related to the demographic characteristics of the area, which justify an alternative approach.

5.11   The additional wording emphasises the difference between the 'housing need' and a 'housing requirement'. A housing requirement figure may be different from the housing need as:

- There are strategic constraints, as set out in Para 11b or Footnote 7 in the NPPF, which affect the ability to sustainably accommodate housing need in full; or

- There is unmet need that cannot be accommodated in neighbouring areas, as established through Statements of Common Ground (see Para 11b and Footnote 6); and/or

- It reflects growth ambitions linked to economic development or infrastructure, which for instance might justify planning for higher housing provision. This is now explicitly recognised in the NPPF.

The insertion of references to an 'advisory starting point' are therefore focused on making the distinction between the assessment of housing need (which neither takes account of land availability, constraints, policy ambitions or unmet need) and the requirement or target (which does take into account these factors). It simply confirms the long-standing distinction between these which can be traced back to the Hunston Properties judgement in the Court of Appeal in 2013.[13]

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[12] MHCLG (April 2021) *Government's response to the local housing need proposals in 'Changes to the current planning system'*

[13] St Albans Council v Hunston Properties [2013] EWCA Civ 1610

5.12   This Local Housing Needs Assessment provides an assessment of housing need. The housing
        needs assessment has to be undertaken on a 'unconstrained' basis, i.e. setting aside development
        constraints. Constraints are then however overlaid by the Councils through the plan-making
        process in determining if housing need can be met in full, and setting the housing requirement/
        target. It is not the role of this LHNA to set the housing requirement.

Standard Method Calculations for SW Herts

5.13   The analysis below considers the level of local housing need for South West Herts using the
        Standard Method. The methodology for calculating housing need is clearly set out by Government
        in Planning Practice Guidance and follows a four-step process worked through in the following sub-
        sections. We consider first the implications of use of the 2014-based Household Projections, which
        is required in the Planning Practice Guidance.

Step One: Setting the Baseline

5.14   The first step in considering housing need against the Standard Method is to establish a
        demographic baseline of household growth. This baseline is drawn from the 2014-based
        Household Projections and should be the annual average household growth over a ten-year period,
        with the current year being the first year i.e. 2023 to 2033. This results in growth of 28,901
        households (2,890 per annum) over the ten-year period.

5.15   Although this figure is calculated over a ten-year period from 2023 to 2033, Paragraph 12 of the
        PPG states that this average household growth and the local housing need arising from it can then
        "be applied to the whole plan period" in calculating housing need.

Step Two: Affordability Adjustment

5.16   The second step of the standard method is to consider the application of an uplift on the
        demographic baseline, to take account of market signals (i.e. relative affordability of housing). The
        adjustment increases the housing need where house prices are high relative to workplace incomes.
        It uses the published median affordability ratios from ONS based on workplace-based median
        house price to median earnings ratio for the most recent year for which data is available.

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

5.17   The latest (workplace-based) affordability data is for 2022 and was published by ONS in March
        2023. The Government's Guidance states that for each 1% increase in the ratio of house prices to
        earnings, above 4, the average household growth should be increased by 6.25%, with the
        calculation being shown below. For South West Herts, the ratio for 2022 ranges from 13.17 in

Three Rivers up to 18.44 in St Albans, giving an uplift of between 57% and 90% - this leads to a housing need of 4,862 dwellings per annum.

5.18 The third step of the Standard Method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:

- The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.

- The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.

5.19 In all areas in South West Herts outside Watford this points to a 40% cap on the household projections. In Watford, the need is capped at 40% above the housing requirement figure in the Plan of 784 dpa, and therefore no cap is applicable.

Step Four: Urban Uplift

5.20 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift ensures that the Governments stated target of 300,000 dwellings per annum is met and that "homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable." (Paragraph: 035 Reference ID: 2a-035-20201216). None of the authorities in South West Herts are listed within the top 20 urban areas in the country and therefore there is no additional uplift.

Standard Method Calculation using 2014-based Household Projections

5.21 The table below works through the Standard Method calculations for the study area and each local authority at the time when this Study was prepared. This confirms a minimum local housing need for 4,045 dwellings per annum across South West Herts; ranging from 637 homes a year in Three Rivers up to 1,017 in Dacorum.

Table 5.1 Standard Method Housing Need Calculations using 2014-based Household Projections (2023)

	Dac-orum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Households 2023	69,134	45,302	63,651	40,162	44,158	262,407
Households 2033	76,401	50,490	69,990	44,710	49,717	291,308
Change in households	7,267	5,188	6,339	4,548	5,559	28,901
Per annum change	727	519	634	455	556	2,890
Affordability ratio (2022)	13.86	14.39	18.44	13.17	14.21	
Uplift to household growth	62%	65%	90%	57%	64%	
Uncapped need (per annum)	1,175	856	1,206	715	911	4,862
Capped need	1,017	726	887	637	911[14]	4,178

5.22   It is notable that the cap affects all of the local authorities in SW Herts besides Watford. The effect of this is to cap the affordability uplift which is applied within the calculation and reduce the minimum housing need by 14% across SW Herts as a whole.

5.23   Planning Practice Guidance sets out that the standard method figures may change over time as the inputs are variable and therefore the number needs to be kept under review.[15] It is fixed for two years on submission of the Plan for examination. These changes are however often modest; and tend to be more significant only where the affordability calculation changes.

5.24   However for the SW Herts authorities, the effect of the cap means that any short-term improvements in affordability (or conversely any deterioration) is unlikely to have any material effect on the minimum local housing need as it will not reduce the capped figure. For example, taking Three Rivers the latest provision data indicates that the house price to earnings ratio has marginally improved from 13.2 to 12.5. This would reduce the affordability uplift applied from 57% to 53% and generated an uncapped housing need figure of 698 dpa; however this is still above the capped figure of 637 dpa and therefore the minimum local housing need does not change.

5.25   The introduction of the standard method has standardised the method for calculating the affordability uplift within the calculation of housing need. Iceni is not aware of any Local Plans which have been examined against the 2018 NPPF (or subsequent iterations) which have successfully argued in favour of using any alternative approach to calculating the affordability uplift.

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[14] Watford's adopted Plan sets out a housing requirement of 784 dpa and it is this figure, rather than the local housing need, which is expected to be used for monitoring housing land supply where relevant.

[15] ID: 2a-008-20190220

The LHNA thus focuses on interrogating the demographic inputs to the calculation which are taken forwards in the next Section.

Updating the Calculations for 2023 Affordability Ratios

5.26   New affordability data was released by ONS on 25th March 2024 just prior to the finalisation of this LHNA. These show that the uncapped need across SW Herts has dropped by 3% - from 4,862 to 4,711 dpa – but that taking account of the cap, the minimum Local Housing Need has barely changed: falling from 4,178 to 4,122 dpa. This is a 1.4% difference which has is considered to have no fundamental effect on the wider conclusions on this report.

Table 5.2 Standard Method Housing Need Calculations using 2014-based Household Projections (2024)

	Dac-orum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Households 2024	69,859	45,813	64,294	40,607	44,717	265,290
Households 2034	77,114	51,031	70,612	45,179	50,280	294,216
Change in households	7,255	5,218	6,318	4,572	5,563	28,926
Per annum change	726	522	632	457	556	2893
Affordability ratio (2023)	13.12	14.49	17.61	12.11	12.45	-
Uplift to household growth	57%	66%	85%	51%	53%	
Uncapped need (per annum)	1,139	864	1,169	689	850	4,711
Capped need	1,016	731	885	640	850	4,122

5.27   Councils need to take account of changes up to the point of submission of a Local Plan at which point the figures are 'fixed' for a period of two years. The Councils will need to monitor changes over time, which arise particularly on release of new affordability data each March.

6. DEMOGRAPHIC REVIEW AND IMPLICATIONS FOR OVERALL HOUSING NEED

6.1   Table 5.1 sets out housing need using the Standard Method and whilst this is a relevant consideration Planning Practice Guidance does allow for divergence from these figures (in both an upward and downward direction) where exceptional circumstances can be demonstrated.

6.2   The December 2023 revisions to the NPPF set out that such exceptional circumstances may relate to the particular demographic characteristics of an area which may justify an alternative approach; in which case the alternative approach should also reflect current and future demographic trends and market signals. This is set out in Para 61.

6.3   It is also relevant to consider Government's Guidance on this topic. This can be found in Planning Practice Guidance 2a on 'Housing and Economic Needs Assessments' and below are some key quotes for the purposes of this document.

> *"Is the use of the standard method for strategic policy making purposes mandatory?*
>
> *No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances." -* Paragraph: 003 Reference ID: 2a-003-20190220.

> "*If authorities use a different method how will this be tested at examination?*
>
> *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. This will be tested at examination. Any method which relies on using household projections more recently published than the 2014-based household projections will not be considered to be following the standard method." -* Paragraph: 015 Reference ID: 2a-015-20190220 (whole paragraph not replicated).

6.4   Paragraph 2a-010 also sets out circumstances where it might it be appropriate to plan for a higher housing need figure than the standard method indicates; this includes noting that the 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'.*

6.5   NPPF Para 67 now sets out that the requirement figure within a Plan may be higher than the identified housing need if, for example, it includes provision for neighbouring areas, or reflects growth ambitions linked to economic development or infrastructure investment.

6.6   National policy and guidance are therefore quite clear: there is an expectation that the 2014-based Sub-National Household Projections (SNHP) and the standard method should be used but that an alternative approach can be applied where exceptional circumstances can be demonstrated. When using an alternative approach, it is necessary to take account of demographic growth and market signals, but this cannot include simply using more recent versions of published SNHP.

6.7   The PPG does not specifically set out examples of exceptional circumstances, but it is considered (having regard to the NPPF amendments) that there are likely to be two main considerations:

- Firstly, that demographic data on which projections are based is demonstrably wrong and cannot realistically be used for trend-based projections on which the Standard Method is based; and

- Secondly that demographic trends have changed so much that it is unrealistic to use a set of projections based on information in a trend period to 2014, which is now over 9-years old.

6.8   The analysis below principally focuses on population projections as these are the main driver of household growth. The analysis additionally does not seek to challenge the market signals (affordability) element of the Standard Method.

Data used in 2014-based projections

6.9   On the 22nd March 2018 ONS released *revised* population estimates for England and Wales: mid-2012 to mid-2016. The main justification ONS listed for this were that improvements had been made to international emigration and foreign armed forces dependents and that the distribution of people aged in their 20s and 30s has changed more than for other age groups.

6.10   By updating previous estimates of population change and migration (including in the period 2011-14) ONS were essentially changing the data used to underpin part of the 2014-based projections. It is therefore worthwhile seeing how significant these changes were for South West Herts and if updated information points to the 2014-based Projections as being substantially wrong.

6.11   The table below shows estimated population in 2014 from the original and revised Mid-Year Estimates (MYE) (as revised by ONS in 2018). For the whole of South West Herts the revised population estimate for 2014 is slightly higher than for previous data (data used for the 2014-SNPP). This would actually suggest the 2014-based projections could have slightly underestimated population growth, except in Dacorum. However, the scale of difference, both overall and for

individual authorities is not at all substantial and would be unlikely to have a notable impact on projections. This factor alone does not therefore justify deviation from 2014-based Projections.

Table 6.1 Original & Revised Estimate of Population in 2014 – South West Herts

	Original estimate	Revised estimate	Difference
Dacorum	149,741	149,515	-226
Hertsmere	102,427	102,540	113
St Albans	144,834	145,208	374
Three Rivers	90,423	90,525	102
Watford	95,505	95,553	48
South West Herts	582,930	583,341	411

Source: ONS

Population Trends

6.12 The analysis below looks at population trends across the study area. Two main sources are initially used, these are:

- MYE (unadjusted) – unadjusted ONS mid-year population estimates (MYE) – these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2021-based SNPP); and

- MYE (Census adjusted) – these are estimates of population in 2021 that take account of 2021 Census data. Essentially, ONS use the Census (which dates from March 2021) and roll forward to mid-year estimates based on births, deaths and migration in the subsequent 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.

6.13 Eventually, ONS will revise the full back series of data from 2011 to take account of the new 2021 MYE. However, at the time of writing this had not been done; and so there are only two reasonable data points (2011 and 2021) – much of the analysis to follow therefore looks at trends in this 10-year period.

6.14   The standard method is informed by 2014-based demographic projections. In this section we are examining whether the trends that have actually occurred in the intervening period (2014-21) are substantially different from those projected back in 2014; and then considering whether this divergence is influenced by factors which are specific to SW Herts (i.e. locally exceptional factors) or relate to changes in demographic trends more broadly (which we consider would be less likely to constitute exceptional circumstances for divergence, as they are not 'exceptional').

6.15   One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.

6.16   The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of South West Herts to reach 627,688 by 2021 and ONS in their monitoring of data had actually estimated (in the MYE timeseries) a substantially lower population figure (599,617). Following publication of the 2021 Census, ONS has revised upwards slightly its estimate of population in 2021 to 608,366: but this is a figure still some way below where the 2014-SNPP had projected.

Table 6.2 Estimated Population in 2011 and 2021 – range of sources – South West Herts

	2011	2021	Change	% change
2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
MYE (unadjusted)	565,499	599,617	34,118	6.0%
MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

6.17   There is clearly a notable difference between the projections as used in the Standard Method and the reality of what seems to have happened in the 2011-21 period. It is evident that population growth has been notably weaker than shown in the 2014-based Projections. Whilst nationally the same trend has been seen (see table below) it is the case that differences in South West Herts are more marked than across England.

Table 6.3 Estimated Population in 2011 and 2021 – range of sources – England

	2011	2021	Change	% change
2014-based SNPP/SNHP	53,107,200	57,248,400	4,141,200	7.8%
MYE (unadjusted)	53,107,200	56,536,400	3,429,300	6.5%
MYE (Census adjusted)	53,107,200	56,334,700	3,227,600	6.1%

Source: ONS

6.18   The table below shows the same information for each local authority in SW Herts. In each case, the 2014-SNPP shows the highest level of population growth. It is also notable that areas do differ substantially in terms of the two different MYE estimates of population in 2021. In particular for Watford, whereas the ONS monitoring of data estimated a population of 95,900 in 2021, this was revised substantially upwards as a result of Census data (to 102,500).

Table 6.4 Estimated Population in 2011 and 2021 -range of sources – local authorities

		2011	2021	Change	% change
Dacorum	2014-based SNPP/SNHP	145,298	160,570	15,272	10.5%
	MYE (unadjusted)	145,298	155,622	10,324	7.1%
	MYE (Census adjusted)	145,298	155,217	9,919	6.8%
Hertsmere	2014-based SNPP/SNHP	100,379	109,318	8,939	8.9%
	MYE (unadjusted)	100,379	105,325	4,946	4.9%
	MYE (Census adjusted)	100,379	108,105	7,726	7.7%
St Albans	2014-based SNPP/SNHP	141,248	155,580	14,332	10.1%
	MYE (unadjusted)	141,248	148,912	7,664	5.4%
	MYE (Census adjusted)	141,248	148,641	7,393	5.2%
Three Rivers	2014-based SNPP/SNHP	87,921	96,432	8,511	9.7%
	MYE (unadjusted)	87,921	93,853	5,932	6.7%
	MYE (Census adjusted)	87,921	93,952	6,031	6.9%
Watford	2014-based SNPP/SNHP	90,653	105,769	15,116	16.7%
	MYE (unadjusted)	90,653	95,905	5,252	5.8%
	MYE (Census adjusted)	90,653	102,451	11,798	13.0%
South West Herts	2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
	MYE (unadjusted)	565,499	599,617	34,118	6.0%
	MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

6.19   On the basis of the data above, the first question to consider is to test which of the two MYE figures look to be most realistic as this will determine the trend in population growth in the 2011-21 decade. For this we are particularly interested in how population has changed rather than absolute numbers and one source we can look at is the Patient Register (PR) data. The PR measures the number of patients registered at NHS GP surgeries. Typically the PR shows higher estimates of population than other sources as some people are registered in more than one place (e.g. if they have moved home, registered with a new GP but not unregistered with a previous one). The PR can however be a good source to look at changes over time.

6.20   The table below shows estimated population growth in both the MYE and the PR for each area along with the East of England region and England – the data for this analysis covers the 2011-20 period. For South West Herts as a whole, the data shows an increase in the number of people on the PR of 67,900 over the 9-year period, compared with 35,400 in the MYE, and a higher figure from Census data (albeit we do not have a 2020 figure from the Census). This would potentially point to issues with population change shown by the MYE.

Table 6.5 Comparing ONS mid-year population estimates with estimates of population from the Patient Register

		2011	2020	Change	% change
Dacorum	MYE	145,300	155,490	10,190	7.0%
	Patient Register	148,580	164,150	15,570	10.5%
Hertsmere	MYE	100,390	105,520	5,130	5.1%
	Patient Register	106,660	117,880	11,220	10.5%
St Albans	MYE	141,250	149,330	8,080	5.7%
	Patient Register	148,160	162,810	14,650	9.9%
Three Rivers	MYE	87,920	93,960	6,040	6.9%
	Patient Register	91,370	100,130	8,760	9.6%
Watford	MYE	90,690	96,610	5,920	6.5%
	Patient Register	94,490	112,220	17,730	18.8%
South West Herts	MYE	565,550	600,910	35,360	6.3%
	Patient Register	589,260	657,190	67,930	11.5%
East of England	MYE	5,862,420	6,269,170	406,750	6.9%
	Patient Register	6,026,910	6,697,610	670,700	11.1%
England	MYE	53,107,200	56,550,160	3,442,960	6.5%
	Patient Register	55,312,750	60,870,990	5,558,240	10.0%

Source: ONS

6.21   Taking the whole of SW Herts, the East of England and England, it can be seen that growth shown in the PR is typically around 60% higher than shown in the MYE, although this does vary for individual areas. It is not entirely clear why proportionate growth in the PR is higher than the MYE, but is likely to be linked to people still appearing on GP system despite having registered with a new GP – the analysis of Patient Registers is useful and interesting but has to be recognised as being influenced by the quality of data provided by GPs.

6.22   For Watford, the Patient Register data provides supporting evidence that MYE timeseries data has under-estimated population growth quite substantially.

6.23   For the purposes of comparison the table below shows (adjusted) PR population growth at 62.5% of the level recorded (i.e. broadly consistent with regional and national difference from MYE and calculated as 100÷160), which is again compared with the change recorded in the 2021 MYE (adjusted for Census data).

6.24   These estimates, based on adjusted patient register data, shows a closer alignment with the
        Census adjusted data than the MYE (unadjusted) data, although with some differences for specific
        authorities. In interpreting the data below it needs to be remembered the PR data is for a 9- and not
        a 10-year period but it is nonetheless helpful to consider how the two datasets align and assess
        whether there are particularly substantial differences. There is a greater difference shown for St
        Albans, which could indicate that the 2021 Census data under-estimated the population growth, or
        there could be particular issues with the Patient Register data for this Authority. It is difficult to draw
        precise conclusions on this based on the quality of data available.

**Table 6.6 Comparing estimated population change in mid-year population estimates
and with adjusted Patient Register data (note different time periods)**

	MYE Census adjusted (2011-21)	PR (adjusted) – 2011-2020	Difference
Dacorum	9,919	9,731	-188
Hertsmere	7,726	7,013	-713
St Albans	7,393	9,156	1,763
Three Rivers	6,031	5,475	-556
Watford	11,798	11,081	-717
South West Herts	42,867	42,456	-411

Source: Derived from ONS data

6.25   Overall, it is concluded from this analysis that levels of population change shown by the Census
        are more likely to be realistic than previous ONS estimates (through the MYE).

6.26   The Census population change, whilst higher than the MYE is still some way lower than was
        projected in the 2014-SNPP and so the analysis now moves on to see if this lower growth can be
        considered as exceptional and therefore point to a lower housing need.

Components of Population Change

6.27   The analysis above points to population growth in SW Herts in the period to 2021 as being notably
        lower than had been projected in the 2014-based projections. The analysis below looks at the
        reasons for this difference with population growth being split into two broad components of change:

•   Natural change (births minus death); and

•   Implied net migration – by subtracting natural change from total change in population an estimate
    of net migration can be generated. This has been called 'implied' as the data is not directly drawn
    from ONS monitoring of migration and therefore could differ slightly from that source

6.28   For South West Herts as a whole, **the analysis shows a significant reduction in natural change
        from the level projected in the 2014-SNPP**. In the 2011-21 period the 2014-SNPP projected for

there to be around 32,000 more births than deaths, but actual recording of this data shows a figure of just 25,300. All areas see a lower level of natural change than was projected.

6.29 **Net migration figures are also notably lower in the recorded trend than was projected** – net migration was projected to run at 30,200 over the 2011-21 decade, but actually recorded as 17,600. Again for all areas net migration looks to have been lower than was projected (albeit with very little difference in Hertsmere).

Table 6.7 Broad components of population change (2011-21) – South West Herts

		Population change 2011-21	Natural change	Implied net migration
Dacorum	2014-based SNPP/SNHP	15,272	7,463	7,809
	MYE (Census adjusted)	9,919	6,228	3,691
	Difference	5,353	1,235	4,118
Hertsmere	2014-based SNPP/SNHP	8,939	4,386	4,553
	MYE (Census adjusted)	7,726	3,335	4,391
	Difference	1,213	1,051	162
St Albans	2014-based SNPP/SNHP	14,332	9,050	5,282
	MYE (Census adjusted)	7,393	6,458	935
	Difference	6,939	2,592	4,347
Three Rivers	2014-based SNPP/SNHP	8,511	2,830	5,681
	MYE (Census adjusted)	6,031	2,207	3,824
	Difference	2,480	623	1,857
Watford	2014-based SNPP/SNHP	15,116	8,285	6,831
	MYE (Census adjusted)	11,798	7,087	4,711
	Difference	3,318	1,198	2,120
South West Herts	2014-based SNPP/SNHP	62,170	32,014	30,156
	MYE (Census adjusted)	42,867	25,315	17,552
	Difference	19,303	6,699	12,604

Source: Derived from ONS data

6.30 The question to follow is whether or not this is exceptional and below we consider each of these two broad components of change.

6.31 Firstly the figures below present data for natural change. The information shown is the recorded trend and the trajectory projected in the 2014-SNPP – data is provided for both South West Herts (SWH) and England. From this it is clear that the general trend across SWH is similar to England and whilst the trend has moved significantly away from the projection, a similar pattern can be seen for both areas. On this basis **it is not considered there is anything *exceptional* about the reduction in natural change in the study area: whilst this is a clear demographic phenomenon, it is seen nationally and across a range of areas across England**. If reduced

natural change was to constitute exceptional circumstances, there would be a case for deviation from the standard methodology for many local authorities across England.

Figure 6.1 Past Trends and Future Projections of Natural Change – South West Herts
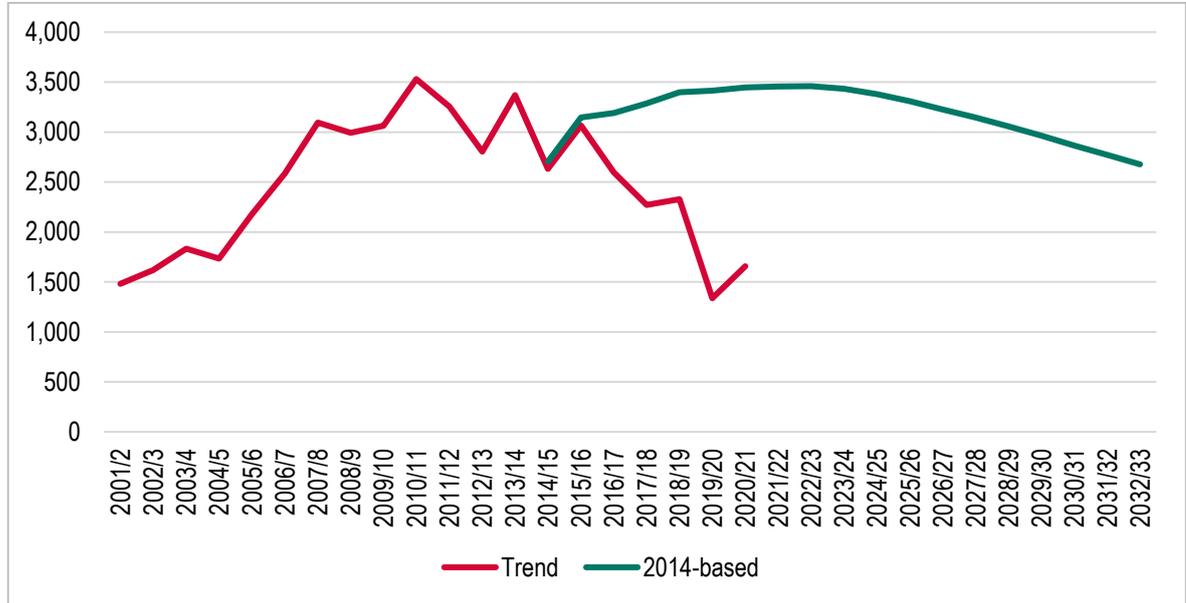
Source: ONS

Figure 6.2 Past Trends and Future Projections of Natural Change – England
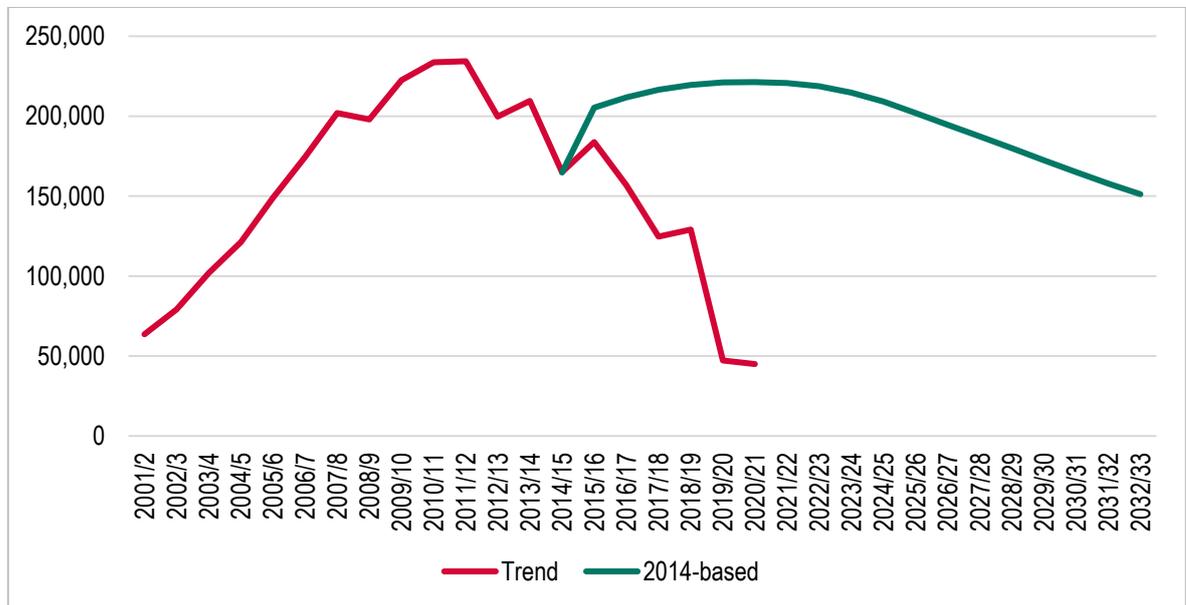
Source: ONS

6.32   For net migration, it is difficult to provide charts similar to those above. This is because we have looked at implied net migration based on the difference between population growth and natural change over the 2011-21 period. Therefore no equivalent time series of data exists. However, it is possible to look at data for this whole 10-year period to see if national figures have seen a significant decline (as is the case in South West Herts).

6.33   For clarity, the analysis above pointed to net migration in the 2011-21 period being around 17,600 people, but the 2014-SNPP had projected this to be 30,200. For England, the 2014-SNPP projected net migration to be 201,800 per annum (2011-21) and the recorded trend is actually slightly higher (but not dissimilar) at 209,700 per annum.

6.34   Hence the reduction in net migration across the study area, and the scale of it, is arguably exceptional in a local context and in demographic terms. However before consideration is given to whether exceptional circumstances exist, there is a need to consider the reasons why net migration may have been lower.

Housing Completions

6.35   The analysis above suggests there has been a shift in levels of migration in the 2011-21 period with the analysis below looking to see if lower levels of migration might be due to low levels of completions, essentially if homes are not built then the opportunity for households to move to an area is reduced. We have looked at three time periods:

- 2009-14 – the five year period to 2014 reflecting the main trend period used by ONS in the 2014-based projections;

- 2016-21 – the last five years (to provide a consistent time period to above and to compare with it);

- 2011-21 – a ten year period used to reflect that much of the data assessed has these two dates as data points (due to the Census).

6.36   Overall, the data suggests completions have actually been stronger in the recent past than in the 2009-14 period (Watford being the only exception).

Table 6.8 Average net housing completions for a range of time periods

	2009-14	2016-21	2011-21
Dacorum	359	600	500
Hertsmere	272	499	396
St Albans	346	460	409
Three Rivers	132	216	208
Watford	501	325	347
South West Herts	**1,610**	**2,100**	**1,859**

Source: Data supplied by Councils

6.37   Consideration however also needs to be given to how completions sit against the projected household growth in the 2014-based Household Projections. This is particularly important in a context in which Government has previously set out its view (see Para 4.6) that:

- Household projections are constrained by housing supply: if new homes are not suppled, households are unable to form; and the projections are trend-based; and

- The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall.

6.38   The table below shows that over the 2011-21 decade, net completions fell 34% below the projected household growth in the 2014-based Household Projections. Completions were particularly low in relative terms in Three Rivers and Watford; but also in St Albans and Dacorum.

6.39   There is a correlation between lower relative delivery and the progress of development plans, specifically:

- Dacorum adopted its Core Strategy in 2013 and a Site Allocations Development Plan Document (DPD) in July 2017, but the CS fell short of meeting needs in full and was subject to a 'partial review' requirement which was originally intended to be adopted by 2017/18;

- Hertsmere adopted a Core Strategy in January 2013, following by an Area Action Plan (AAP) for the Elstree Corridor; and a Site Allocations and Development Management policies DPD in November 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years (which hasn't been achieved);

- St Albans last adopted a local plan in 1994. It has one of the oldest local plans of local authorities across England;

- Three Rivers adopted its Core Strategy in 2011 (prior to the NPPF) and a Site Allocations Plan in 2014. Housing provision within these were based on the East of England Plan rather than an up-to-date assessment of housing need;

- Watford adopted a new Local Plan in October 2022, after the period considered. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford's capacity evidence.

6.40   Dacorum, Hertsmere and Watford are therefore the only authorities with a post-NPPF Plan within the sub-region. However Dacorum's plan did not fully meet needs and was subject to a requirement for a review to address this; whilst Hertsmere's Core Strategywas not informed by an up-to-date assessment of housing need.

6.41   Watford is the only local authority which has been examined since the introduction of the standard method in 2018. In other areas, plans are more than a decade old and there has been a lack of an up-to-date planning framework, and in the context of strategic constraints to development

(including Green Belt) it is reasonable to conclude that a lack of housing supply will have influenced the lower migration. There is a correlation between the scale of under-delivery and the scale of lower migration, which is logical – as migration can be constrained by housing delivery. Across the sub-region housing delivery fell below projected household growth by a third.

Table 6.9 Completions compared to Projected Household Growth, 2011-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	500	752	67%
Hertsmere	396	438	90%
St Albans	409	602	68%
Three Rivers	208	393	53%
Watford	347	624	56%
South West Herts	1859	2,808	66%

Source: LPA Monitoring Data/ 2014 Household Projections

6.42   For reference, the table below provides a similar analysis for the more recent 5 year period. A similar picture is evident, with annual housing delivery in line with the projected household growth in Hertsmere; but with lower delivery in the other authorities, and in particular in Three Rivers and Watford.

Table 6.10 Completions compared to Projected Household Growth, 2016-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	600	768	78%
Hertsmere	499	501	100%
St Albans	460	665	69%
Three Rivers	216	430	50%
Watford	325	606	54%
South West Herts	2,204	2970	74%

Source: LPA Monitoring Data/ 2014 Household Projections

Alternative Population and Household Projections

6.43   The analysis above suggests that there has been a shift in levels of migration in the 2011-21 period. It is an evident demographic trend, but does appear to have been influenced by land supply and planning constraints.

6.44   We consider in this sub-section the notional implications of modelling forward the lower population growth implied by more recent projections.

6.45   Essentially, we have tested what population change and household growth might be if we modelled a lower level of migration. Because the trends in natural change are not exceptional, figures for this continue to be drawn from the 2014-based projections, whilst concerns about supressed household formation being included in recent trends (and in projections developed since 2014) mean that data about household representation (the chances of a person of a particular age being a 'head of household' also continues to be drawn from 2014-based projections. In summary the method used has been to:

- Set up a model using 2014-based data – this means that we maintain the higher levels of natural change and also the more positive Household Representative Rate (HRR) data; and

- Reduce migration in the modelling by the estimated difference between the 2014-SNPP and the observed trend. As noted, across SWH this is around 1,260 per annum with individual LA figures being (Dacorum – 412, Hertsmere – 16, St Albans – 435, Three Rivers – 186, Watford – 212).

6.46   This modelling gives the following estimates of household growth (2023-33) to which we have added an adjustment based on the latest affordability ratio and also a capped adjustment of 40%. With the uncapped figures the need drops from 4,862 dpa in the Standard Method to 3,934 dpa based on the uncapped figures in the updated projections.

6.47   If the alternative projection is capped, the reduction in need is more notable (reducing by 759 dwellings per annum). We do not however consider this to be a robust or justifiable approach, as it is applying a capped affordability uplift to a constrained (and thus effectively capped) figure for household growth, and does not represent an approach which considers the unconstrained housing need as required by the PPG.

6.48   There are differences for authorities with the uncapped need being slightly lower than the Standard Method in all areas apart from Hertsmere; and the capped need being notably lower (apart from in Hertsmere).

Table 6.11 Standard Method Housing Need Calculations with remodelled projections (including 2022 affordability ratios)

	Dac-orum	Herts-mere	St Albans	Three Rivers	Watford	SWH
SM as published – Uncapped	1,175	856	1,206	715	911	4,862
SM as published – Capped	1,017	726	887	637	778	4,046
Change in households (pa)	546	512	449	379	462	2,348
Uncapped need	882	844	854	596	757	3,934
Difference in uncapped need	-293	-12	-352	-119	-154	-928
Capped need	764	716	629	530	647	3,287
Difference in capped need	-253	-10	-258	-107	-131	-759

Source: Demographic projections; and affordability uplift from Table 5.1

6.49   The largest relative differences between the calculations using the alternative projections and those using the standard method are in St Albans and Dacorum. However both authorities have seen sustained house price inflation; have market signals which point to comparatively strong housing demand and high affordability barriers and as a result have seen declining home ownership. They have both seen trend-based housing growth which is below the national average and out of context with the wider demand evidence.

6.50   Drawing the evidence together, Iceni does not consider that there is a strong 'exceptional circumstances' case to justify the use of the figures in this table, and in particular the capped need, given the lack of an up-to-date (post standard method) planning policy framework in many areas which is focused on meeting objectively assessed housing need over the period from which the projections were derived and evidence of historical constraints on housing supply which will have constrained net migration to the area and growth in home ownership.

Relationship to Forecast Economic Growth

6.51   The analysis to follow considers the relationship between housing and economic growth; seeking to understand what level of jobs might be supported by changes to the local labour supply (which will be influenced by population change). To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply);

- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and

- Bringing together this information will provide an estimate of the potential job growth supported by the population projections.

6.52   To inform this analysis we have developed bespoke demographic projections which align to a) the minimum level of housing need shown in the standard method; and b) the level of housing need shown by the 2014-based demographic projections, **these are further detailed in Appendix A2**. The latter has been modelled to test the implications of lower housing provision on workforce growth to help inform decisions on housing provision as part of the plan making process. It does not imply that this is a suitable assessment of overall housing need.

Growth in Resident Labour Supply

6.53   The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the

Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report) – this data has then been rebased to information in the 2021 Census (for an updated estimate of the number of people who are economically active).

6.54   The table below shows the assumptions made for the HMA with data specific to local authorities being used in the modelling. The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Table 6.12 Projected changes to economic activity rates (2021 and 2041) – South West Herts

	Males			Females		
	2021	**2041**	**Change**	**2021**	**2041**	**Change**
16-19	31.0%	30.9%	-0.1%	32.5%	32.4%	-0.1%
20-24	80.8%	80.5%	-0.3%	77.4%	77.2%	-0.2%
25-29	90.4%	90.4%	0.0%	84.3%	84.3%	0.0%
30-34	92.3%	92.1%	-0.2%	82.3%	82.9%	0.5%
35-39	93.1%	92.7%	-0.4%	81.6%	83.1%	1.5%
40-44	93.0%	91.7%	-1.3%	82.2%	85.3%	3.1%
45-49	92.3%	91.6%	-0.7%	82.4%	86.6%	4.2%
50-54	89.9%	89.0%	-0.9%	80.3%	83.8%	3.5%
55-59	83.9%	83.4%	-0.5%	73.7%	75.8%	2.1%
60-64	70.2%	77.0%	6.8%	56.9%	65.4%	8.5%
65-69	38.2%	51.1%	12.8%	26.5%	42.2%	15.6%
70-74	17.7%	19.9%	2.3%	9.6%	16.2%	6.6%
75-89	6.7%	7.6%	0.9%	3.0%	6.0%	3.0%

Source: Based on OBR and Census data

6.55   Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the study area – this is set out in the table below. The analysis shows that the projection linked to 2014-based household growth results in an increase in the economically-active population of 63,600 people – a 20% increase. Linked to the Standard Method, the increase is higher (79,400 people – 25%). This arises as in the modelling of the demographic implications of the standard method, we have modelled an improvement in household formation (with age specific household formation for younger households for instance modelled to move back towards the 2011 position).

Table 6.13 Estimated change to the economically active population (2021-41) – linked to 2014-based household growth

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	95,714	14,966	18.5%
Hertsmere	55,584	66,303	10,719	19.3%
St Albans	75,994	90,321	14,327	18.9%
Three Rivers	49,133	58,966	9,833	20.0%
Watford	55,926	69,654	13,727	24.5%
South West Herts	317,386	380,958	63,572	20.0%

Source: Derived from demographic projections

Table 6.14 Estimated change to the economically active population (2021-41) – linked to Standard Method

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	99,493	18,744	23.2%
Hertsmere	55,584	69,355	13,771	24.8%
St Albans	75,994	93,529	17,535	23.1%
Three Rivers	49,133	61,962	12,829	26.1%
Watford	55,926	72,463	16,537	29.6%
South West Herts	317,386	396,803	79,417	25.0%

Source: Derived from demographic projections

Linking Changes to Resident Labour Supply and Job Growth

6.56   The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- 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 population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);

- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and

- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa

6.57   The two tables below show summary data about commuting to and from South West Herts (and local authorities) from the 2011 and 2021 Census. The 2011 data is presented as well as 2021 data as the most up-to-date information is likely to be influenced by Covid-19 resulting in increased home-based working.

6.58   The 2011 data shows the HMA having a level of net out-commuting; the number of people resident in the area who are working being about 9% higher than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). All areas other than Watford see net out-commuting.

6.59   The 2021 Census data on the other hand indicates that for the HMA there is a degree of net in-commuting, with the biggest change being seen in St Albans, which goes from seeing out-commuting of 16% to in-commuting of 12%. As expected the big difference here is a sizeable increase in home workers (and those of no fixed workplace).

6.60   In interpreting this data it is considered the 2011 data is somewhat dated, whilst data from 2021 is a reflection of commuting at the point in time of the Census which coincided with a Covid-19 lockdown (when people were encouraged to work from home if they could) and is unlikely to be fully reflective of current patterns.

6.61   It is difficult therefore to draw precise conclusions on commuting dynamics, and we have elected instead to model what workforce growth would result and the number of jobs which this could support. Given the inter-relationship between SW Herts authorities and London and public transport connections between the two, it may be quite reasonable to expect labour supply to exceed labour demand within individual authorities.

Table 6.15 Commuting patterns (2011)

	Daco-rum	Herts-mere	St. Albans	Three Rivers	Watford	SWH
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	-
In-commute	31,045	28,356	36,629	27,251	24,903	-
Out-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	263,096
Total living in LA (and working)	73,921	49,933	71,818	44,333	47,835	287,840
Commuting ratio	1.11	1.07	1.16	1.24	0.92	1.09

Source: 2011 Census

Table 6.16 Commuting patterns (2021)

	Daco-rum	Herts-mere	St. Albans	Three Rivers	Watford	SWH
Live and Work in District	17,325	7,107	13,304	4,931	10,830	-
Home Workers or No Fixed Workplace	41,861	28,798	45,424	26,326	26,083	-
In Commute	16,050	18,795	24,013	12,822	17,074	-
Out Commute	18,029	16,865	14,129	15,688	15,948	-
Total Working in LA	75,236	54,700	82,741	44,079	53,987	310,743
Total Living in LA and Working Anywhere	77,215	52,770	72,857	46,945	52,861	302,648
Commuting Ratio	1.03	0.96	0.88	1.07	0.98	0.97

Source: 2021 Census

Double Jobbing

6.62   The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the HMA divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) for the past 5-years suggests that typically about 4.5% of workers in SW Herts have a second job and this has been used in the assessment.

6.63   For the purposes of this assessment it has been assumed that around 4.5% of people will have more than one job moving forward. A double jobbing figure of 4.5% gives rise to a ratio of 0.955 (i.e. the number of jobs supported by the workforce will be around 4.5% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

Unemployment

6.64   The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers. Given the estimates of economic activity and job growth are taken from 2021 it is considered that there is no need to include a further adjustment to take account of the pandemic. Essentially it is assumed that people who lost employment through the pandemic will have remained economically active in 2021.

6.65   There is some evidence nationally that some people, particularly in older age groups, left the labour force (such as taking early retirement) precipitated by the pandemic. There is a need to monitor this, given the Government's desire to draw people who stopped working through Covid back into the labour force to support economic growth, and consider how effective initiatives to do so are – particularly in relatively affluent areas such as SW Herts.

6.66   The tables below show how many additional jobs might be supported by population growth under the two projections developed. It is estimated that around 66,600 additional jobs could be supported by the changes to the resident labour supply over the 2021-41 period when linked to the 2014-based household projections with a higher figure (83,200) if linking to the Standard Method.

Table 6.17 Jobs supported by demographic projections (2021-41) – linked to 2014-based household growth

	Total change in economically active	Allowance for double jobbing
Dacorum	14,966	15,671
Hertsmere	10,719	11,224
St Albans	14,327	15,002
Three Rivers	9,833	10,296
Watford	13,727	14,374
South West Herts	63,572	66,568

Source: JGC and Iceni modelling

Table 6.18 Jobs supported by demographic projections (2021-41) – linked to Standard Method

	Total change in economically active	Allowance for double jobbing
Dacorum	18,744	19,628
Hertsmere	13,771	14,420
St Albans	17,535	18,362
Three Rivers	12,829	13,434
Watford	16,537	17,316
South West Herts	79,417	83,159

Source: JGC and Iceni modelling

Comparison of Labour Demand and Supply

6.67   Next we have sought to consider whether projections of jobs growth could drive demand for higher numbers of homes. To do this, we have compared the potential labour supply which could be supported by the two scenarios considered above with a projection of employment growth (net changes in total employment) being used in the preparation of the economic study/ employment land evidence for SW Herts. The projections have been prepared by Hatch, the Economy Study consultants, using forecast data from Cambridge Econometrics as an input; with adjustments to reflect inaccuracies with input BRES data. They provide estimates of future growth in employment in each of the SW Herts districts, which represent an assessment of labour demand.

6.68   Iceni has considered whether the potential labour supply is sufficient to support these projections.. The analysis, as shown in the table below, indicates that in both scenarios for housing provision,

there is sufficient labour supply to support the projected jobs growth. This is the case at both a HMA level across SW Herts, and for individual authorities within the sub-region.

Table 6.19 Comparison of Labour Demand and Supply, 2021-41

	Projected Labour Demand	Employment Growth Supported	
		2014 Household Projections	Standard Method
Dacorum	10,200	15,671	19,628
Hertsmere	7,100	11,224	14,420
St Albans	10,000	15,002	18,362
Three Rivers	6,800	10,296	13,434
Watford	7,700	14,374	17,316
South West Herts	41,700	66,568	83,159

Source: Cambridge Econometrics and JGC/Iceni modelling

Wider Considerations in Drawing Conclusions on Housing Need

6.69   The Planning Practice Guidance in Para 2a-010-20201216 sets out that in addition to changing economic circumstances (as considered above), there may be other situations where housing need is likely to exceed past trends, which can include where there are growth strategies for the area, strategic infrastructure improvements; or an authority has agreed to take on unmet need from neighbouring areas. It also identifies that there may be occasions where previous housing delivery has significantly exceeded the standard method which may provide some basis for considering higher housing delivery. As discussed, NPPF Para 67 also enables Councils to set housing targets above the housing need to reflect economic growth ambitions or infrastructure investment.

6.70   There are no specific 'growth strategies' in place which affect the SW Herts local authorities and at the current time we are not aware that any of the 5 authorities have agreed to take on unmet need from adjoining areas.

6.71   As the table below shows, the standard method housing need figures are over 80% higher than recent housing completions rates, and are above historical completions over both a 5 and 10 year period in each of the SW Herts authorities.

Table 6.20 Comparing Standard Method and Historical Completions

Homes per year	Daco-rum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need (2023)	1,017	726	887	637	778	4,046
10 year average net completions (2012-22)	535	420	402	204	381	1,942
5 year average net completions (2017-22)	616	525	455	215	406	2,217

Source: Iceni analysis of Council Data

6.72   **Appendix A3** has considered other factors which could have a potential bearing on housing need. Major infrastructure investment schemes identified are not currently committed or have funding in place. Nonetheless the main impacts of them would be to support the potential for additional employment growth.

6.73   The analysis identifies some potential major employment generating schemes which, if taken forwards, could support additional job creation – ultimately of up to c. 15,000 jobs; but the job creation associated with these is not of a scale which makes it likely that employment growth would exceed the labour supply shown in Table 6.19 above such that it generated an additional need for housing. The gap between jobs growth and labour supply therein points to considerable flexibility to support additional jobs growth before there is an impact on housing need.

6.74   Having regard to the balance between jobs and homes, the analysis does not therefore identify specific considerations which have an immediate bearing on conclusions on the overall need for homes in SW Herts.

Conclusions on Overall Housing Need

6.75   Drawing together the evidence on overall housing need:

- The sub-region has seen sustained and consistent house price inflation, which has been strongest in St Albans but affects all local authorities;

- House prices are now very significant, with the average house price now exceeding £0.5 million, presenting substantial barriers to local households from getting on the housing ladder. Prices are now almost 15 times earnings for those working locally; and households need £30,000+ in savings to be able to buy without financial support;

- Housing stock growth has been generally below the regional and national averages, except in Hertsmere and Watford, influenced by strategic development constraints and a lack of up-to-date local plans providing for development needs in some areas;

- Influenced by these constraints, there has been a particular focus of growth in flatted properties; with larger dwellings delivered partly by extensions to existing dwellings;

- The housing supply and affordability constraints which are evident have led to declining home ownership, with the rate of home ownership falling from 69.2% to 65.9% of households across the HMA. Growth has particularly been seen in the Private Rented Sector.

- Significant overcrowding is also evident, with 10% of households in rented tenures living in overcrowded homes.

- The standard method is based on 2014 household projections which are now dated. The evidence shows that population growth has been notably weaker, growing by 7.6% over the 2011-21 decade compared to 11.0% projected in the 2014-based projections. These differences relate to two factors: lower natural change, and lower net migration.

- The lower natural change is a factor which is not specific to SW Herts, and indeed is seen in many areas nationally. SW Herts is not exceptional in these terms.

- Migration has been weaker, and this can be expected to feed into lower population growth in future ONS projections, but this correlates relatively closely to housing delivery; with the evidence suggesting that lower net migration has been influenced by a lack of up-to-date plans providing for objectively assessed housing needs. It does not provide a firm basis for divergence from the standard method.

- When affordable housing provision is overlaid (as considered in the next section), it is clear that there is a very substantial need for affordable housing with the evidence pointing to a need for 2,279 rented affordable homes a year, and over 1,400 affordable home ownership properties. Whilst there is not a direct relationship to overall housing provision, and the affordable need is sensitive to changes in housing costs relative to incomes, there would be clear adverse consequences on affordable delivery from reducing overall housing need below the standard method levels which would not be justified on the evidence.

6.76   We do not therefore find that the evidence points towards housing need being below the standard method or exceptional circumstances for deviation from the standard method as a means of assessing housing need. As identified at the beginning of this Section, it is for the Councils to draw together the evidence of housing need with wider considerations, including development constraints, in setting a housing requirement. In doing so, the Councils should consider (amongst other factors) the effects of different growth options on the delivery of affordable housing in line with the PPG which sets out that an increase in total housing figures in plans may be considered whether it could help to deliver the required number of affordable homes. Affordable housing delivery may be an important consideration in some areas, recognising that a lack of affordable housing supply can have direct social consequences as well as economic consequences for

Councils who can end up seeing rising costs of housing people in temporary accommodation if there is insufficient supply of affordable housing to meet priority needs.

7. AFFORDABLE HOUSING NEED

7.1 This section provides an assessment of the need for affordable housing in South West Herts. It considers two categories of affordable housing need, linked to Annex 2 of the NPPF:

- Need for social or affordable rented housing – the need from households unable to buy, who need social or affordable rented homes or affordable private rented homes;

- Need for affordable home ownership – which includes shared ownership / equity, first homes, and other local cost home ownership products.

7.2 The method for studying the need for affordable housing has been enshrined in Government practice 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) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented/ affordable private rented) and therefore the analysis looks at the need for *'affordable housing for rent'* as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:

- **Current affordable housing need**: an estimate of the number of households who have a need now, at the point of the assessment, based on a range of secondary data sources – this figure is then annualised so as to meet the current need over a period of time;

- **Projected newly forming households in need**: using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;

- **Existing households falling into need**: based on studying past trends in the types of households who have accessed different types of affordable housing; and

- **Supply of affordable housing**: an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock of the relevant type.

7.3 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing.

7.4 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households

to afford private rents has influenced whether or not they are in need of social/ affordable rented housing.

7.5 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG on 'Housing and Economic Needs Assessment' includes households that "*cannot afford their own homes, either to rent, or to own, where that is their aspiration*" as having an affordable housing need. This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so.

7.6 The analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).

7.7 Data on housing costs and incomes based on the latest information at the time of the modelling provides an input into the process. This is set out in **Appendix A4**.

Affordability Thresholds

7.8 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). 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).

7.9 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).

7.10 At £900-£1,075 per calendar month, lower quartile rent levels in South West Herts are above average in comparison to those seen nationally (a lower quartile rent of £610 for England in the year to September 2022). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). On balance, it is considered that a threshold of 30% is reasonable in a local context: to afford a £1,000 pcm rent would imply a gross household income of about £40,000 (and in net terms the rent would likely be around 38% of income).

7.11 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 so as to ensure a sufficient level of residual income.

7.12 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.

7.13 For the purposes of this assessment, the income thresholds for accessing owner-occupation without financial support 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. Whilst some mortgages are available at a 95% loan-to-value ratio, these tend to be accompanied by higher interest rates.

7.14 The table below shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable 'gap' in all areas across the Study area, particularly locations with higher house prices. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 7.1 Estimated Household Income Required to Buy and Privately Rent by local authority

	To buy	To rent (privately)	Income gap
Dacorum	£66,400	£36,000	£30,400
Hertsmere	£79,000	£42,000	£37,000
St Albans	£84,600	£40,000	£44,600
Three Rivers	£82,000	£43,000	£39,000
Watford	£61,600	£40,000	£21,600

Source: Based on Housing Market Cost Analysis

Need for Social/ Affordable Rented Housing

7.15   The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the Study area. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

Contextual Data

7.16   The analysis below looks at some contextual data about affordable housing need, drawing on a number of published sources.

Housing Register

7.17   The figure below shows trends in the number of people on each Council's Housing Register. The main takeaway from this is how highly variable figures can be from year to year, particularly in Dacorum, which is more likely to reflect allocations policy rather than any measure of housing need. Taking Dacorum as an example, there were 12,400 people registered in 2017, with the figure now being just over 2,500. This reflects a review of Dacorum's Housing Allocations policy and data cleansing of the Housing Register. The Council consider that the number of applicants on the Housing Register is now more accurate measure of need in the Borough. Likewise, Watford saw a larger drop between 2015 and 2016.

7.18   The size of the Register in different areas can be a reflection more of how the Register is managed, including the policies on who can join the Register, rather than underlying differences in the affordable housing need. The current (2022) numbers on the register are:

- Dacorum – 2,518;
- Hertsmere – 799;
- St Albans – 559;
- Three Rivers – 1,165; and
- Watford – 835.

Figure 7.1 Number of Households on Council Housing Registers (1987-2022)
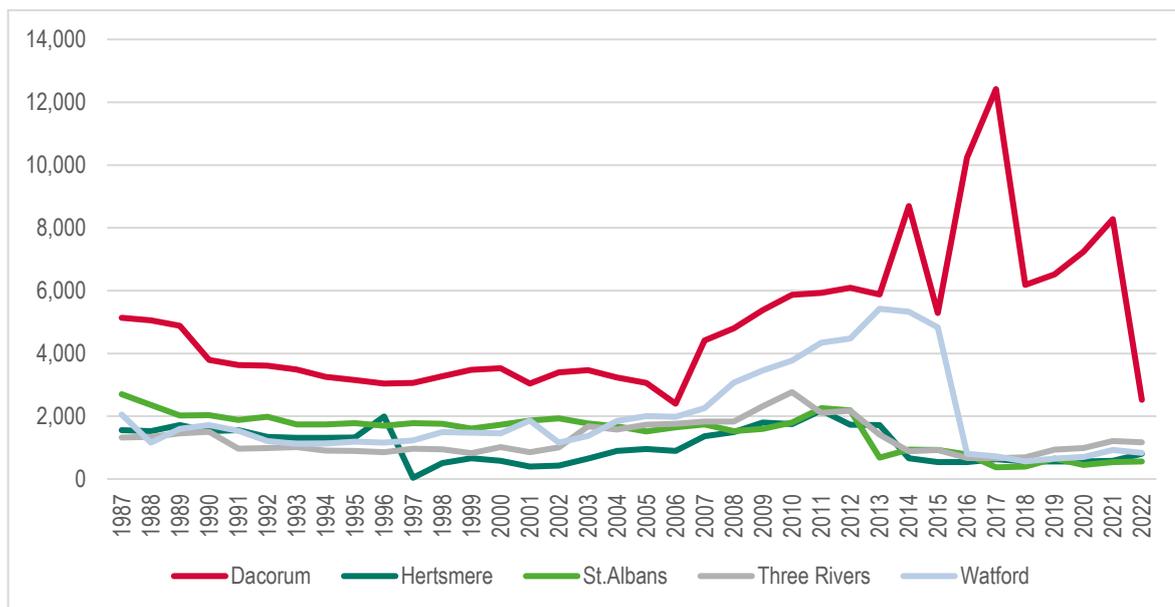
Source: DLUHC Live Table 600

7.19   Given the difficulty in having too much confidence in the Housing Register as providing a consistent measure of need, the main estimates of current affordable need (to follow) are based on a range of secondary data sources, although the current figures can still be considered to provide some context.

Temporary Accommodation

7.20   The figure below shows the number of households living in temporary accommodation in each Council area (figures include those for which the Council has a duty but are housed in another authority). Data is taken from Statutory Homelessness Statistics, which provide quarterly information about those who local authorities have a duty to accommodate as they are homeless through no fault of their own, eligible for assistance, and have a 'priority need'. This primarily includes those with children or a vulnerability, including disability or mental ill-health. The data presented is for March in each year from 2019 to 2023 with the start date reflecting data releases since the Homelessness Reduction Act (2017).

7.21   As with the Housing Register, the data shows some variation year-on-year in the number of households in temporary accommodation – there looks to have been a notable rise in Dacorum, but some reduction in Watford. As of March 2023, the number of households in temporary accommodation were:

- Dacorum – 257
- Hertsmere – 104
- St Albans – 98
- Three Rivers – 58
- Watford – 101

Figure 7.2 Number of Households living in Temporary Accommodation (2019-2023)
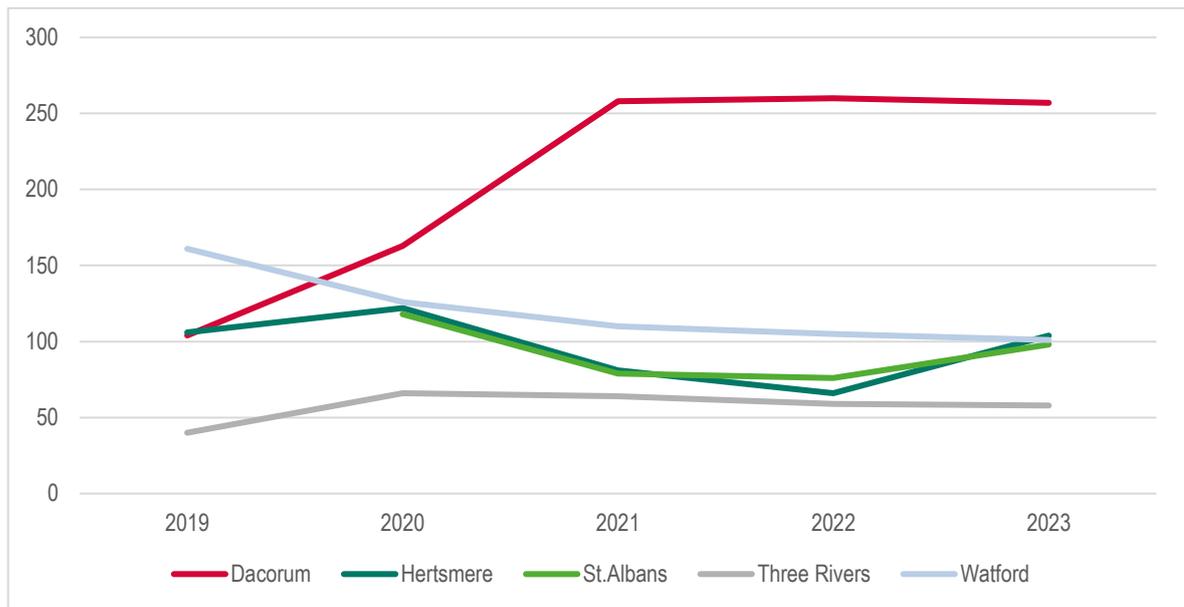
Source: DLUHC Statutory Homelessness Statistics

7.22   The final analysis below looks at trends in the number of asylum seekers in each local authority. This is based on data for 'Dispersal accommodation' which is described as accommodation provided to Asylum Seekers whose claim for Asylum Support has been agreed. Generally the number of asylum seekers across South West Herts is quite low, however there is a clear upward trend. As of March 2023 the number of asylum seekers housed in each authority was:

- Dacorum – 20
- Hertsmere – 12
- St Albans – 27
- Three Rivers – 0
- Watford – 3

7.23   The rise in asylum seeker numbers shown is likely to have been influenced by the launch of the Homes for Ukraine scheme and Ukraine Family Scheme in March 2022, in response to the Russian invasion; following on from the launch of the Afghan Relocations and Assistance Scheme and Hong King Nationals Scheme in 2021.

Figure 7.3 Number of asylum seekers housed in Dispersal Accommodation
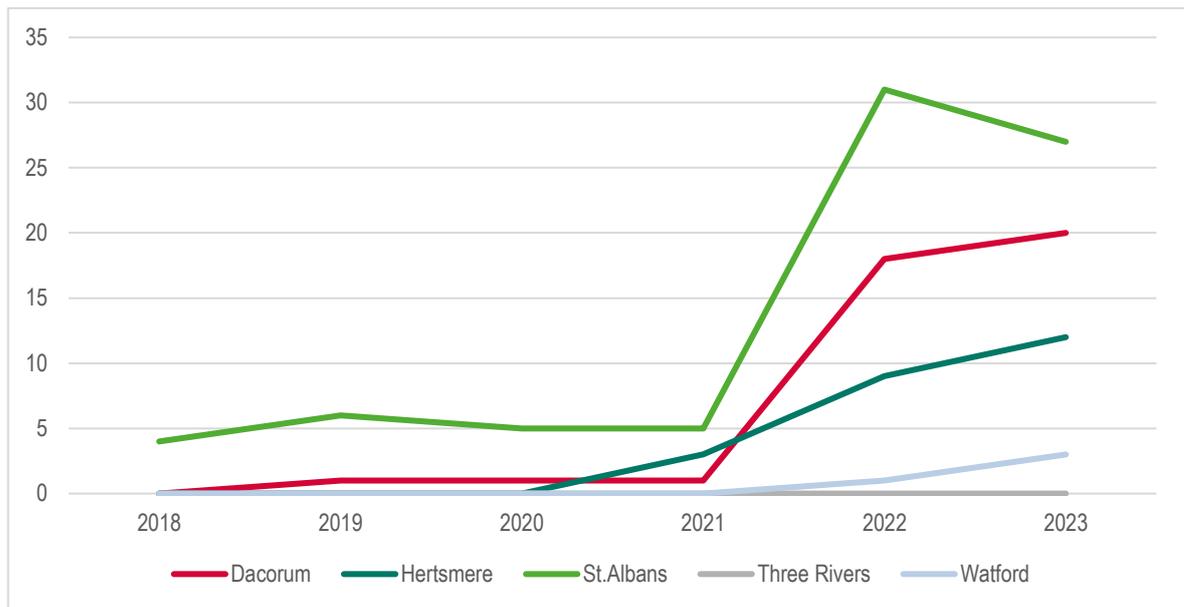
Source: Home Office Asylum and Resettlement Datasets

7.24 In addition, there are more significant numbers living in contingency accommodation described as temporary accommodation (including hotels) used when there is insufficient Initial or Dispersal accommodation available. As of March 2023, there were 510 people in such accommodation in Dacorum, 40 in Hertsmere and 187 in St Albans.

7.25 Overall, the background data provides some indication of an affordable housing need. Whilst the Housing Register numbers are variable, it is clear there are many households seeking housing in all areas. This coupled with notable numbers living in temporary accommodation and a clear increase in the number of asylum seekers does point to pressures on the affordable housing stock across the HMA.

Current Need

7.26 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

7.27 Where the source shown is 'modelled data linking to past survey analysis', this is based on looking at surveys carried out nationally by Iceni and JGC to seek to establish prevalence rates. These are mainly relevant to the private rented sector where there will be households who have a need due to a range of issues – the main ones generally being the threat of homelessness due to a tenancy ending, and housing costs leading to rent arrears. From national data applied to the size of different

housing sectors it is possible to establish a reasonable estimate of the likely number of households with a need currently.

Table 7.2 Main Sources for Assessing the Current Need for Affordable Housing

	Source	Notes
Homeless households (and those in temporary accommodation	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing[16]	2021 Census table RM099	Analysis undertaken by tenure
Concealed households[17]	2021 Census table RM009	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

7.28 The table below shows the estimated number of households in each of these categories (concealed and homeless households taken together as there is an overlap). This suggested a need from around 21,000 households in the SW Herts area, with just over half of these being overcrowded.

Table 7.3 Estimated housing need by category of household

	Households	% of households
Concealed/homeless household	4,269	20.3%
Households in overcrowded housing	10,752	51.2%
Existing affordable housing tenants in need	859	4.1%
Households from other tenures in need	5,138	24.4%
TOTAL	21,018	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

7.29 In taking this estimate forward, the data modelling next estimates the need by tenure and considers affordability. The affordability in different groups is based on estimates of how incomes are likely to

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[16] https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2199

[17] https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2109

vary, for owner-occupiers there is a further assumption about potential equity levels. For homeless and concealed households it is assumed incomes will be low and households unlikely to be able to afford. The table below shows over half of those households identified above in the SW Herts area are unlikely to be able to afford market housing to buy OR rent and therefore there is a current need from 11,800 households.

Table 7.4 Estimated housing need and affordability by tenure

	Number in need	% unable to afford[18]	Current need after affordability
Owner-occupied	4,580	4.5%	207
Affordable housing	4,667	83.1%	3,877
Private rented	7,502	45.9%	3,443
No housing (homeless/concealed)	4,269	100.0%	4,269
TOTAL	21,018	56.1%	11,797

Source: Derived from a range of sources as outlined in Table 7.2

7.30   Finally, from these estimates, households 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 total current need is therefore estimated to be around 7,900. For the purposes of analysis, it is assumed that the local authorities would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2041, the need is annualised by dividing by 20 (to give an annual need for 396 dwellings across all areas). This does not mean that some households would be expected to wait 20-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time. It provides an affordable housing figure which can be compared against the overall housing need on a like-for-like basis.

7.31   The table below shows this data for local authorities – this includes the number in need (once taking account of affordability), the number once excluding housing in affordable housing and the annual figure this represents.

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[18] The % unable to afford column is based on looking at an estimated income distribution for each group of households and testing what proportion have an income sufficient to access market housing without some form of subsidy. For owner-occupiers there is an additional assumption around equity levels being able to be used towards accessing housing.

Table 7.5 Estimated current housing need by local authority

	Number in need	Number in need, excluding those in affordable housing	Annualised
Dacorum	2,575	1,690	85
Hertsmere	2,398	1,563	78
St. Albans	1,984	1,205	60
Three Rivers	1,614	1,064	53
Watford	3,226	2,397	120
SW Herts	11,797	7,919	396

Source: Derived from a range of sources as outlined in Table 7.2

Newly-Forming Households

7.32   The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation (the number of households which form each year). The calculation of newly-forming households thus is different from considering net household growth (the net change in households).

7.33   The number of newly-forming households is 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 formation of younger households.

7.34   In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by Justin Gardner Consulting (JGC). This establishes that the average income of newly forming households is around 84% of the figure for households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.35   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 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. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.

7.36   The assessment suggests overall that 46.8% of newly forming households will be unable to afford
        market housing (to rent privately) and this equates to a total of 2,241 newly forming households
        who will have a need per annum on average across the Study area.

Table 7.6 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Dacorum	1,272	44.5%	566
Hertsmere	749	55.5%	415
St Albans	1,181	39.7%	469
Three Rivers	724	48.4%	350
Watford	867	50.7%	440
SW Herts	4,793	46.8%	2,241

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

7.37   The second element of newly arising need is existing households falling into need. To assess this,
        information about past lettings in social/affordable rented has been used. The assessment looked
        at households who have been housed in general needs housing over the past three years – this
        group will represent the flow of households onto the Housing Register over this period. From this,
        newly forming households (e.g. those currently living with family) have been discounted as well as
        households who have transferred from another social/affordable rented property. Data has been
        drawn from a number of sources, including Local Authority Housing Statistics (LAHS) and
        Continuous Recording of Sales and Lettings (CoRe).Households in this category will include
        existing households who for instance fall into need as they are evicted from a private rented sector
        property; or others who can no longer afford market housing because of changes in their financial
        circumstances.

7.38   In the absence of any guidance in the PPG, 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)'.* Following the analysis through suggests a need arising from 502 existing households
        each year across the Study area.

Table 7.7 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Dacorum	175	34.7%
Hertsmere	86	17.0%
St Albans	123	24.4%
Three Rivers	48	9.6%
Watford	71	14.2%
SW Herts	502	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

Supply of Social/Affordable Rented Housing Through Relets

7.39   The future supply of affordable housing through relets 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.

7.40   The 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 a range of sources (mainly LAHS and CoRe) has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.

7.41   On the basis of past trend data it has been estimated that 881 units of social/affordable rented housing are likely to become available to let to new tenants each year moving forward for occupation by households in need.

Table 7.8 Analysis of Past Social/Affordable Rented Housing Supply, 2019/20 – 2021/22 (average per annum) – South West Herts

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2019/20	1,604	85.2%	1,367	53.6%	732
2020/21	1,525	84.4%	1,287	63.9%	823
2021/22	2,154	76.9%	1,657	65.6%	1,087
Average	1,761	81.6%	1,437	61.5%	881

Source: CoRe

7.42   The table below shows the estimated supply of affordable housing from relets in each local authority – figures varying from 88 per annum in Three Rivers, up to 331 in Dacorum.

Table 7.9 Estimated supply of affordable housing from relets of existing stock by local authority (per annum)

	Annual supply	% of supply
Dacorum	331	37.6%
Hertsmere	146	16.6%
St Albans	203	23.1%
Three Rivers	88	10.0%
Watford	113	12.8%
SW Herts	881	100.0%

Source: CoRe

7.43   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. These have however not been included within the modelling in this report. 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). 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 Need for Social/Affordable Rented Housing

7.44   The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 2,258 dwellings per annum across the area – an affordable need is seen in all local authorities. The net need is calculated as follows:

Net Need = Current Need (allowance for) + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 7.10 Estimated Need for Social/Affordable Rented Housing (per annum)

	Current need	Newly forming house-holds	Existing house-holds falling into need	Total Gross Need	Relet Supply	Net Need
Dacorum	85	566	175	825	331	494
Hertsmere	78	415	86	579	146	433
St. Albans	60	469	123	652	203	449
Three Rivers	53	350	48	451	88	364
Watford	120	440	71	631	113	518
SW Herts	**396**	**2,241**	**502**	**3,139**	**881**	**2,258**

Source: Affordable Housing Needs Modelling

7.45   When compared with a similar assessment carried out in 2020, this report points to a higher net need for affordable housing (an annual figure of 1,994 in 2020). The difference between figures is

largely driven by a reduction in estimated future relet supply due to turnover of stock having been notably lower in the recent past. This difference is in part due to the 2020 report including supported housing relets (although there is a knock-on effect of also including some existing households falling into need for supported housing). Supported housing (mostly older persons housing) is dealt with separately in this report.

7.46   Overall, the difference is not considered to be substantial, with both reports clearly pointing to the need to provide as much rented affordable housing as opportunities allow.

Table 7.11 Estimated Need for Social/Affordable Rented Housing (per annum) – comparing key data from 2020 SHMA report

		Total Gross Need	Relet Supply	Net Need
Dacorum	2020	993	630	363
	This study	825	331	494
Hertsmere	2020	585	228	356
	This study	579	146	433
St. Albans	2020	745	303	443
	This study	652	203	449
Three Rivers	2020	483	133	350
	This study	451	88	364
Watford	2020	712	230	482
	This study	631	113	518
SW Herts	2020	3,517	1,523	1,994
	This study	3,139	881	2,258

Source: Affordable Housing Needs Modelling and 2020 Study (Table 37)

Split Between Social and Affordable Rented Housing

7.47   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 have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented). The analysis in this section considers the affordability of rented housing taking account of local incomes. This is intended to be an input to the consideration of policies for the delivery of rented affordable housing (alongside issues related to development viability and available funding).

Current Rents for Different Products

7.48   The tables below show current (2023) rent levels in the Study area for a range of products along with relevant Local Housing Allowance (LHA) rates. South West Herts is split across a number of Broad Rental Market Areas (BRMA) for the purposes of LHA, but the majority of the area (including key settlements of Watford, Hemel Hempstead and St Albans) are all within the South West Herts

BRMA. All relevant LHA rates are included in the tables although it should be noted this does not have any impact on the analysis to follow and should be seen as included for reference purposes.

7.49   Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH), which records average social and affordable rents being charged in each local authority, and this is compared with lower quartile and median market rents (from ONS data). The LHA rates for all sizes of home are typically below lower quartile market rents and notably below median figures. This does potentially mean that **households seeking accommodation in many locations may struggle to secure sufficient benefits (through Local Housing Allowance) to cover their rent**.

7.50   In November 2023 the Chancellor of the Exchequer took the decision to unfreeze Local Housing Allowance. This will allow people to claim more support for their rental costs going forwards.

Table 7.12 Comparison of rent levels for different products – Dacorum

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£437	£513	£572	£612	£519
Affordable rent (AR)	£664	£810	£994	£1,135	£797
Lower quartile (LQ) market rent	£825	£995	£1,300	£1,600	£900
Median market rent	£875	£1,125	£1,400	£1,950	£1,100
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Aylesbury)	£673	£798	£1,047	£1,392	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-

Source: RSH, ONS and VOA

Table 7.13 Comparison of rent levels for different products – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£441	£523	£594	£653	£536
Affordable rent (AR)	£680	£865	£987	£992	£826
Lower quartile (LQ) market rent	£895	£1,175	£1,450	£1,850	£1,050
Median market rent	£950	£1,275	£1,555	£2,200	£1,300
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Outer North London)	£1,067	£1,296	£1,596	£1,895	-
LHA (South East Herts)	£748	£922	£1,197	£1,396	-

Source: RSH, ONS and VOA

Table 7.14 Comparison of rent levels for different products – St Albans

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£454	£547	£623	£693	£541
Affordable rent (AR)	£711	£917	£1,133	£1,096	£888
Lower quartile (LQ) market rent	£850	£1,150	£1,500	£2,200	£1,000
Median market rent	£932	£1,300	£1,750	£2,670	£1,260
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

Table 7.15 Comparison of rent levels for different products – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£415	£503	£566	£623	£504
Affordable rent (AR)	£613	£753	£850	£990	£748
Lower quartile (LQ) market rent	£900	£1,125	£1,450	£1,950	£1,075
Median market rent	£995	£1,250	£1,600	£2,250	£1,275
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-
LHA (North West London)	£997	£1,247	£1,546	£1,845	-

Source: RSH, ONS and VOA

Table 7.16 Comparison of rent levels for different products – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£436	£496	£546	£610	£506
Affordable rent (AR)	£699	£880	£999	£1,102	£835
Lower quartile (LQ) market rent	£900	£1,185	£1,400	£1,875	£1,000
Median market rent	£995	£1,250	£1,563	£2,125	£1,200
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

7.51   To some extent it is easier to consider the data above in terms of the percentage one housing cost is of another and this is shown in the tables below. Caution should be exercised when looking at the overall averages as these will be influenced by the profile of stock in each category: as such the averages will be skewed slightly towards 2-bedroom homes, which make up the majority of rented stock. This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) and that affordable rents (as currently charged) represent 68%-84% of a current lower quartile market rent (62%-76% if comparing with a median rent). Whilst affordable rents are up to 80% of market rent (including service charges), the rent can be set lower and is evidently set based on the estimated market rent for individual properties.

Table 7.17 Difference between rent levels for different products – Dacorum

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	66%	53%	50%	81%	76%	94%
2-bedrooms	63%	52%	46%	81%	72%	88%
3-bedrooms	58%	44%	41%	76%	71%	93%
4-bedrooms	54%	38%	31%	71%	58%	82%
All	65%	58%	47%	89%	72%	82%

Source: RSH, ONS and VOA

Table 7.18 Difference between rent levels for different products – Hertsmere

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	65%	49%	46%	76%	72%	94%
2-bedrooms	60%	44%	41%	74%	68%	92%
3-bedrooms	60%	41%	38%	68%	64%	93%
4-bedrooms	66%	35%	30%	54%	45%	84%
All	65%	51%	41%	79%	64%	81%

Source: RSH, ONS and VOA

Table 7.19 Difference between rent levels for different products – St Albans

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	64%	53%	49%	84%	76%	91%
2-bedrooms	60%	48%	42%	80%	71%	88%
3-bedrooms	55%	42%	36%	76%	65%	86%
4-bedrooms	63%	32%	26%	50%	41%	82%
All	61%	54%	43%	89%	70%	79%

Source: RSH, ONS and VOA

Table 7.20 Difference between rent levels for different products – Three Rivers

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	68%	46%	42%	68%	62%	90%
2-bedrooms	67%	45%	40%	67%	60%	90%
3-bedrooms	67%	39%	35%	59%	53%	91%
4-bedrooms	63%	32%	28%	51%	44%	87%
All	67%	47%	40%	70%	59%	84%

Source: RSH, ONS and VOA

Table 7.21 Difference between rent levels for different products – Watford

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	62%	48%	44%	78%	70%	90%
2-bedrooms	56%	42%	40%	74%	70%	95%
3-bedrooms	55%	39%	35%	71%	64%	90%
4-bedrooms	55%	33%	29%	59%	52%	88%
All	61%	51%	42%	84%	70%	83%

Source: RSH, ONS and VOA

7.52   An analysis has been undertaken to compare the income distribution of households with the cost of different products – initially based on actual affordable and social rents as published by the Regulator of Social Housing. For comparative purposes a lower quartile market rent is used to determine the group of households who cannot afford a market rent and would therefore benefit from a subsidised rent.

7.53   For the affordability test, a standardised average rent for each product has been used based on the proportion of stock in each size category and looks at the estimated income distribution of households likely to be seeking rented affordable housing. The table below suggests that across SW Herts around 15% of households who cannot afford to rent privately could afford an affordable rent, with a further 29% being able to afford a social rent (but not an affordable one). In both cases this is without benefit support. A total of 55% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).

7.54   There is some variation by area, with affordable rents looking to be most affordable in Three Rivers and less so in Dacorum. It should be remembered that this finding is based on current affordable rent levels and the proportions would be different if rent levels are higher or lower than current averages.

Table 7.22 Estimated need for affordable rented housing (% of households able to afford)

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
Dacorum	12%	29%	59%	100%
Hertsmere	14%	26%	60%	100%
St Albans	16%	33%	51%	100%
Three Rivers	25%	24%	51%	100%
Watford	13%	32%	55%	100%
SW Herts	15%	29%	55%	100%

Source: Affordability analysis

7.55   The finding that only 15% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. In particular, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent (with their income being supported by benefits) – hence a higher proportion of affordable rented housing might be appropriate. Indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. 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.

7.56   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. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. 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 – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.

7.57   To illustrate this, the table below provides an **indicative** assessment of the capital values associated with social rent and affordable rented properties. This takes the average rental figures shown for each area in Tables 7.12 – 7.16 and assumes 20% of the rent is consumed by operating costs and a 4% yield. There is inevitably a trade-off between the delivery of affordable housing which is genuinely affordable as against how much affordable housing can be delivered.

Table 7.23 Indicative Capital Values for Social Rent and Affordable Rented Properties, SW Herts

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Capital value - Social Rent	£124,560	£128,640	£129,840	£120,960	£121,200	£125,040
Capital Value - Affordable Rent	£191,280	£198,240	£213,120	£179,520	£198,000	£196,032
Difference per Unit	£66,720	£69,600	£83,280	£58,560	£76,800	£70,992

Source: Iceni high-level estimates

7.58   **There are therefore policy choices to be made by individual authorities around how policies are crafted**, recognising that on the one hand there is a case for delivering higher proportions of social rented provision which is more 'genuinely affordable' having regard to incomes; whilst on the other hand, providing more homes at affordable rent could help to support stronger overall delivery of rented affordable homes with households being able to supplement their income with LHA. The analysis is however clear that there is need for both social and affordable rented homes.

7.59   Decisions should be influenced by individual authorities' priorities, the results of viability evidence and funding availability.

7.60   The analysis below seeks to investigate the potential impact of providing affordable rents at a 20%, 30% and 40% discount from market rents (i.e. rents at 60%, 70% and 80%). The analysis considers housing costs at percentage discounts to median rents and compares these to incomes in order to assess the proportion of households who need rented affordable housing who could afford these rents without benefit support. In reality, it is possible that the open market rents (prior to any discount) could be even higher than the median values, if they have a premium due to being a newbuild product.

Table 7.24 Estimated Monthly Rental Costs at Different Levels of Discount – Dacorum

	Discount from median market		
	20% (80% of market)	**30% (70% of market)**	**40% (60% of market)**
1-bedroom	£700	£613	£525
2-bedrooms	£900	£788	£675
3-bedrooms	£1,120	£980	£840
4-bedrooms	£1,560	£1,365	£1,170

Source: Derived from ONS data

Table 7.25 Estimated Monthly Rental Costs at Different Levels of Discount – Hertsmere

	Discount from median market		
	20% (80% of market)	**30% (70% of market)**	**40% (60% of market)**
1-bedroom	£760	£665	£570
2-bedrooms	£1,020	£893	£765
3-bedrooms	£1,244	£1,089	£933
4-bedrooms	£1,760	£1,540	£1,320

Source: Derived from ONS data

Table 7.26 Estimated Monthly Rental Costs at Different Levels of Discount – St. Albans

	Discount from median market		
	20% (80% of market)	**30% (70% of market)**	**40% (60% of market)**
1-bedroom	£746	£652	£559
2-bedrooms	£1,040	£910	£780
3-bedrooms	£1,400	£1,225	£1,050
4-bedrooms	£2,136	£1,869	£1,602

Source: Derived from ONS data

Table 7.27 Estimated Monthly Rental Costs at Different Levels of Discount – Three Rivers

	Discount from median market		
	20% (80% of market)	**30% (70% of market)**	**40% (60% of market)**
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,280	£1,120	£960
4-bedrooms	£1,800	£1,575	£1,350

Source: Derived from ONS data

Table 7.28 Estimated Monthly Rental Costs at Different Levels of Discount – Watford

	Discount from median market		
	20% (80% of market)	**30% (70% of market)**	**40% (60% of market)**
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,250	£1,094	£938
4-bedrooms	£1,700	£1,488	£1,275

Source: Derived from ONS data

7.61   These figures have been modelled in the same way as for existing rent levels to look at the proportion of households (who need rented affordable homes) able to afford different rent levels. In all cases the social rent is as previously set out and so it is only the first two categories in the tables below that vary. The proportion of households who require benefit support remain consistent across the rent levels tested. The outputs based on existing rents have also been included for reference – this is the outputs shown above and shows proportions able to afford current lower quartile market rents, current affordable rents and current social rents, the latter two figures being drawn from data from the Regulator of Social Housing.

7.62   The analysis suggests when looking at a 20% discount from median rents that very few additional households (additional to those able to afford the market) are now able to afford housing based on their incomes (just 5-6% in all areas) although higher discounts do see a greater proportion of households being able to afford an affordable rent without benefit support. Put simply, if the affordable rent is set at a lower proportion of market rents, more households are able to afford it (without financial support).

7.63   The tables below thus show the effect of setting affordable rent levels at different levels on the proportion of households who can afford affordable rented housing without financial support. With lower affordable rents, the proportion who can afford these increases; reducing those who would need social rented homes (as opposed to affordable rents).

Table 7.29 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Dacorum

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	12%	6%	13%	21%
% Afford social rent	29%	35%	28%	19%
% Need benefit support	59%	59%	59%	59%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.30 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Hertsmere

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	14%	5%	11%	19%
% Afford social rent	26%	35%	30%	22%
% Need benefit support	60%	60%	60%	60%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.31 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – St Albans

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	16%	5%	14%	24%
% Afford social rent	33%	44%	35%	25%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.32 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Three Rivers

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	25%	5%	13%	22%
% Afford social rent	24%	44%	36%	27%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.33 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Watford

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	13%	5%	11%	18%
% Afford social rent	32%	40%	34%	27%
% Need benefit support	55%	55%	55%	55%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

7.64   On the basis of this analysis, and taking into account the likelihood that the open market rent of new-build homes is likely to be at or above the median, where Councils seek to set rents at levels which are '*genuinely affordable'* having regard to local incomes, the evidence suggests that rental costs at 60% of market values (inclusive of service charges) would be a sensible starting point. Providing rented affordable housing at these levels would see a reasonable proportion of households in need being able to afford their rent without subsidy (in the form of housing benefit support).

7.65   These issues need however to be considered against the effects on residential development viability in setting policies. As above, there are potential trade-offs between Councils' expectations on rents, the extent to which households need benefit support to afford their rent, and the volume of rented affordable housing delivered. Different Councils within the HMA may have different positions on these issues.

Current Rent Levels at 60% of Market Rent

7.66   The tables below indicate what rents would be if set at 60% of market rents for different property sizes and local authorities.

Table 7.34 Affordable Rent Levels based on 60% of median market rents – Dacorum

Per Calendar Month	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£437	£825	£525
2-bedrooms	£513	£995	£675
3-bedrooms	£572	£1,300	£840
4-bedrooms	£612	£1,600	£1,170

Source: Based on RSH and ONS data

Table 7.35 Affordable Rent Levels based on 60% of median market rents – Hertsmere

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£441	£895	£570
2-bedrooms	£523	£1,175	£765
3-bedrooms	£594	£1,450	£933
4-bedrooms	£653	£1,850	£1,320

Source: Based on RSH and ONS data

Table 7.36 Affordable Rent Levels based on 60% of median market rents – St Albans

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£454	£850	£559
2-bedrooms	£547	£1,150	£780
3-bedrooms	£623	£1,500	£1,050
4-bedrooms	£693	£2,200	£1,602

Source: Based on RSH and ONS data

Table 7.37 Affordable Rent Levels based on 60% of median market rents – Three Rivers

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£415	£900	£597
2-bedrooms	£503	£1,125	£750
3-bedrooms	£566	£1,450	£960
4-bedrooms	£623	£1,950	£1,350

Source: Based on RSH and ONS data

Table 7.38 Affordable Rent Levels based on 60% of median market rents – Watford

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£436	£900	£597
2-bedrooms	£496	£1,185	£750
3-bedrooms	£546	£1,400	£938
4-bedrooms	£610	£1,875	£1,275

Source: Based on RSH and ONS data

Future Proofing

7.67   The analysis is based on data at a point in time (largely data relating to 2022). It is possible that the percentages calculated and therefore the conclusions drawn could change over time, for example if market rents were to increase faster than social rents then the discount from the market might need to increase to keep rents affordable. Likewise, if private rents were to increase at a different rate to local incomes then the proportions able to afford would change, which in turn could lead to a different conclusion about how much discount is required to be affordable.

7.68   It is however reasonably likely that incomes and rents are likely to increase at a similar rate over time (as affordability tends to cap growth in rents considered over a number of years). The figure below shows estimated change to the private rental affordability ratio in England and the East of England for the 2013-21 period. This is a dataset published by ONS and the period used is the full period studied. The ratio shown is comparing monthly rents with estimated monthly incomes. The analysis shows for the East of England an increase in this ratio from 2015 to 2016 but that since then the ratio has declined. For England, a more modest increase was shown for 2015-16 and subsequently a greater decline before increasing in the 2020-21 period. Overall, for the period studied there does not appear to be any notable trend with the ratio between private sector rents and incomes remaining at broadly the same level.

Figure 7.4 Percent of income spent of privately renting – East of England and England (2013-21)
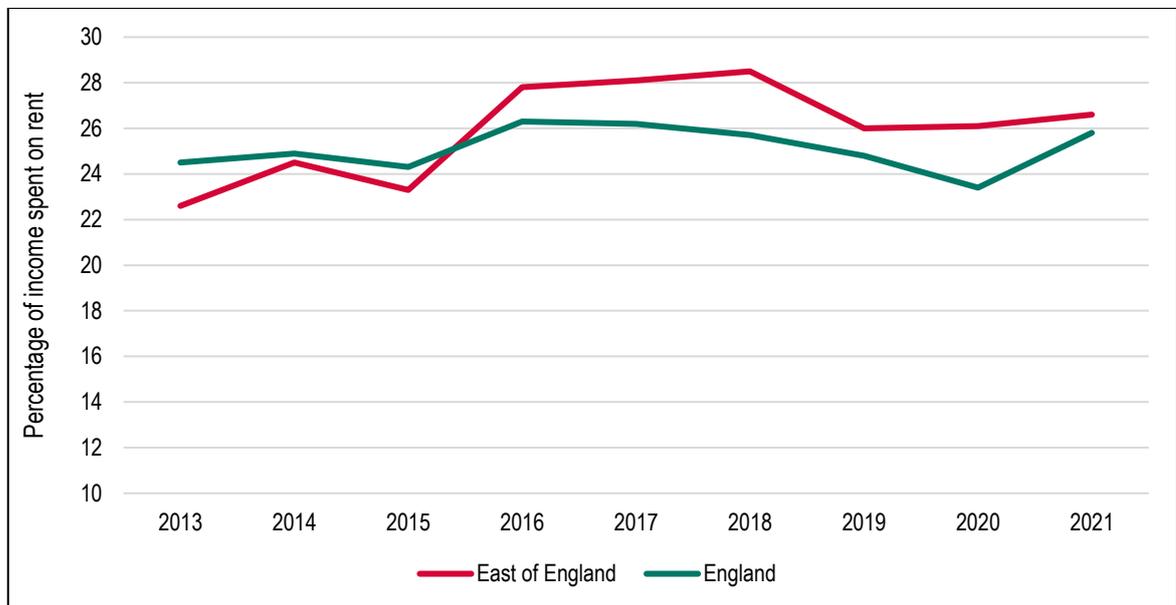
Source: ONS Private Rental Affordability data

Affordable Private Rent

7.69   The NPPF, within the Glossary, identified that for Build to Rent schemes, affordable housing for rent is expected to be delivered as Affordable Private Rent. It does not require the involvement of a Registered Provider and envisages that such schemes will have single ownership and management control. Build to rent schemes are exempt from the requirement for 10% of homes to be provided for affordable home ownership (see NPPF Para 66).

7.70   The Build to Rent Planning Practice Guidance sets out that affordable housing should be provided by default as affordable private rent and managed by the built to rent landlord. The Guidance outlines that generally 20% is a suitable benchmark for the level of affordable housing provision; with a minimum rent of 20% discount on the private market rent for equivalent properties (which is

calculated when the home is let or tenancy renewed) and is expected to increase over time in line with the market rates achieved in the scheme. The PPG essentially envisages it as an intermediate rent product.

7.71   The analysis in Chapter 10 considers the demand for build to rent development. It is evidently a relatively embryonic market in South West Herts at the current time; with initial schemes coming forwards in central locations in Hemel Hempstead and Watford. The PPG position seeks to recognise the immature position of this market; and provide a policy framework which will enable it to grow and contribute to increasing housing delivery. These are also relevant considerations in setting affordable housing policies.

7.72   Iceni's experience is that the economics of a build-to-rent scheme differ from that of standard build-to-sale schemes. The financial model is fundamentally different; with returns achieved on the investment spread over a number of years (rather than in the short-term on a build to sale scheme). There can also be higher build costs associated with developments which are 'built to last', differences in net/gross floorspace ratios (as schemes include communal space and services), and higher operational (opex) costs. The development risk profile is also different, not least as an immature market, impacting on the Internal Rate of Return (IRR). Fundamentally this means that viability evidence needs to consider the specific economics of Build to Rent development. In the context of viability differences and the Planning Practice Guidance, this may justify a differential affordable housing policy position – such as a lower % affordable housing requirement - being applied to Build to Rent schemes.

7.73   Rent levels expected for affordable private rent should be set out in policies in terms of the percentage discount to market rents (inclusive of service charge). Whilst the affordability analysis above could support discounts of 40% or more on market rents to make properties 'genuinely affordable', this needs to be balanced against what can viably be supported – with the PPG specifically referencing effective trade-offs between the rental discount and proportion of units provided at affordable private rent. There will be policy judgements within this regarding what different local authorities want to see; which can be tested through the viability evidence as part of the plan-making process.

Establishing a Need for Affordable Home Ownership

7.74   The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including households *'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 households with a need for affordable home ownership should be measured.

7.75   The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). 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. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.

7.76   The analysis has been developed in the context of First Homes with national policy now requiring that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant 'First Homes' PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

7.77   The first part of the analysis seeks to understand what the gap between renting and buying actually means in the Study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.

7.78   Using the income distributions developed (as set out in Appendix A4) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 23% already have sufficient income to buy a lower quartile home, with 33% falling in the rent/buy 'gap'. The final 44% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing whilst others will have their income supplemented by housing benefits.

7.79   These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in the sector or who might be expected to access it (e.g. newly forming households).

Table 7.39 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing without support (2023)

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Dacorum	26%	32%	42%
Hertsmere	15%	32%	53%
St Albans	22%	41%	37%
Three Rivers	20%	34%	46%
Watford	28%	24%	48%
SW Herts	23%	33%	44%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

7.80   The finding that a proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests for some households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).

7.81   To study current need, an estimate of the number of households living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2021 Census there were some 38,300 households living in the sector across the Study area (renting from private landlord or letting agency).

7.82   Additional data from the English Housing Survey (EHS) suggests that 60% of all PRS households expect to become an owner at some point (23,000 households if applied to South West Herts) and of these some 40% (9,200 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.

7.83   As noted above, on the basis of income it is estimated that around a third of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 2,930 affordable home ownership units (146 per annum if annualised over a 20-year period).

7.84   In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 1,800 dwellings (1,570 from newly forming households and 220 from existing households in the private rented sector).

7.85   Bringing together the above analysis suggests that there is a need for around 1,938 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the Study area. This is before any assessment of the potential supply of housing is considered.

Table 7.40 Estimated Gross Need for Affordable Home Ownership (arising per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Dacorum	32	402	47	481
Hertsmere	25	235	38	298
St Albans	43	487	64	593
Three Rivers	17	245	26	288
Watford	30	203	44	277
SW Herts	146	1,572	220	1,938

Source: Derived from a range of data

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

7.86   As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG on 'Housing and Economic Needs Assessments' does not include any suggestions about how the supply of housing to meet these needs should be calculated.

7.87   One source is likely to be resales of low cost home ownership products with data from the Regulator of Social Housing showing a total stock in 2022 of 1,922 homes. If these homes were to turnover at the same rate seen for the social housing stock then they would be expected to generate around 39 resales each year. These properties would be available for these households and can be included in the potential supply.

7.88   In addition, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in South West Herts there were a total of 6,667 resales (i.e. excluding newly-built homes) in the last year (year to September 2022) and therefore around 1,667 would be priced below the lower quartile. This is 1,667 homes that would potentially be affordable to the target group for affordable home ownership products.

7.89   It is then possible to provide a best estimate of the supply of lower quartile homes that are bought by the target group of households (assumed to be first-time buyers). Whilst dated, a report by Bramley and Wilcox in 2010 (Evaluating requirements for market and affordable housing) noted

that around 40% of first-time buyers with a mortgage buy at or below the lower quartile[19]. Other recent data suggests that first time buyers account for around half of home purchase loans[20] with a total of around 65% of all homes being bought with a loan (35% as cash buyers[21]).

7.90   Bringing this together would point to 32.5% of homes being bought by first-time buyers and around 13% of all homes being a lower quartile home bought by a first-time buyer (32.5% × 40%) – this would point to around half of all lower quartile sales as being to first-time buyers (as half of 25% is 12.5%). Therefore, for the purposes of estimating a 'need' half of all lower quartile sales are included in the supply.

7.91   We can therefore now provide three supply estimates which can be considered in the context of the estimated need. These are:

- Only count the supply from affordable home ownership resales (39 per annum);

- Include the supply from affordable home ownership and half of resales of lower quartile homes (872 per annum (833+39)); and

- Include the supply from affordable home ownership and all resales of lower quartile homes (1,705 per annum (1,667+39)).

7.92   The table below shows the estimated net need from applying these three supply scenarios. Only including the resales of AHO shows a need for 1,899 dwellings per annum and this reduces to 1,066 if 50% of lower quartile sales are included. If all lower quartile sales are included in the supply, then there is a more modest need for affordable home ownership shown.

Table 7.41 Estimated Net Need for Affordable Home Ownership (arising per annum)

	AHO resales only	AHO resales plus 50% of LQ sales	AHO resales plus 100% of LQ sales
Total gross need	1,938	1,938	1,938
LCHO supply	39	872	1,705
Net need	1,899	1,066	233

Source: JGC/Iceni analysis derived from a range of sources

7.93   Focussing on the middle of the three scenarios above (50% of lower quartile sales) the table below shows a need for affordable home ownership in all areas, although the 'need' is much lower than for rented products. This middle scenario is the preferred scenario on which conclusions are drawn

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[19] https://thinkhouse.org.uk/site/assets/files/1614/2010_20nhpau_202.pdf
[20] https://www.mortgagesolutions.co.uk/news/2022/01/24/first-time-buyer-numbers-rose-to-nearly-410000-in-2021/#:~:text=First%2Dtime%20buyers%20accounted%20for,39%20per%20cent%20in%202009
[21] https://www.ft.com/content/e0ad2830-094f-4e61-acaa-d77457e2edbb

as households are likely to be able to afford some market homes priced at the lower quartile but not all; and there will be quality issues for some cheaper properties.

Table 7.42 Estimated Need for Affordable Home Ownership by local authority (arising per annum)

	Total Gross Need	Supply	Net need
Dacorum	481	239	243
Hertsmere	298	142	156
St Albans	593	240	353
Three Rivers	288	125	163
Watford	277	127	150
SW Herts	1,938	872	1,066

Source: JGC/Iceni analysis derived from a range of sources

How Much Should Affordable Home Ownership Homes Cost?

7.94   The analysis and discussion above suggest there are a number of households likely to need affordable home ownership homes. The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable; before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). This section also provides some comments about Rent to Buy housing. It will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group.

First Homes and other Discounted Market Sale Housing

7.95   In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

a) must be discounted by a minimum of 30% against the market value;

b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);

c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,

d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

7.96   In terms of eligibility criteria, a First Home purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).

7.97   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 the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a price premium.

7.98   The approach used in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home in Dacorum:

- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Dacorum is £995 per month;

- On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £3,300 per month to afford (£995/0.3) or £39,800 per annum; and

- With an income of £39,800, it is estimated that a household could afford to buy a home for around £199,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a 4.5 times mortgage multiple – calculated as £39,800 x 4.5/0.9.

7.99   Therefore, £199,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Dacorum. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately.

7.100   In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford.

7.101   The tables below set out a suggested purchase price for affordable home ownership/First Homes in each local authority. The table also shows an estimated Open Market Value (OMV) and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Dacorum were to actually be £400,000 (rather than the modelled £316,300) then the discount would be up to 50%.

7.102   On the basis of the specific assumptions used, **the analysis points to a discount of at least 30% being required for all sizes of accommodation in most areas. Given there is a cap of £250,000 on the purchase price (and looking at the estimated pricing below), it will be difficult for 3+-bedroom homes to be provided as First Homes (and in some cases 2-bedroom homes).** First Homes are likely to be focused on smaller 1- and 2-bed properties.

Table 7.43 Affordable home ownership prices – data for year to September 2022 – Dacorum

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£165,000-£177,500	£218,500	19%-24%
2-bedrooms	£199,000-£237,000	£316,300	25%-37%
3-bedrooms	£260,000-£330,000	£460,000	28%-43%
4+-bedrooms	£320,000-£447,500	£661,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.44 Affordable home ownership prices – data for year to September 2022 – Hertsmere

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£179,000-£202,000	£258,800	22%-31%
2-bedrooms	£235,000-£275,000	£362,300	24%-35%
3-bedrooms	£290,000-£382,500	£546,300	30%-47%
4+-bedrooms	£370,000-£505,000	£736,000	31%-50%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.45 Affordable home ownership prices – data for year to September 2022 – St Albans

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£170,000-£210,000	£287,500	27%-41%
2-bedrooms	£230,000-£290,000	£402,500	28%-43%
3-bedrooms	£300,000-£432,500	£649,800	33%-54%
4+-bedrooms	£440,000-£617,500	£914,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.46 Affordable home ownership prices – data for year to September 2022 – Three Rivers

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£205,000	£264,500	22%-32%
2-bedrooms	£225,000-£275,000	£373,800	26%-40%
3-bedrooms	£290,000-£407,500	£603,800	33%-52%
4+-bedrooms	£390,000-£540,000	£793,500	32%-51%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.47 Affordable home ownership prices – data for year to September 2022 – Watford

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£220,000	£253,000	22%-29%
2-bedrooms	£237,000-£268,500	£345,000	22%-31%
3-bedrooms	£280,000-£365,000	£517,500	29%-46%
4+-bedrooms	£375,000-£480,000	£672,800	29%-44%

Source: Derived from JGC/Iceni analysis and ONS data

7.103   Based on current housing costs, **the evidence would point to a discount of 30% being justified in most areas, and potentially 40% in St Albans and Three Rivers on an affordability basis**. A higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. In addition, the analysis does suggest that homes other than 1-bedroom could potentially need a higher discount to make them affordable (for example a 2-bedroom home in St. Albans would need to be discounted by at least 38% to get below the £250,000 cap).

7.104   However, **providing a higher discount may well have an impact on viability, meaning the Councils will not be able to provide as many homes in other tenures** (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market). The Councils could therefore investigate higher discounts, but it is not

necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery.

7.105   As SW Herts is a high priced area, **there is very limited scope for the price cap to be lowered. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.**

7.106   The analysis is clear that there are likely to be a number of households whose incomes sit in the range of being able to afford to privately rent, but not being able to buy a home. It can be concluded that as long as First Homes are made available for an affordable price, it is likely there will be a strong demand (although some households in the rent/buy gap may not choose a discounted product given that the discount is held in perpetuity). However it is possible that First Homes will see demand from those who can technically afford housing in the existing market – this would not be meeting a need but would arguably provide some demand for this type of home.

7.107   To ensure First Homes are available to local residents and workers a local connection eligibility criteria could be used. This could be in-line with any criteria within local allocations policies, where applicable, and for example could require potential purchasers to demonstrate that they:

- Live in the relevant local authority (for a period of time (possibly 2-years));

- Work over 16 hours a week in the area, or

- Have a close relative (parent, adult son or daughter or adult sibling) who has lived in the area for a period of time

7.108   Additional preference could be given to essential workers (see paragraphs 7.128-7.136). Annex 2 of the NPPF also includes the needs of essential local workers *'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is <u>for essential local workers</u>'* [emphasis added]. Essential local workers are defined as *'Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers'*.

Shared Ownership

7.109   Whilst the Government has a clear focus on First Homes, it also sees a continued role for Shared Ownership, launching a 'New Model for Shared Ownership' in early 2021 (following a 2020 consultation). This includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. **A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase.** Additionally, the rental part of the cost will be subsidised by a

Registered Provider which keeps monthly outgoings down; and it is thus an affordable option for some prospective home owners who cannot afford to buy outright, or buy a First Home.

7.110   For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

7.111   Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- Open Market Value at Lower Quartile price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a Lower Quartile level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;

- 10% deposit on the equity share;

- Rent at 2.75% pa on unsold equity;

- Repayment mortgage over 25-years at 4%[22];

- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and

- It is also assumed that shared ownership would be priced for households towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

7.112   The tables below show that to make shared ownership affordable, equity shares in the region of 13% to 35% could work for 2-bedroom homes depending on location (1% to 22% of 3-bedroom homes). This suggests a difficulty in delivering affordable shared ownership as typically 25% minimum shares are required although this may fall to 10% through new regulation. As an alternative the Councils could consider additional affordable rental accommodation.

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[22] Interest rates are currently above this, but expected to fall over the next 2 years.

7.113   As with conclusions on First Homes, it should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely Open Market Value). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 7.48 Estimated Affordable Equity Share by Size – Dacorum

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£218,500	£316,300	£460,000	£661,300
Share	42%	22%	22%	5%
Equity Bought	£91,100	£69,300	£99,800	£34,400
Mortgage Needed	£82,000	£62,300	£89,800	£30,900
Monthly Cost of Mortgage	£433	£329	£474	£163
Retained Equity	£127,400	£247,000	£360,200	£626,900
Monthly Rent on Retained Equity	£292	£566	£825	£1,437
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£825	£995	£1,300	£1,600

Source: Data based on Housing Market Cost Analysis

Table 7.49 Estimated Affordable Equity Share by Size – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£258,800	£362,300	£546,300	£736,000
Share	32%	27%	15%	9%
Equity Bought	£82,000	£99,400	£80,600	£66,200
Mortgage Needed	£73,800	£89,500	£72,500	£59,600
Monthly Cost of Mortgage	£390	£473	£383	£315
Retained Equity	£176,700	£262,800	£465,700	£669,800
Monthly Rent on Retained Equity	£405	£602	£1,067	£1,535
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£895	£1,175	£1,450	£1,850

Source: Data based on Housing Market Cost Analysis

Table 7.50 Estimated Affordable Equity Share by Size – St Albans

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£287,500	£402,500	£649,800	£914,300
Share	13%	13%	1%	5%
Equity Bought	£37,100	£51,900	£4,500	£42,500
Mortgage Needed	£33,400	£46,700	£4,100	£38,300
Monthly Cost of Mortgage	£176	£247	£22	£202
Retained Equity	£250,400	£350,600	£645,200	£871,700
Monthly Rent on Retained Equity	£574	£803	£1,479	£1,998
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£850	£1,150	£1,500	£2,200

Source: Data based on Housing Market Cost Analysis

Table 7.51 Estimated Affordable Equity Share by Size – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£264,500	£373,800	£603,800	£793,500
Share	30%	18%	4%	7%
Equity Bought	£78,800	£68,400	£26,900	£53,600
Mortgage Needed	£70,900	£61,600	£24,200	£48,200
Monthly Cost of Mortgage	£375	£325	£128	£255
Retained Equity	£185,700	£305,400	£576,900	£739,900
Monthly Rent on Retained Equity	£426	£700	£1,322	£1,696
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,125	£1,450	£1,950

Source: Data based on Housing Market Cost Analysis

Table 7.52 Estimated Affordable Equity Share by Size – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£253,000	£345,000	£517,500	£672,800
Share	35%	35%	17%	20%
Equity Bought	£89,700	£119,700	£86,900	£135,600
Mortgage Needed	£80,700	£107,700	£78,200	£122,000
Monthly Cost of Mortgage	£426	£569	£413	£644
Retained Equity	£163,300	£225,300	£430,600	£537,200
Monthly Rent on Retained Equity	£374	£516	£987	£1,231
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,185	£1,400	£1,875

Source: Data based on Housing Market Cost Analysis

7.114   In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 22% equity share for a 2-

bedroom home in Dacorum, this is based on a specific set of assumptions. Were a scheme to come forward with a 22% share, but a total cost in excess of £995 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. **Hence the actual share can only be calculated on a scheme-by-scheme basis**. Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

7.115   A further affordable option is Rent to Buy; this is a Government scheme designed to ease the transition from renting to buying the same home. Initially (typically for five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.

7.116   At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.

7.117   In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower-than-market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership). It should therefore be treated as part of the affordable home ownership products suggested by the NPPF.

7.118   If the Councils are to accept Rent-to-Buy as part of the package of affordable home ownership, it will be important to ensure such housing is genuinely affordable. As with affordable rents, there may well be a case to seek for a greater discount to ensure housing costs remain below those already available in the open market.

Drawing the Analysis Together

7.119   The table below shows the rented and low cost home ownership needs together. A need for both rented and affordable home ownership homes is shown in all areas, with rented accommodation accounting for 68% of the need shown across SW Herts (rising to 73% in Hertsmere and 78% in Watford). The higher rental need in Watford is reflective of a smaller gap in the estimated income required to buy and rent housing (meaning fewer households sit within the 'affordable home

ownership' income bracket). In contrast, a higher relative need for affordable home ownership (as a proportion of the overall affordable housing need) is shown in St Albans.

Table 7.53 Overall Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need (pa)	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	589
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,065	3,323

Source: Affordable housing need analysis

Relationship to Overall Housing Need

7.120 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

'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, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the strategic plan may need to be considered where it could help deliver the required number of affordable homes'

7.121 The table below then compares the affordable housing need shown to the standard method local housing need. Typically up to 35% or 40% of homes are sought as affordable housing. At these proportions, much higher levels of overall housing provision would be required to deliver in full the genuinely affordable housing which this report identifies is needed.

7.122 Taking St Albans as an example, the affordable housing need identified exceeds the standard method LHN. This occurs because the two figures are derived from fundamentally different modelling approaches. The following factors need to be noted:

- The affordable housing model is looking not just at the overall growth in the housing stock, but issues of tenure imbalance. It is not looking across tenures but looking at affordable housing specifically – part of the need shown is for instance from households in existing homes, who require an alternative tenure or size of home, but by moving would release the existing property for another household.

- The need shown is in part a factor of historical investment decisions, funding availability and losses, which have influenced the current stock of affordable housing available to meet needs.

- Some households would see their circumstances improve over time. One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household's income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.

- In reality, some households 'in need' are accommodated within the Private Rented Sector with support through Local Housing Allowance (LHA). Whilst this is not genuine affordable housing or offer the same security of tenure, the 2011 Localism Act allows Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS. However there can be risks from reliance on this sector to meet need. Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivering affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.

- The Planning Practice Guidance specifically sets out in Para 67-001 that the needs of specific groups (such as those needing affordable housing in this case) may well exceed, or be proportionally high in relation to the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which forms the baseline for the standard method. It sets out that planning authorities will need to consider whether based on the evidence a higher level of housing provision might be considered, whether in effect there are constraints to additional housing delivery, as well as the anticipated deliverability, having regard to viability.

Table 7.54 Housing Provision notionally required to meet Affordable Housing in Full

Dwellings per annum	Total Annual Affordable Need	Delivery to Meet AHN in Full @ 35%	Delivery to Meet AHN in Full @ 40%	Standard Method Minimum LHN (dpa)
Dacorum	737	2,106	1,842	1,017
Hertsmere	590	1,685	1,474	726
St Albans	802	2,292	2,005	887
Three Rivers	527	1,505	1,317	637
Watford	668	1,909	1,670	778
SW Herts	3,324	9,496	8,309	4,046

Source: Iceni

7.123   Clearly where a household is able to access suitable housing in the Private Rented Sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. The analysis below considers the current position in this respect.

7.124   Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2023, it is estimated that there were over 12,500 benefit claimants in the private rented sector in South West Herts. From this, it is clear that the PRS contributes to the wider delivery of 'affordable homes' with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.

7.125   It should however be noted that it may be difficult for households to access private rented housing where they are reliant on Housing Benefit (HB)/ Universal Credit (UC). In some cases Local Housing Allowance (LHA) levels will be low compared to the rent being sought and there will also be cases where landlords do not let homes to households claiming benefits. Therefore, whilst the private rented sector does release some pressure from affordable housing, it should not be considered as an affordable tenure.

7.126   The figure below shows the trend in the number of claimants in the Study area. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 8,000 households).

Figure 7.5 Number of Housing Benefit claimants in the private rented sector – South West Herts
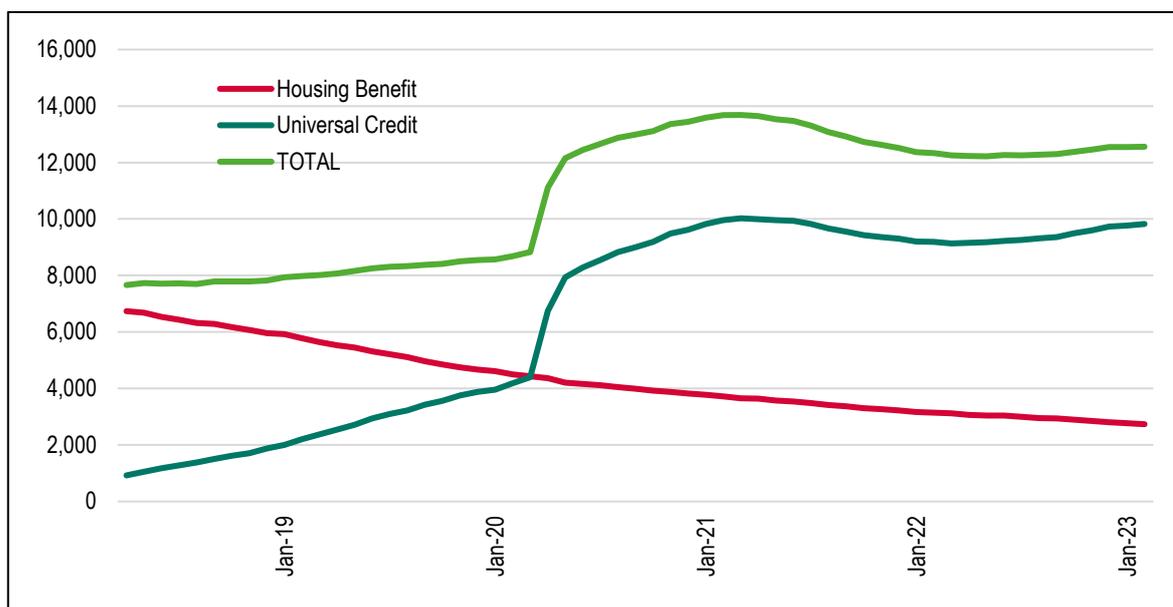
Source: Department of Work and Pensions

7.127   The table below shows the number of claimants in February 2023 and also 4-years previously (to provide an indication of the impact of the pandemic). Benefit claimant numbers are particularly high in Watford and lowest in Three Rivers.

Table 7.55 Number of Housing Benefit claimants in the Private Rented Sector – local authorities

	February 2019			February 2023		
	Housing Benefit	UC with housing element	TOTAL	Housing Benefit	UC with housing element	TOTAL
Dacorum	1,430	251	1,681	579	2,138	2,717
Hertsmere	1,264	358	1,622	672	2,229	2,901
St Albans	919	498	1,417	482	1,503	1,985
Three Rivers	660	266	926	321	1,043	1,364
Watford	1,507	830	2,337	680	2,908	3,588
SW Herts	5,777	2,204	7,981	2,736	9,820	12,556

Source: Department of Work and Pensions

Essential Local Workers

7.128   Annex 2 of the NPPF also includes the needs of essential local workers 'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is <u>for essential local workers'</u> [emphasis

added]. Essential local workers are defined as 'Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers'.

7.129 To give an indication of the number of essential workers in South West Herts analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories. This shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent 'essential workers'. The analysis shows that around 28% of resident workers are considered 'essential workers' in the HMA – this figure is very slightly below that seen regionally and nationally (essentially reflecting a strong private sector business base).

Table 7.56 Number and proportion of essential workers in a range of areas – 2021

	South West Herts		East of England	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	3,771	1.2%	2.3%	2.3%
Manufacturing	14,075	4.7%	7.0%	7.3%
Construction	28,150	9.3%	10.0%	8.7%
Distribution, hotels and restaurants	54,785	18.1%	19.4%	19.9%
Transport and communication	35,995	11.9%	9.8%	9.8%
Financial, Real Estate, Professional & Administration	66,599	22.0%	18.1%	17.4%
Public administration, education and health	83,915	27.7%	28.8%	30.2%
Other	15,357	5.1%	4.5%	4.6%
All industries	302,647	100.0%	100.0%	100.0%

Source: 2021 Census

7.130 The table below shows how the number of essential workers varies across the local authorities – there are only modest differences between locations with around 29% of workers falling into the Public administration, education and health category in Three Rivers and Watford but just 26% in Dacorum. No area has a higher proportion than the national average.

Table 7.57 Number and proportion of Essential Workers – local authorities

	Resident essential workers	% of workers in area	% of resident workers
Dacorum	20,360	26.4%	24.3%
Hertsmere	14,820	28.1%	17.7%
St Albans	19,899	27.3%	23.7%
Three Rivers	13,567	28.9%	16.2%
Watford	15,269	28.9%	18.2%
South West Herts	83,915	27.7%	100.0%

Source: 2021 Census

7.131   The 2021 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, although the proportion living in social rented housing is slightly above the HMA average (owner-occupation and private renting being slightly lower).

Table 7.58 Housing tenure by industry of employment (2011) – South West Herts

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	63.1%	17.7%	19.3%
Manufacturing	70.4%	9.1%	20.5%
Construction	62.4%	12.7%	24.9%
Distribution, hotels and restaurants	56.3%	17.5%	26.2%
Transport and communication	68.8%	9.7%	21.5%
Financial, Real Estate, Professional and Administration	74.8%	7.2%	18.0%
Public administration, education and health	64.6%	14.5%	20.9%
Other	63.5%	11.3%	25.1%
All industries	66.2%	12.0%	21.8%

Source: 2021 Census

7.132   It is possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Hertfordshire) for nurses, firefighters, teachers, police officers and childcare was undertaken in September 2023. This showed a range of salaries, but with earnings concentrated in the range of about £25,000 to £35,000 per annum. The average salary was around £30,000, although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.

7.133   With a salary of £30,000, an individual might be able to buy a home for around £150,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £300,000. This latter figure would just about allow the household to afford to buy a 1- or 2-bedroom home across much of the study area, but the single income would make home ownership difficult.

7.134   On the basis of incomes **essential local workers could be a potential target for affordable home ownership products** whilst there may be some in lower paid roles/ professions, including social care, who are in need of rented affordable housing. In addition, it looks like essential local worker incomes will often sit in the gap between being able to buy and rent. As with other professions it is important however to remember that incomes will vary within organisations; and that many households will include multiple incomes. However the analysis quite strongly suggests that to be affordable to essential local workers, homes would need to be priced at under £300,000.

7.135   The evidence does show recruitment and retention difficulties for public sector organisations within the area. As an example, the Herts and West Essex ICS People Strategy indicates that within the heath sector, high living costs mean that attracting health and care workers with the right skills can be difficult. It quotes the very substantial differential between monthly private rents between St Albans and Bedford (£1,150 vs £675). It identifies a high proportion of the primary care and nursing workforce who are older; and significant issues of turnover amongst social care staff which stands at 27% pa. Because of domestic constraints, as with other NHS organisations, it is reliant increasingly on international recruitment. Vacancies are running at 9.1% in social care and 9.7% in secondary care. This is similar to the picture across the East of England (9.5% vacancies across the NHS workforce). There will be similar challenges across other public sector organisations.

7.136   Improving access to housing can help to address some of these recruitment and retention pressures by addressing issues linked to housing costs and cost of living pressures. Options to do so include ensuring that allocations policies for affordable housing take into account whether households contain key workers, which can enhance access to social housing; as well as specific programmes which provide key worker housing such as intermediate rented units close to key public sector employers. An example is The Wrap scheme in Watford, which offers intermediate rented properties for those earning £25,000 - £60,000 a year which prioritises those working for East & North Herts NHS Trust.[23] Similarly in identifying purchasers for shared ownership properties, particularly those close to key hubs of public sector employment, initial priority could be given to key workers.

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[23] https://www.originhousing.org.uk/customers/rent-a-home/keyworker-and-young-professional/the-wrap-watford

Mix of Affordable Housing Sought

7.137   The above analysis suggests that affordable housing needs are unlikely to be met in full. Therefore there is a question regarding what types of affordable housing is prioritised. Here different factors need to be balanced against one another. Policies for affordable housing provision also need to take account of viability considerations.

7.138   A need for affordable home ownership properties is shown. The NPPF (Dec 2023) gives a clear direction that 10% of all new housing (on eligible 'major developments') should be for affordable home ownership; and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO). The evidence shows a sufficient affordable home ownership need to support this; albeit that there is a case for seeking to support provision of a range of affordable home ownership products (beyond First Homes).

7.139   **However the evidence also points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty.** Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments). In South West Herts, the clear need for additional rented housing would likely mean that prioritising the affordable home ownership could 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation, depending on decisions on the scale of housing provision to be planned for.

7.140   **At a strategic level, Iceni would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. However it is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, their own viability evidence and local priorities.**

7.141   The evidence for instance shows a higher affordable home ownership need in St Albans; and a lower need in Watford where there is a higher relative need for rented affordable homes, and in particular social rented provision. These are relevant considerations in setting policies in different authorities and for instance would justify a 60/40 split in St Albans; whilst for Watford, the evidence base continues to support the emphasis in Policy on provision at social rents.

7.142   Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance

allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

8. NEED FOR DIFFERENT TYPES & SIZES OF HOMES

8.1 This section considers the appropriate mix of housing across South West Herts, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

8.2 The number of families in South West Herts (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 81,000 as of the 2021 Census, accounting for 34% of households; this proportion is higher than that seen across the East of England region and nationally. In particular South West Herts sees a high proportion of married couples with children (21% of all households).

Table 8.1 Households with dependent children (2021)

	South West Herts		Hertford-shire	East of England	England
	No.	%	%	%	%
Married couple	49,687	20.6%	18.9%	15.5%	14.4%
Cohabiting couple	9,341	3.9%	4.3%	4.8%	4.5%
Lone parent	15,405	6.4%	6.5%	6.3%	6.9%
Other households [24]	6,568	2.7%	2.5%	2.4%	2.7%
All other households	160,566	66.5%	67.8%	71.0%	71.5%
Total	241,567	100.0%	100.0%	100.0%	100.0%
Total with dependent children	81,001	33.5%	32.2%	29.0%	28.5%

Source: Census (2021)

8.3 The table below shows the same information for each of the local authorities. There is some variation in the proportion of households with dependent children, ranging from 32% in Dacorum, up to 35% in St Albans and Watford – all areas see a proportion with dependent children above the regional and national average. This is likely to be influenced by the area's economic dynamism and its relationship (and relative affordability compared) to London.

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[24] Including student only, all over 66 and 'other' household composition types

Table 8.2 Households with Dependent Children (2021)

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	SWH
Married couple	18.0%	19.8%	24.0%	21.0%	20.0%	20.6%
Cohabiting couple	4.8%	3.2%	3.5%	3.9%	3.6%	3.9%
Lone parent	7.0%	7.0%	5.5%	5.7%	6.6%	6.4%
Other households	2.1%	3.1%	1.8%	2.9%	4.5%	2.7%
All other households	68.2%	66.9%	65.3%	66.4%	65.2%	66.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total with dependent children	31.8%	33.1%	34.7%	33.6%	34.8%	33.5%

Source: Census (2021)

8.4   The figure below 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. In South West Herts, only 29% of lone parent households are owner-occupiers compared with 77% of married couples with children.

Figure 8.1 Tenure of households with dependent children (2021) – South West Herts
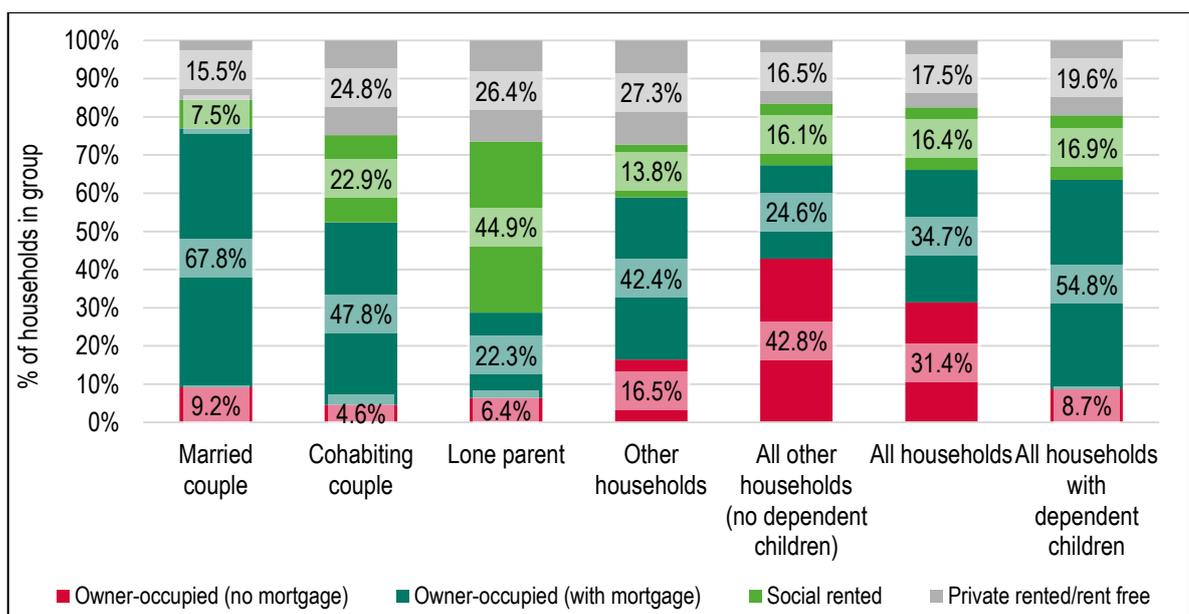
Source: Census (2021)

8.5   The figure below shows levels of overcrowding and under-occupancy of households with dependent children. A negative figure, -1 or less, indicates that a household has fewer bedrooms than required and is therefore overcrowded. A positive figure indicates that the household has spare bedrooms relative to the household requirement. However a household can have a single spare room that is used as an office or guest bedroom younger children that do not share a room.

8.6   The figure shows higher levels of overcrowding for all household types with dependent children, as might be expected, with 14% of all lone parents and 37% of 'other' households being overcrowded (compared to 4.5% of all households). Overall, some 10% of households with dependent children are overcrowded, compared with 1.4% of other households. Levels of under-occupancy are also notably lower in households with dependent children.

Figure 8.2 Occupancy rating of households with dependent children (2021) – South West Herts
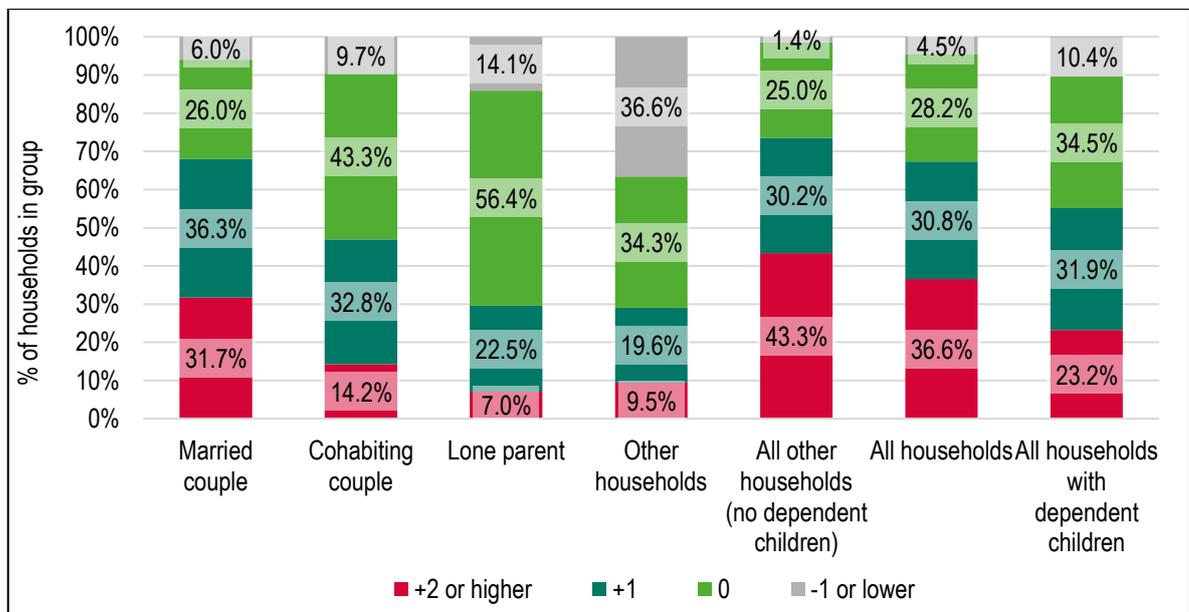
Source: Census (2021)

The Mix of Housing

8.7   A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated though the standard method, it is possible to see which age groups are expected to change in number, and by how much.

8.8   On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period (taken to be 2021-41).

8.9   An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 76% of the total in this tenure group, although a similar proportion to that seen in other areas). The profile of the social rented sector is broadly similar across areas whilst the private rented sector generally has more smaller homes than other locations. Observations about the current mix feed into conclusions about future mix later in this section.

Table 8.3 Number of Bedrooms by Tenure, 2021

		South West Herts	Hertfordshire	East of England	England
Owner-occupied	1-bedroom	5%	5%	4%	4%
	2-bedrooms	19%	19%	20%	21%
	3-bedrooms	39%	42%	44%	46%
	4+-bedrooms	37%	35%	32%	29%
	Total	100%	100%	100%	100%
	Ave. no. beds	3.08	3.06	3.05	3.01
Social rented	1-bedroom	31%	30%	29%	29%
	2-bedrooms	32%	32%	35%	36%
	3-bedrooms	33%	35%	32%	31%
	4+-bedrooms	4%	4%	4%	4%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.11	2.13	2.11	2.10
Private rented	1-bedroom	26%	25%	21%	21%
	2-bedrooms	41%	40%	38%	39%
	3-bedrooms	22%	24%	30%	29%
	4+-bedrooms	11%	11%	11%	11%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.18	2.20	2.31	2.30

Source: Census (2021)

8.10   The table below shows the same information for each local authority. For owner-occupied housing this shows the largest stock to be in St Albans with Watford having the lowest average dwelling size. This latter pattern is the same in the private rented sector (smallest dwelling sizes in Watford) with Three Rivers seeing the largest private rented sector. The are some variations in the social rented stock – in this case the smallest stock is in Three Rivers and the largest in Dacorum and Watford. Differences between areas in terms of the social rented stock are less notable than for the market tenures.

Table 8.4 Number of Bedrooms by Tenure, 2021 – local authorities

		Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Owner-occupied	1-bedroom	4%	5%	4%	4%	8%
	2-bedrooms	18%	21%	17%	18%	23%
	3-bedrooms	42%	41%	35%	40%	42%
	4+-bedrooms	36%	34%	45%	38%	27%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	3.09	3.02	3.20	3.12	2.88
Social rented	1-bedroom	29%	31%	31%	34%	29%
	2-bedrooms	31%	34%	33%	31%	32%
	3-bedrooms	34%	32%	33%	33%	33%
	4+-bedrooms	5%	4%	4%	3%	5%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.15	2.09	2.09	2.03	2.14
Private rented	1-bedroom	25%	22%	26%	21%	33%
	2-bedrooms	41%	42%	43%	40%	39%
	3-bedrooms	24%	25%	21%	27%	18%
	4+-bedrooms	10%	12%	11%	13%	11%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.19	2.27	2.16	2.31	2.07

Source: Census (2021)

Overview of Methodology

8.11   The method to consider future housing mix looks at the ages of the Household Reference Persons (occasionally referred to as the Head of Household) and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

8.12   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 are able to 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.

8.13   The size of housing which households occupy relates more to their wealth and age than 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.

8.14   That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller level access homes would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.

8.15   The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, 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 spare room subsidy ('bedroom tax')).

8.16   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 (data being drawn from the 2021 Census).

8.17   The figure below provides an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for South West Herts and the East of England region. In all sectors the average size of accommodation rises over time to typically reach a peak around the age of 50. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between South West Herts and the region with the main one being around smaller dwelling sizes in the private rented sector. The general patterns of average dwelling sizes by age of HRP are however similar in both areas.

Figure 8.3 Average Bedrooms by Age and Tenure in South West Herts
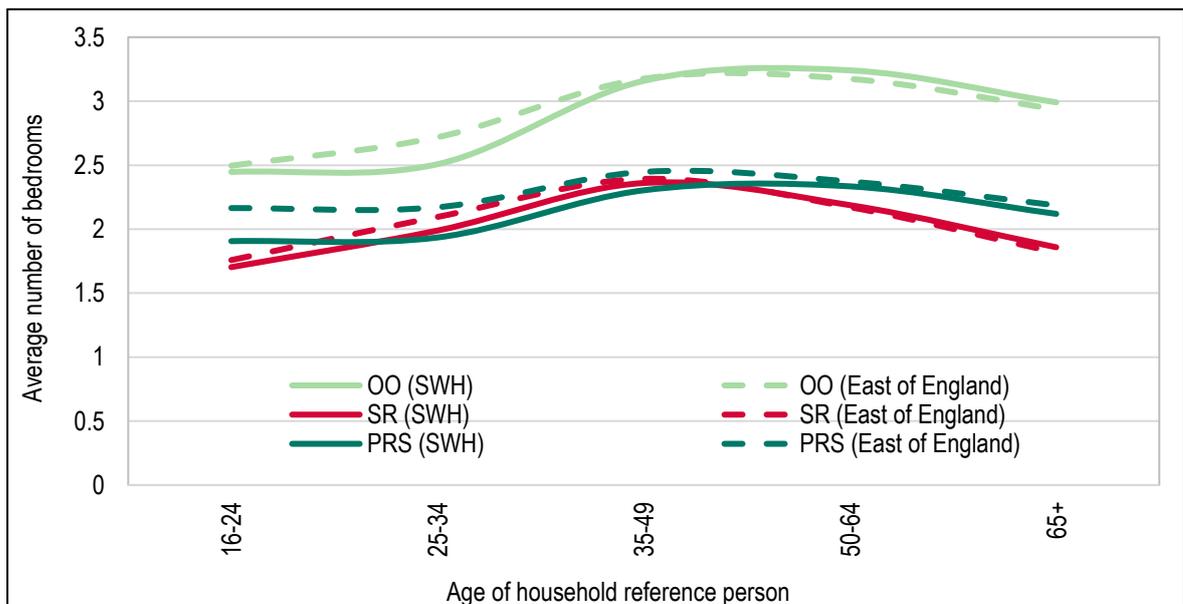
Source: Census (2021). OO = Owner Occupied; SR = Social Rented; PRS = Private Rented Sector. SWH = South West Hertfordshire.

8.18   The analysis uses the existing occupancy patterns at a local level as a start point for analysis and applies these to the projected changes in Household Reference Person by age discussed below. The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector. Arguably, this could also include the profile of private rented housing (as this is a market tenure), however, it is considered that the vast majority of newbuild homes are built with the intention of owner-occupation whilst it has previously been shown that a significant part of the private rented sector is actually being used to support the lack of affordable housing in the area. That said, a sensitivity has been undertaken to see the difference if using PRS occupancy profiles;

- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and

- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.19   The tables below present the projected change in households by age of household reference person from 2021 to 2041; two tables are provided, based on the projections described in Section 6 (one linking to levels of households growth in the 2014-based household projections and the other the Standard Method). The analysis shows growth as being expected in all age groups and in particular older age groups. The number of households headed by someone aged 35-49 is projected to see the most modest increase over the period studied (up 9% in the case of household growth only) with numbers aged 85 and over projected to increase by at least 70%.

Table 8.5 Projected Change in Household by Age of HRP in South West Herts (linked to household growth)

	2021	2041	Change in Households	% Change
Under 25	3,331	3,999	667	20.0%
25-34	28,388	34,600	6,212	21.9%
35-49	72,557	79,189	6,632	9.1%
50-64	71,961	83,898	11,937	16.6%
65-74	30,870	40,885	10,015	32.4%
75-84	23,743	37,941	14,198	59.8%
85+	11,132	19,292	8,160	73.3%
TOTAL	241,983	299,803	57,819	23.9%

Source: Demographic Projections

Table 8.6 Projected Change in Household by Age of HRP in South West Herts (linked to Standard Method)

	2021	2041	Change in Households	% Change
Under 25	3,331	5,775	2,443	73.3%
25-34	28,388	41,566	13,177	46.4%
35-49	72,557	87,653	15,096	20.8%
50-64	71,961	85,809	13,847	19.2%
65-74	30,870	41,628	10,758	34.8%
75-84	23,743	38,453	14,710	62.0%
85+	11,132	19,645	8,513	76.5%
TOTAL	241,983	320,527	78,544	32.5%

Source: Demographic Projections

Modelling Outputs

8.20   By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.

8.21   The analysis for rented affordable housing can also draw on data from the local authority Housing Registers with regard to the profile of need. The data shows a pattern of need which is focussed on 1-bedroom homes but with over a quarter of households as requiring 3+-bedroom accommodation.

Table 8.7 Size of Social/Affordable Rented Housing – Housing Register Information (March 2022)

	Number of households	% of households
1-bedroom	2,824	50.8%
2-bedrooms	1,151	20.7%
3-bedrooms	1,280	23.0%
4+-bedrooms	303	5.5%
TOTAL	5,558	100.0%

Source: LAHS

8.22   The tables below show the modelled outputs of need by dwelling size in the three broad tenures. This is done by linking local and regional occupancy patterns and modelling using both projections developed. There are only very limited differences in the two models and in both cases market housing focusses on 3+-bedroom homes, affordable home ownership on 2- and 3-bedroom accommodation and rented affordable housing showing a slightly smaller profile again.

8.23   Given there is only a limited difference in the scenarios, further analysis to follow focuses on the 'linked to household growth' scenario only.

Table 8.8 Modelled Mix of Housing by Size and Tenure (linked to household growth)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	22%	43%	31%
Affordable home ownership	24%	40%	26%	11%
Affordable housing (rented)	32%	32%	32%	4%

Source: Housing Market Model

Table 8.9 Modelled Mix of Housing by Size and Tenure (linked to the Standard Method)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	22%	42%	32%
Affordable home ownership	25%	40%	25%	10%
Affordable housing (rented)	31%	34%	31%	4%

Source: Housing Market Model

Sensitivity Analysis: Including Private Rent in the Market Analysis

8.24   Below, the modelling has been repeated but including the profile of households in the private rented sector as part of the market – this is reasonable given the PRS is a market tenure, but as previously noted does have the issue that it will be picking up a notable number of households using this sector due to a lack of affordable housing). This does have a modest impact on the findings – in particular there is a small shift towards smaller (1- and 2-bedroom) homes.

Table 8.10 Modelled Mix of Housing in market sector (with and without including private rented sector)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Excluding PRS	5%	22%	42%	32%
Including PRS	8%	25%	40%	28%

Source: Housing Market Model

Adjustments for Overcrowding

8.25   The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2021 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2021 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and this could point to a larger profile of homes being needed than shown by initial modelling.

8.26   Arguably the analysis could also look at under-occupancy (where households have more bedrooms than they need) – this might help to make a more efficient use of stock. However, it would not be reasonable to expect to remove under-occupancy (particularly in the market sector) and so this is not taken into account in the modelling, although the scale of under-occupancy in different tenures is highlighted below.

8.27   The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2021, there were 133,000 households with some degree of under-occupation and just 2,700 overcrowded households.

Table 8.11 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	32,174	47,148	79,322
+1	0	22,545	21,449	9,707	53,701
0	7,313	6,775	8,271	1,525	23,884
-1	503	856	945	427	2,731
TOTAL	7,816	30,176	62,839	58,807	159,638

Source: Census (2021)

8.28   For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 8.12 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	3,298	597	3,895
+1	0	4,223	3,712	516	8,451
0	11,308	6,771	4,911	406	23,396
-1	791	1,694	1,171	156	3,812
TOTAL	12,099	12,688	13,092	1,675	39,554

Source: Census (2021)

Table 8.13 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	2,234	2,916	5,150
+1	0	7,602	3,540	1,051	12,193
0	9,531	7,901	2,896	493	20,821
-1	1,565	1,758	681	203	4,207
TOTAL	11,096	17,261	9,351	4,663	42,371

Source: Census (2021)

8.29   In using this data in the modelling an adjustment is made to move overcrowded households into larger homes; households are moved up as many bedrooms as is needed to resolve the problems. The adjustments for overcrowding lead to the suggested mix as set out in the following table. It can be seen there is little difference from the main modelling.

Table 8.14 Adjusted Modelled Mix of Housing by Size and Tenure

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	21%	43%	32%
Affordable home ownership	21%	39%	28%	12%
Affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

8.30   Across the study area, the analysis points to around a third of the social/affordable housing need being for 1-bedroom homes and it is of interest to see how much of this is due to older person households. In the future household sizes are projected to drop whilst the population of older people will increase. Older person households (as shown earlier) are more likely to occupy smaller dwellings. The impact of older people have on demand for smaller stock is outlined in the table below.

8.31   This indeed identifies a larger profile of homes needed for households where the household reference person is aged Under 65, with a concentration of 1-bedroom homes for older people. This information can be used to inform the mix required for General Needs rather than Specialist Housing, although it does need to be noted that not all older people would be expected to live in homes with some form of care or support.

Table 8.15 Adjusted Modelled Mix of Housing by Size and Age – Affordable Housing (Rented) – South West Herts

Age of HRP	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Under 65	21%	34%	34%	11%
65 and over	47%	53%		
All affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

8.32   A further analysis of the need for rented affordable housing is to compare the need with the supply (turnover) of different sizes of accommodation. This links back to estimates of need in the previous section (a need for 2,258 dwellings per annum) with additional data from CoRe about the sizes of homes let over the past three years.

8.33   This analysis is quite clear in showing the very low supply of larger homes relative to the need. For 4+-bedroom accommodation, it is estimated the supply is only around 5% of the need arising each year, whereas for 1-bedroom homes around 43% of the need can be met.

Table 8.16 Need for general needs rented affordable housing by number of bedrooms – South West Herts

	Gross Annual Need	Gross Annual Supply	Net Annual Need	As a % of total net annual need	Supply as a % of gross need
1-bedroom	819	350	469	20.8%	42.7%
2-bedrooms	1,145	367	778	34.5%	32.0%
3-bedrooms	924	153	771	34.1%	16.5%
4+-bedrooms	252	12	240	10.6%	4.7%
Total	3,139	881	2,258	100.0%	28.1%

Source: JGC Modelling

Comparison of Modelling Outputs with 2020 study

8.34   A similar analysis was carried out in the 2020 LHNA and the table below provides a comparison of the modelling outputs from that report and this study. It can be seen there are some differences between the figures, but generally these are not particularly substantial. Differences will be driven by a number of factors, including: use of up-to-date projections, use of 2021 Census data on occupancy and an adjustment for overcrowding (which mainly impacts on rented affordable needs). It should be noted the 2020 study did not separate out the rented affordable need into households aged over and under 65.

Table 8.17 Comparing Modelled Mix of Housing by Size and Tenure (2020 and 2023 reports) – South West Herts

		1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	This study	4%	21%	43%	32%
	2020 study	5%	22%	44%	29%
Affordable home ownership	This study	21%	39%	28%	12%
	2020 study	27%	41%	24%	9%
Affordable housing (rented)	This study	30%	30%	33%	7%
	2020 study	35%	29%	32%	4%

Source: 2020 data from Tables 71-73

Indicative Targets for Different Sizes of Property by Tenure

8.35   The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).

8.36   A further factor which has been considered is the evidence that conversions and in particular extensions of existing properties have been contributing to the supply of larger properties in the HMA. This is particularly likely to have affected market sector homes (and in particular those that are owner occupied), as households seek to extend properties given the high transactional costs of moving (influenced in particularly by property values and therefore Stamp Duty). Taking this into account, it is reasonable for new-build development to focus slightly more towards smaller homes than the modelled need, with slightly lower provision of 4+ bed homes, reflecting that the supply of some larger properties of these sizes will be achieved in part through extensions to existing stock. Much of the housing stock in 2040/41 is likely to exist now.

Social/Affordable Rented

8.37   Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be occupied by younger single people).

8.38   As noted, the conclusions also consider the Housing Register and also take account of the current profile of housing in this sector). In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

General Needs

- 1-bedroom: 20%
- 2-bedroom: 30%
- 3-bedroom: 35%
- 4+-bedroom: 15%

Housing for Older People

- 1-bedroom: 50%
- 2+-bedroom: 50%

Affordable Home Ownership

8.39   In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households and childless couples. Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20%
- 2-bedroom: 40%
- 3-bedroom: 30%
- 4+-bedroom: 10%

Market Housing

8.40   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 (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). However they have also sought to balance wider issues including the increased prevalence of home working but also the role which extensions to existing homes play in contributing to the stock of larger properties. These issues counteract one another to some degree.

8.41   The conclusions for market housing see a slightly larger recommended profile compared with other tenure groups, but with future stock provision focused on 2- and 3-bed stock:

- 1-bedroom: 5%
- 2-bedroom: 20%
- 3-bedroom: 45%
- 4+-bedroom: 30%

8.42 Although the analysis has quantified this on the basis of 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 plan making process (although it will be useful to include an indication of the broad mix to be sought across the Council area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.

8.43 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character and the form of development are also however relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Considering the Need for different Sizes of Homes against Recent Delivery

The historical data, as considered in Section 3, points to a focus of delivery in SW Herts towards 1- and 2-bed properties in recent years, with family-sized homes with 3 or more bedrooms equating to just 31% of new-build homes delivered. Property extensions have provided an important source of supply of larger homes in this context.

The delivery of family homes tends to be focused on suburban locations, larger and greenfield sites. If the delivery of family homes is to be supported through local plans in the sub-region, the mix of sites allocated for development should be considered through the plan-making process. However the delivery of specialist homes and those attractive to older households, in locations with access to services, amenities and public transport, can also help to release existing family-sized homes for other local households.

District Level Housing Mix

8.44 The analysis above has focussed on overall study area-wide needs; given differences between authorities. It is however worth considering the potential mix at a district level with figures for local authorities shown in the tables below.

8.45 These tables are all based on the same analysis above, but using data specific to each local authority. The analysis uses district-level occupancy patterns (combined with regional data) and links to the projection based on household growth. The figures in the market link to owner-occupier profiles (i.e. excludes the Private Rented Sector) but do include an adjustment for overcrowding by tenure.

8.46 It is not considered that any District-level findings point to a significantly different mix being required in different areas when compared with the study area as a whole and it should be noted that in practice, the future housing mix will also be influenced by the types of housing site available. This will vary from district to district and will be influenced by the scale of Green Belt releases in Local Plans. Generally, it is much easier to secure family houses on greenfield sites than on previously developed urban land, which explains why relatively few family homes are built in Watford for example.

Table 8.18 Adjusted Modelled Mix of Housing by Size and Tenure – Dacorum

| | Market | Affordable home ownership | Affordable housing (rented) | |
			General needs	Older persons
1-bedroom	4%	21%	20%	48%
2-bedrooms	21%	39%	37%	52%
3-bedrooms	43%	28%	35%	
4+-bedrooms	32%	11%	7%	

Source: Housing Market Model (with adjustments)

Table 8.19 Adjusted Modelled Mix of Housing by Size and Tenure – Hertsmere

| | Market | Affordable home ownership | Affordable housing (rented) | |
			General needs	Older persons
1-bedroom	4%	18%	23%	42%
2-bedrooms	24%	39%	33%	58%
3-bedrooms	43%	30%	34%	
4+-bedrooms	29%	13%	10%	

Source: Housing Market Model (with adjustments)

Table 8.20 Adjusted Modelled Mix of Housing by Size and Tenure – St Albans

| | Market | Affordable home ownership | Affordable housing (rented) | |
			General needs	Older persons
1-bedroom	4%	22%	20%	46%
2-bedrooms	21%	40%	33%	54%
3-bedrooms	41%	27%	32%	
4+-bedrooms	34%	11%	15%	

Source: Housing Market Model (with adjustments)

Table 8.21 Adjusted Modelled Mix of Housing by Size and Tenure – Three Rivers

| | Market | Affordable home ownership | Affordable housing (rented) | |
			General needs	Older persons
1-bedroom	4%	19%	20%	53%
2-bedrooms	21%	39%	32%	47%
3-bedrooms	42%	30%	35%	
4+-bedrooms	32%	13%	12%	

Source: Housing Market Model (with adjustments)

Table 8.22 Adjusted Modelled Mix of Housing by Size and Tenure – Watford

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	22%	18%	44%
2-bedrooms	21%	37%	33%	56%
3-bedrooms	44%	29%	34%	
4+-bedrooms	30%	13%	15%	

Source: Housing Market Model (with adjustments)

8.47   These calculations reflect an unconstrained assessment of the need for different types of homes. The nature of the land supply in different areas can however have an influence on the form of development coming forwards and what is built. In areas such as Watford, a high proportion of development is on flatted schemes where developers prefer to deliver smaller 1-bed and 2-bed properties which support higher values per square foot. There is however a case for seeking the delivery of larger properties on flatted schemes through policy with a view to achieving a balanced mix of homes overall.

Built-form

8.48   A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses with a short discussion also provided on the size of homes within bedroom number categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes).

Bungalows

8.49   The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Council areas as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.

8.50   The table below shows a modest proportion of homes in South West Herts are bungalows (6% of all flats and houses). Approaching half of bungalows have 2-bedrooms (46% of the total). A notably higher proportion (9%) of homes across England are bungalows.

Table 8.23 Number of dwellings by property type and number of bedrooms (March 2020) – South West Herts

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	2,130	6,310	3,740	1,490	80	13,730
Flat/Maisonette	28,990	32,470	3,100	220	340	65,110
Terraced house	1,810	19,780	39,800	5,580	160	67,120
Semi-detached house	190	5,470	43,460	8,870	150	58,130
Detached house	70	1,250	12,300	28,770	300	42,660
All flats/houses	33,190	65,280	102,400	44,930	1,030	246,750
Annexe	-	-	-	-	-	360
Other	-	-	-	-	-	1,210
Unknown	-	-	-	-	-	1,370
All properties	-	-	-	-	-	249,670

Source: Valuation Office Agency

8.51   In general, discussions with local estate agents (discussions nationally) find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular). 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 (this is different from specialist accommodation for older people which would have some degree of care or support).

8.52   As a new build option, bungalows are 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 sight lines.

8.53   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.

8.54   Overall, the Councils could 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 and this is likely to limit opportunities for development – particularly in more urban locations.

8.55   Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

Flats versus Houses

8.56   Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 82% of all 1-bedroom homes are flats, 38% of 2-bedroom homes and just 5% of homes with 3-bedrooms.

8.57   The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in South West Herts and a number of other locations. This shows a relatively high proportion of flats in South West Herts (52% of all 2-bedroom homes). This would arguably point to a broad split between flats and houses for 2-bedroom homes in the future although this will to some extent depend on site characteristics. The analysis does also show a higher proportion of flats in the social and private rented sectors.

Table 8.24 Proportion of 2-bedroom homes that are a flat, maisonette or apartment (by tenure)

	Owner-occupied	Social rented	Private rented	All (2-bedroom)
Dacorum	37%	49%	68%	48%
Hertsmere	47%	59%	73%	57%
St Albans	40%	63%	68%	53%
Three Rivers	33%	42%	63%	41%
Watford	47%	69%	70%	60%
SWH	41%	56%	69%	52%
East of England	20%	42%	47%	32%
England	25%	48%	52%	38%

Source: 2021 Census

8.58   For completeness, the table below shows the proportion of flats in South West Herts for all sizes of accommodation and different tenures. Of particular note is the very small proportion of 3+-bedroom homes as flats – particularly in the market sector.

Table 8.25 Proportion of homes that are a flat, maisonette or apartment (by tenure and dwelling size)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Owner-occupied	80%	41%	2%	0%
Social rented	86%	56%	5%	7%
Private rented	90%	69%	15%	11%
All	85%	52%	4%	1%

Source: 2021 Census

8.59   As noted, this analysis would suggest that 2-bedroom homes might be expected to be split between houses (or bungalows) and flats given the nature of the current stock. Any decisions will have to take account of site characteristics, which in some cases might point towards flatted development as being most appropriate.

8.60   The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing although the Councils should ensure there is a mix of both built-forms in all tenures. The Councils can also consider the likely occupancy of new homes with analysis (below) pointing to a high proportion of lettings being to households with children – such households are likely to be better suited to houses rather than flats.

Sizes within bedroom size categories

8.61   The final mix consideration is around the sizes of homes within bedroom size categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes). This is mainly an issue for rented forms of affordable housing and it is considered an understanding of occupancy will be an important consideration (notably the extent to which homes contain children) with data considered in the context of the number of lettings (by size).

8.62   The table below shows the proportion of lettings to households and the number with children under the age of 16. This clearly shows a high proportion of lettings to households with children with half of lettings over the past 3-years containing children – around half of these are to households with more than one child.

Table 8.26 Proportion lettings to households with children aged under 16

	No children	1-child	2-children	3+-children
Dacorum	42%	33%	17%	8%
Hertsmere	53%	24%	12%	11%
St Albans	51%	22%	17%	10%
Three Rivers	58%	21%	12%	9%
Watford	53%	23%	14%	10%
SWH	50%	26%	15%	9%

Source: CoRe

8.63   **This analysis would suggest maximising sizes of homes in new properties**; with this being further supported by noting there will be other children (aged over 16 in some households) and also the observation earlier in this section of relatively high levels of overcrowding in the social rented sector. Previous analysis has also identified around 40% of lettings are in 1-bedroom homes, which means the vast majority of 2+-bedroom homes are likely to be let to households with children. Across SW Herts, 42% of lettings are in homes with 2-bedrooms suggesting a general lack of larger family accommodation.

8.64   Those in priority need are often households with children. Based on analysis of Watford's Housing Register, 25% of households in priority need require the largest sized properties (such as 2-bed, 3 person or 3-bed 5 person properties. Providing properties on these sizes also ensures that homes can meet households changing needs, including as additional children are born, and thus avoids growth in overcrowding.

8.65   In seeking to provide larger homes within any particular dwelling size, the Councils should be mindful of any impact this may have on viability (i.e. not reducing the overall level of affordable housing able to be delivered). There may also be specific cases where particular sites are more suited to smaller homes and so any policy position should be applied flexibly.

Summary

8.66   Analysis of the future mix of housing required takes account of demographic change, including potential changes to the number of family households and the ageing of the population. The proportion of households with dependent children in South West Herts is relatively high with around 34% of all households containing dependent children in 2021 (compared with around 29% regionally and nationally). There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas lone parents are particularly likely to live in social or private rented accommodation.

8.67   There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to future demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population.

8.68   In all sectors the analysis points to a particular need for 2- and 3-bedroom accommodation, with varying proportions of 1-bedroom and 4+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 50% to have at least 3-bedrooms (general need housing). Our recommended mix is set out below:

Table 8.27 SW Herts - Recommend Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

8.69   The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bedroom properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.

8.70   The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. That said, this report also highlighted potential difficulties in making (larger) AHO genuinely affordable.

8.71   Additionally, 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 Council should also monitor the mix of housing delivered.

8.72   Given the nature of the area and the needs identified, the analysis suggests that the majority of units should be houses rather than flats although consideration will also need to be given to site specific circumstances (which may in some cases lend themselves to a particular type of development). There is potentially a demand for bungalows, although realistically significant delivery of this type of accommodation may be unlikely. It is however possible that delivery of some bungalows might be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into family use.

9. HOUSING FOR OLDER & DISABLED PEOPLE

9.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are analysed within the same section as there is a clear link between age and disability. It responds to the NPPF (Para 63) which identifies the need to assess the need of older people and Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).

9.2 The PPG on Housing for Older and Disabled People outlines that the need to provide housing for older people is critical, given the growth in the projected older population, and can help to provide older and disabled people with choice, to live safely and independently and to reduce costs to the social care and healthcare systems. It identified that needs assessments should consider the needs for specialist housing and for care homes, and for accessible and adaptable housing, and this can inform plan-making. Plans should set clear policies to address these needs including providing indicative figures or a range for the number of specialist housing units needed over the plan period. It is up to planning authorities whether to allocate sites to meet specialist housing needs, but the PPG advises that doing so can provide greater certainty for developers and encourage provision in suitable locations. The PPG in addition provides guidance on inclusive design.

Understanding the Implications of Demographic Change

9.3 At a national level, the population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of South West Herts are presented.

Current Population of Older People

9.4 The table below provides baseline population data about older persons in South West Herts and compares this with other areas. The table shows the study area has a slightly younger structure than seen regionally or nationally with 17% of the population being aged 65 and over. The proportion of people aged 75 and over is also slightly below equivalent figures for other areas.

Table 9.1 Older Persons Population, 2021

	South West Herts	Hertfordshire	East of England	England
Under 65	83.2%	82.9%	80.3%	81.5%
65-74	8.7%	8.9%	10.3%	9.8%
75-84	5.5%	5.7%	6.7%	6.2%
85+	2.5%	2.6%	2.7%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	16.8%	17.1%	19.7%	18.5%
Total 75+	8.1%	8.3%	9.4%	8.7%

Source: ONS

9.5　The table below shows the same data for the five local authorities. The analysis points to some variation in the proportion of older people, the most notable finding being the very low proportion in Watford where only 13% of the population is aged 65 and over compared to over 17%-18% in other authorities.

Table 9.2 Older Persons Population, 2021 – by local authority

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Under 65	82.5%	82.2%	82.7%	81.9%	87.3%
65-74	9.2%	9.1%	8.7%	9.4%	6.8%
75-84	5.7%	6.0%	5.8%	6.0%	4.1%
85+	2.6%	2.8%	2.7%	2.7%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Total 65+	17.5%	17.8%	17.3%	18.1%	12.7%
Total 75+	8.2%	8.7%	8.6%	8.7%	5.9%

Source: Census (2021)

Projected Future Change in the Population of Older People

9.6　Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that South West Herts is projected to see a notable increase in the older person population with a projected increase in the population aged 65+ of around 47% in the 2021-41 period – the population aged Under 65 is in contrast projected to increase by a more modest 13%.

9.7　In total population terms, the projections show an increase in the population aged 65 and over of 48,000 people. This is against a backdrop of an overall increase of 115,000 – population growth of people aged 65 and over therefore accounts for around 42% of the total projected population change. The projection shown below is based on the household growth scenario discussed in Section 6.

Table 9.3 Projected Change in Population of Older Persons, 2021 to 2041 – South West Herts

	2021	2041	Change in population	% change
Under 65	506,278	573,270	66,992	13.2%
65-74	52,931	69,856	16,925	32.0%
75-84	33,728	53,602	19,874	58.9%
85+	15,429	26,628	11,199	72.6%
Total	608,366	723,356	114,990	18.9%
Total 65+	102,088	150,086	47,998	47.0%
Total 75+	49,157	80,230	31,073	63.2%

Source: Demographic projections

Characteristics of Older Person Households

9.8 The figures below show the tenure of older person households. 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 the majority of older persons households are owner occupiers (80% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 16% of older persons households live in the social rented sector and the proportion of older person households living in the private rented sector is relatively low (about 4%).

9.9 There are also notable differences for different types of older person households with single older people having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

Figure 9.1 Tenure of Older Persons Households in South West Herts, 2021
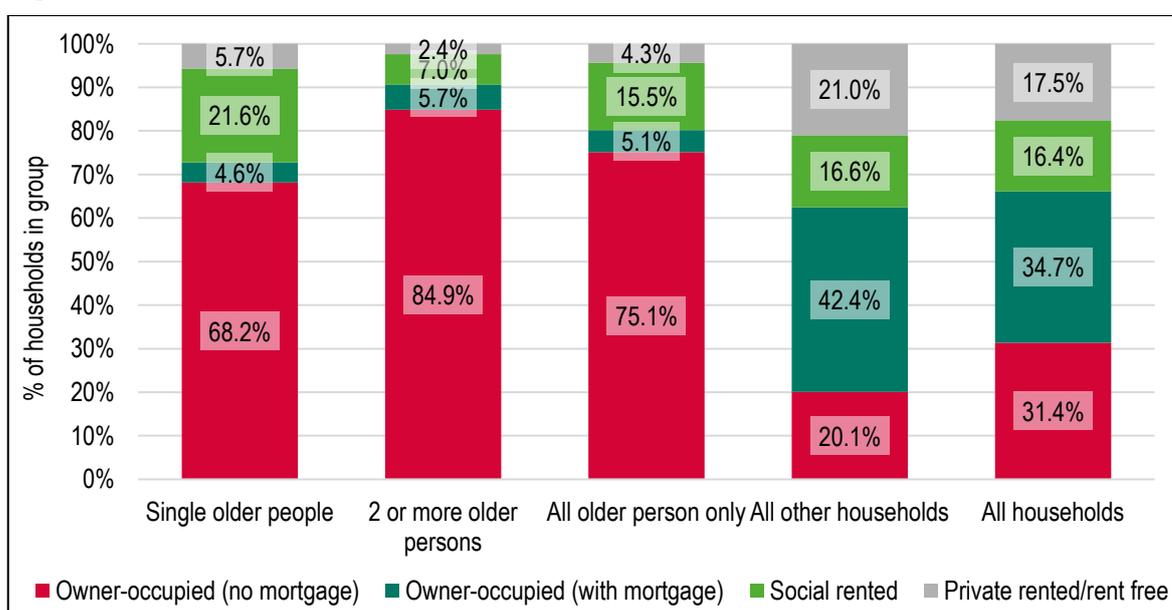
Source: 2021 Census

9.10 The figure below shows the same information for each local authority (data for all older person households). There is some variation between areas, with the proportion of outright owners varying from 72% in Dacorum, up to 80% in St Albans. It is however the case that all areas see the majority of older person households as owner-occupiers.

Figure 9.2 Tenure of Older Persons Households in South West Herts, 2021 – local authorities
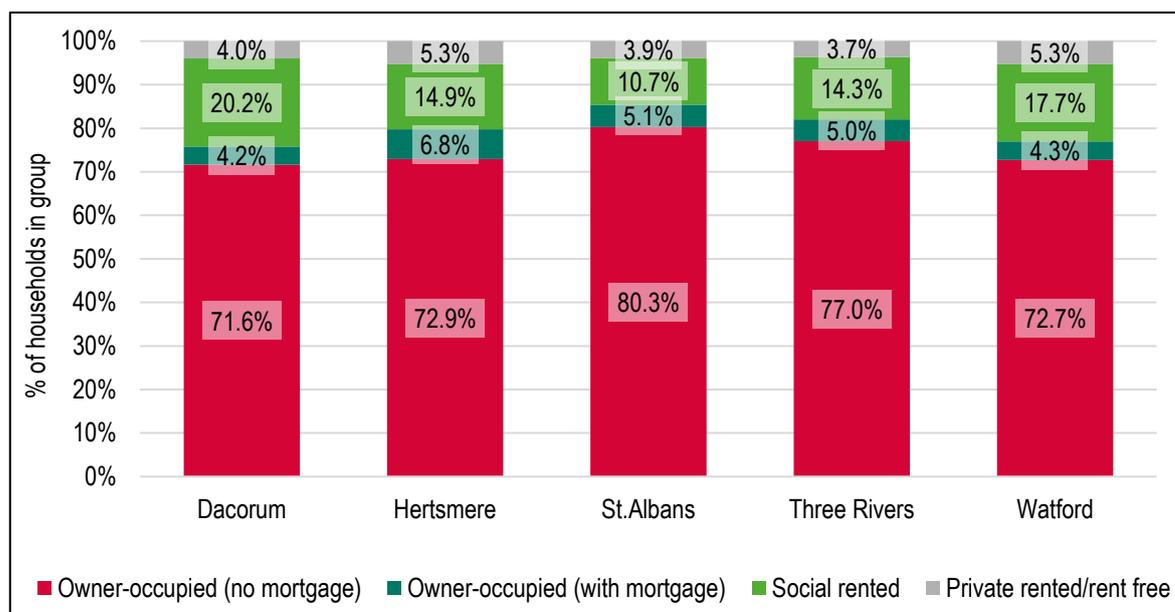
Source: 2021 Census

Prevalence of Disabilities

9.11 The table below shows the proportion of people who are disabled under the Equality Act drawn from 2021 Census data, and the proportion of households where at least one person has a disability, as defined under the Equality Act 2010 (either physical or mental). The data suggests that some 27% of households in the study area contain someone with a disability. This figure is similar to that seen across Hertfordshire and below the regional and national average. The figures for the population with a disability show a similar pattern when compared with other locations – some 14% of the population having a disability. Not all disabilities will impact on housing needs.

Table 9.4 Households and People with a Disability, 2021

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
South West Herts	65,150	27.0%	83,351	13.7%
Hertfordshire	134,829	27.9%	172,675	14.4%
East of England	811,942	30.9%	1,053,832	16.6%
England	7,507,886	32.0%	9,774,510	17.3%

Source: 2021 Census

9.12   The table below shows the same information for local authorities – this shows a higher proportion of population and households in Dacorum with a disability and lower proportions in the St Albans and Watford. Generally there are not substantial differences between areas and all locations see a level of disability below the regional and national average.

Table 9.5 Households and People with a Disability, 2021 – Local Authorities

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
Dacorum	18,218	28.7%	23,522	15.2%
Hertsmere	11,691	27.4%	15,076	14.0%
St Albans	15,038	25.5%	19,128	12.9%
Three Rivers	10,116	27.4%	12,692	13.5%
Watford	10,087	25.5%	12,933	12.6%
South West Herts	65,150	27.0%	83,351	13.7%

Source: 2021 Census

9.13   As noted, it is likely that the age profile will impact upon the numbers of people with a disability, as older people tend to be more likely to have a disability. The figure below shows the age bands of people with a disability. It is clear from this analysis that those people in the oldest age bands are more likely to have a disability. The analysis also typically shows lower levels of disability in each age band within South West Herts when compared with the regional and national position.

Figure 9.3: Population with Disability by Age
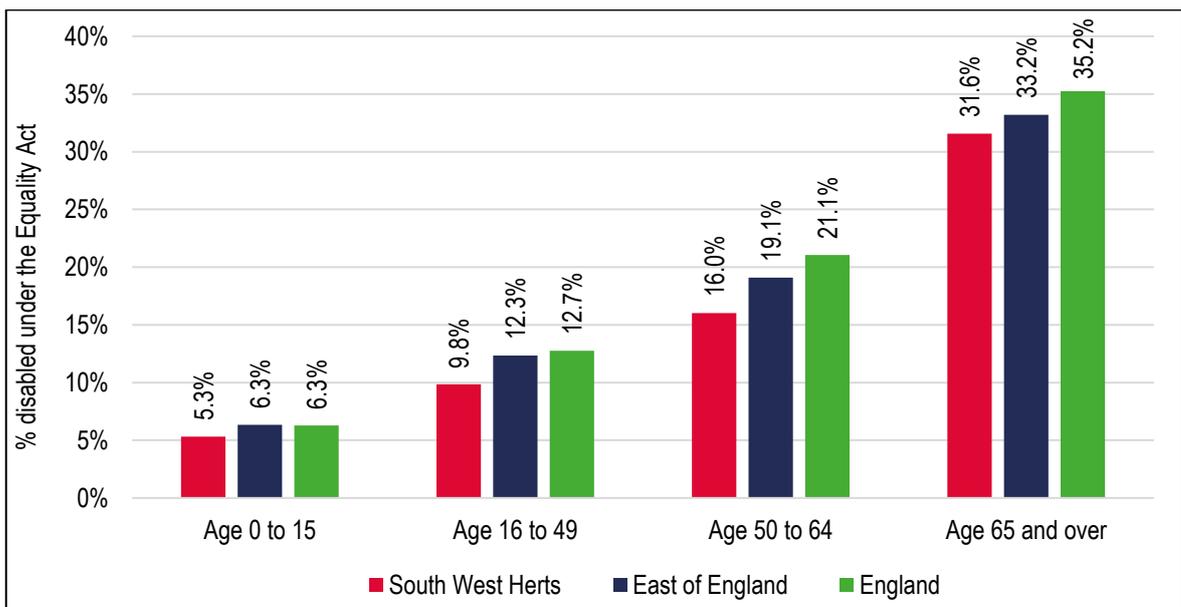
Source: 2021 Census

9.14   The figure below shows the same information for local authorities with each showing the same general pattern of higher levels of disability in the older person population. Overall, Dacorum shows some of the highest disability levels in the area, although the proportion of people aged 50 and over with a disability is highest in Watford.

Figure 9.4: Population with Disability by Age – local authorities
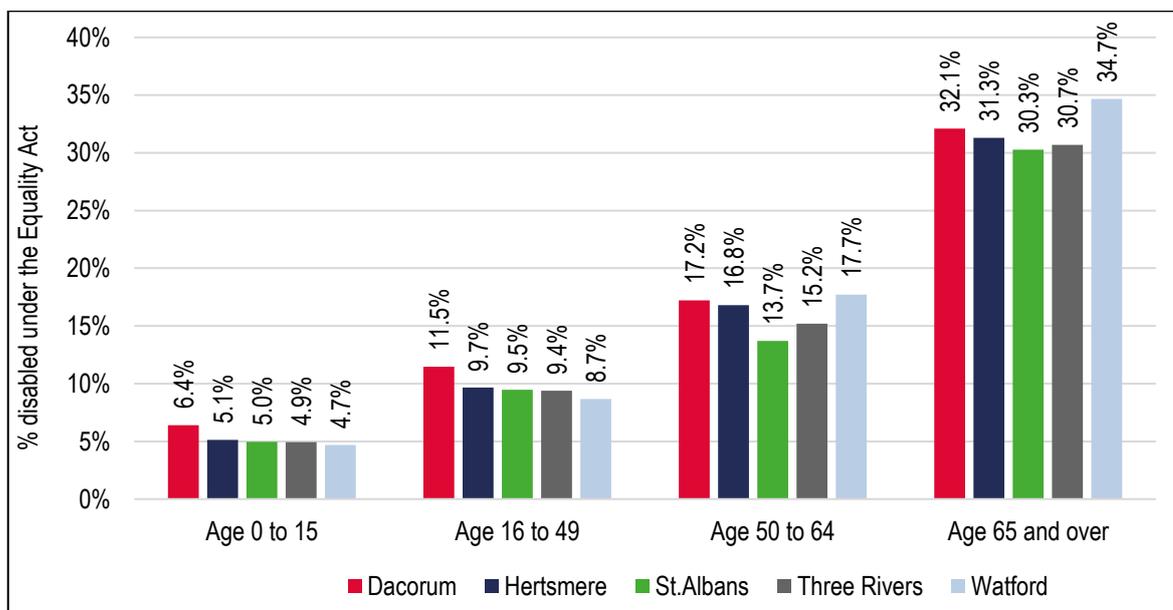
Health Related Population Projections

9.15   The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population. The analysis undertaken 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. Adjustments have been made to take account of the age specific health/disabilities previously shown.

9.16   Of particular note are the large increases in the number of older people with dementia (increasing by 62% from 2021 to 2041 and mobility problems (up 55% over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents around 8% of total projected population growth.

Table 9.6 Projected Changes to Population with a Range of Disabilities – South West Herts

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	6,665	10,822	4,157	62.4%
Mobility problems	65+	17,287	26,808	9,521	55.1%
Autistic Spectrum Disorders	18-64	2,772	3,208	436	15.7%
	65+	843	1,256	413	49.0%
Learning Disabilities	15-64	7,317	8,408	1,091	14.9%
	65+	1,902	2,780	878	46.2%
Impaired mobility	16-64	15,810	18,102	2,292	14.5%

Source: POPPI/PANSI and Demographic Projections

9.17   The tables below provide the same information at a local authority level. The most notable finding is the higher projected increases in adult age groups in Watford – this reflects the local authority projections which for this area projected notable increases in the number of people aged under 65.

Table 9.7 Projected Changes to Population with a Range of Disabilities – Dacorum

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,778	2,888	1,110	62.5%
Mobility problems	65+	4,627	7,171	2,544	55.0%
Autistic Spectrum Disorders	18-64	801	911	110	13.8%
	65+	229	339	110	48.2%
Learning Disabilities	15-64	2,090	2,375	285	13.6%
	65+	514	745	232	45.2%
Impaired mobility	16-64	4,595	5,157	562	12.2%

Source: POPPI/PANSI and Demographic Projections

Table 9.8 Projected Changes to Population with a Range of Disabilities – Hertsmere

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,275	2,129	854	67.0%
Mobility problems	65+	3,285	5,223	1,938	59.0%
Autistic Spectrum Disorders	18-64	484	557	74	15.2%
	65+	155	233	78	50.0%
Learning Disabilities	15-64	1,297	1,482	185	14.2%
	65+	356	527	171	48.1%
Impaired mobility	16-64	2,825	3,177	352	12.5%

Source: POPPI/PANSI and Demographic Projections

Table 9.9 Projected Changes to Population with a Range of Disabilities – St Albans

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,644	2,541	898	54.6%
Mobility problems	65+	4,226	6,270	2,044	48.4%
Autistic Spectrum Disorders	18-64	604	691	87	14.3%
	65+	204	290	86	42.1%
Learning Disabilities	15-64	1,606	1,820	214	13.3%
	65+	458	646	187	40.8%
Impaired mobility	16-64	3,554	4,030	476	13.4%

Source: POPPI/PANSI and Demographic Projections

Table 9.10 Projected Changes to Population with a Range of Disabilities – Three Rivers

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,064	1,747	683	64.2%
Mobility problems	65+	2,778	4,318	1,540	55.4%
Autistic Spectrum Disorders	18-64	400	462	63	15.6%
	65+	137	207	70	50.9%
Learning Disabilities	15-64	1,061	1,214	153	14.4%
	65+	308	450	142	46.0%
Impaired mobility	16-64	2,378	2,714	336	14.1%

Source: POPPI/PANSI and Demographic Projections

Table 9.11 Projected Changes to Population with a Range of Disabilities – Watford

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	906	1,517	611	67.5%
Mobility problems	65+	2,370	3,825	1,456	61.4%
Autistic Spectrum Disorders	18-64	483	586	103	21.3%
	65+	118	188	70	59.2%
Learning Disabilities	15-64	1,263	1,517	254	20.1%
	65+	266	412	146	55.0%
Impaired mobility	16-64	2,458	3,024	566	23.0%

Source: POPPI/PANSI and Demographic Projections

9.18   Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.

9.19   The projected change shown in the number of people with disabilities provides clear evidence justifying delivering 'accessible and adaptable' homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Councils should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting

this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

Need for Specialist Accommodation for Older People

9.20   The PPG defines different types of specialist housing, as replicated below:

Definitions of Different Types of Older Persons' Accommodation

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 (housing with support): 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 (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 (care bedspaces): 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.

Source: Planning Practice Guidance [63-010]

9.21   The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. The need for specialist housing for older persons is typically modelled for planning purposes by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is however no 'standard method' for assessing the housing and care needs of older people.

9.22   There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages. The demographic modelling for the population aged 75+ is shown below.

Table 9.12 Projections of Population aged 75+

Projections (+75)	2021	2026	2031	2036	2041	Change
Dacorum	12,798	14,935	16,668	18,823	21,394	8,596
Hertsmere	9,446	11,170	12,329	13,862	15,866	6,420
St Albans	12,710	14,595	15,739	17,210	19,384	6,674
Three Rivers	8,143	9,537	10,412	11,695	13,401	5,258
Watford	6,060	6,977	7,732	8,823	10,185	4,125
SW Herts	49,157	57,213	62,880	70,413	80,230	31,073

Source: JGC/Iceni analysis

9.23   Whilst there are no definitive or standard prevalence rates, the PPG [63-004] notes that '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@ for Older People Analysis Tool)'. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.

9.24   The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 an updated set of rates was published (rates which were repeated in a 2012 publication – Housing in Later Life). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website. Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).

9.25   For clarity, the table below shows the base prevalence rates set out in the various documents described above.

Table 9.13 Range of suggested baseline prevalence rates (per 1,000 population aged 75+) from a number of tools and publications

Type/Rate	SHOP@ (2008)[25]	Housing in Later Life (2012)[26]	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Housing LIN

9.26   In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the strategic approach within the area seeks to grow extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types. This is an important element in the approach which is envisaged by those who have developed each 'model';

- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, extra care in particular is impacted by this. Equally, funding and viability challenges to delivering certain types of schemes, and how the market has moved on in recent years is not fully captured.

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[25] Based on the More Choice Greater Voice publication of 2008 (https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

[26] https://www.housinglin.org.uk/_assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

9.27   Through the Care Act 2014, Hertfordshire County Council has responsibility for assessing the likely current and future demand for adults with care and support needs; and for ensuring the sustainability and efficient operation of the market. It has a responsibility for helping to shape that market. In these terms, the County Council's strategies for future provision are relevant to strategic planning.

9.28   HCC's 10 Year Supported Accommodation Strategy sets out its ambition to give first priority to supporting people at home, but alongside this it recognises the need to develop the choice of accommodation available to provide access to the right accommodation – and in particular expanding the provision of flexicare (extra care) across the County, working with partners, in order to slow growth in residential care bed spaces for long-term patients. Need for nursing care is expected to grow. These ambitions are reiterated in the Adult Care Services Plan.

9.29   The Strategy recognises that accommodating older people who need higher levels of support in extra care housing rather than residential care can help to mitigate the financial impacts of a growing older population on social care budgets which are under significant pressure. Households who own property or have more than £23,500 in savings (rising to £100,000 from Oct 2025) self-fund their care provision, however costs can be incurred by the County Council where savings fall below these levels. The nature of housing with care provision can therefore have direct financial impacts for HCC.

9.30   Iceni has worked for Hertfordshire County Council in 2022 to develop a model for assessing the needs of specialist housing in the County. The modelling approach used takes into account these factors. It recognises that specifically-designed homes for older people can help older residents to live into their own homes for longer (rather than needing to move into a care/nursing home), are less likely to have a tall or trip, and that specialist housing provision can help address wider social issues such as loneliness. Definitions used within the assessment are set out below.

9.31   On this basis, this report sets out two scenarios for specialist older persons housing provision:

- SHOP@ Scenario: which takes the base prevalence rates in the SHOP@ 2008 toolkit and models achieving these levels of provision over the plan period;

- Extra Care Focus Scenario: which takes a lead from Hertfordshire County Council's Strategy for enhanced delivery of extra care housing as an alternative to residential care, as it is both more cost effective and supports independence. In this scenario we have therefore increased the Housing with Care target figures by 20 per 1000, with a reciprocal reduction in residential care units. For housing with support, the modelling takes the average of the three prevalence rates shown (135 per 1000), supporting slightly higher levels of specialist housing provision with support.

9.32   Prevalence rates define a target rate of provision. It is unrealistic to consider that changes in the model of housing with care and support will occur overnight: instead the prevalence rates represent the strategic ambitions for how provision is expected to develop over time. A progression of the prevalence rate from the current (existing) baseline provision now to the target model rate in 2041 is therefore modelled. The current prevalence rates and the target prevalence rates in 2041 applied in the two scenarios are shown in the tables below.

9.33   The tenure split of need is based on 2021 Census data on the tenure profile of households headed by someone aged over 65. The existing supply position has been identified using data from the Elderly Accommodation Council (EAC).

Table 9.14 Existing Prevalence Rates for Specialist Accommodation (per 1000 population aged 75+) – SW Herts

Existing PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	151	62	16	72	96
	Market	40	45	54	49	80
	Total	**191**	**107**	**70**	**121**	**176**
Housing with Care	Affordable	0	14	9	0	11
	Market	0	13	4	3	42
	Total	**0**	**28**	**13**	**3**	**53**
Care/Nursing Home Bedspaces	Nursing	22	61	28	40	65
	Residential	52	58	37	39	76
	Total	**74**	**119**	**66**	**79**	**141**

Source: EAC Stock Database/ Iceni

Table 9.15 Target Prevalence Rates in 2041 (per 1000 population 75+) – SHOP@ Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	30	25	18	23	29
	Market	95	100	107	103	96
	Total	**125**	**125**	**125**	**125**	**125**
Housing with Care	Affordable	11	9	7	8	10
	Market	34	36	38	37	35
	Total	**45**	**45**	**45**	**45**	**45**
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	65	65	65	65	65
	Total	**110**	**110**	**110**	**110**	**110**

Source: Housing LIN

Table 9.16 Target Prevalence Rates in 2041 (per 1000 population 75+) – Extra Care Focus Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	33	27	20	24	31
	Market	102	108	115	111	104
	Total	**135**	**135**	**135**	**135**	**135**
Housing with Care	Affordable	16	13	9	12	15
	Market	49	52	56	53	50
	Total	**65**	**65**	**65**	**65**	**65**
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	20	20	20	20	20
	Total	**65**	**65**	**65**	**65**	**65**

Source: Iceni/HCC

9.34   The data on the current supply position is shown below. This was drawn from EAC data in 2022. In addition, pipeline development schemes with planning consent (based on the position in March 2022) are included in the modelling.

Table 9.17 Current Supply of Specialist Housing – SW Herts

Type	Tenure	Daco-rum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	1929	581	201	583	580	3,874
	Market	518	427	683	399	484	2,511
	Total	**2447**	**1,008**	**884**	**982**	**1064**	**6,385**
Housing with Care	Affordable	0	134	113	0	68	315
	Market	0	126	50	21	253	450
	Total	**0**	**260**	**163**	**21**	**321**	**765**
Care/Nursing Home Bedspaces	Nursing	277	577	361	324	392	1,931
	Residential Care	665	545	475	320	461	2,466
	Total	**942**	**1,122**	**836**	**644**	**853**	**4,397**

Source: EAC Database

Table 9.18 Pipeline Supply of Specialist Accommodation

Type	Tenure	Daco-rum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	0	0	37	0	0	37
	Market	0	10	133	0	51	194
	Total	**0**	**10**	**170**	**0**	**51**	**231**
Housing with Care	Affordable	0	0	0	0	0	0
	Market	103	0	7	0	303[27]	413
	Total	**103**	**0**	**7**	**0**	**303**	**413**
Care/Nursing Home Bedspaces	Nursing	0	4	0	0	0	4
	Residential Care	-8	206	173	152	0	523
	Total	**0**	**0**	**37**	**0**	**0**	**37**

Source: LPA Monitoring Data

9.35   To calculate a net need for additional provision, we calculate a gross need taking account of projected population growth (see Table 9.12) assuming that the prevalence changes from the baseline position to the target position over the period to 2041. The current and pipeline supply position are then subtracted to provide a net need position.

9.36   The SHOP@ Scenario shows a need for market housing with support (and some limited affordable provision in St Albans). It shows a need for housing with care in all areas besides Watford, where there is sufficient existing market provision; and overall identifies a need for 2,200 housing with care units to 2041. In addition, a need for around 3,900 residential care and nursing home bedspaces is identified.

9.37   For housing with support, the modelling shows a particular surplus of affordable supported housing in Dacorum. This should be regarded as indicative and is influenced in part by applying the existing tenure profile of older residents. The Council is undertaking a Supported Housing Review which can be expected to provide a more specific indication of future needs and provision.

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[27] Of this the majority comprises 253 units at Riverwell where a C2 residential care community has permission (19/01342/VARM)

Table 9.19 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	**227**	**965**	**1,369**	**693**	**158**	**3,413**
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	**646**	**454**	**702**	**582**	**-166**	**2,218**
Care/ Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	**1,420**	**413**	**1,123**	**678**	**267**	**3,901**

Source: Iceni Modelling

9.38   The Enhanced Extra Care Scenario seeks to more strongly develop the provision of specialist housing in line with the County Council's strategic ambitions. This sees a higher market need for housing with support in all areas, but in particular results in a larger housing with care need for 3,800 housing with care units to 2041 focused towards market provision. If this enhanced extra care provision is achieved, the result is of no net additional need for residential care bedspaces (as households can be accommodated in extra care schemes); albeit that this does not mean that some modern schemes could be delivered whilst some smaller and older, outdated care homes are lost/redeveloped. A consistent need for nursing home bedspaces is shown.

Table 9.20 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

Source: Iceni Modelling

9.39   A negative need in the modelling does not necessarily imply that there is no need for new-build provision, given that there may be some existing stock which has become outdated and requires replacement or remodelling (such as studio or 1-bed sheltered units, and residential care bedspaces without en-suite facilities). Equally it is important to understand that a reduction in need for residential care bedspaces in the Enhanced Extra Care Scenario will only occur if new extra care housing schemes are brought forward to the extent envisaged. Reductions in residential care

needs will principally be felt in older properties which do not meet accessibility standards and provide en suite facilities; or offer sufficient economies of scale to operate in a cost-effective way.

9.40   The provision of a choice of attractive housing options to older households is a component of achieving a good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life and could in turn release some larger family sized homes into the market.

9.41   However, as the PPG set out, the need for specific types of homes and of particular groups can in some instances exceed or be proportionally high relative to the overall housing need figure calculated by the standard method as it uses the whole population as a baseline (as opposed to the net new households). The PPG recognises that planning authorities will need to consider the extent to which these needs can be addressed having regard to issues including the overall need for housing; the extent to which this can be translated into a housing requirement; and anticipated deliverability of different forms of provision having regard to viability.[28] Thus land supply and strategic constraints to development and viability issues can influence the ability to meet needs in individual local planning authorities.

9.42   In respect of housing with support, there is also some potential that the need shown could be influenced by other policies- such as the degree to which homes are delivered to M4(2) and M4(3) standards.

9.43   It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Councils to seek a range of products that will be accessible to a wider number of households if needs are to be met.

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[28] PPG Para ID: 67-001-20190722

9.44 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. PPG (paragraph 010) defines extra care housing or housing with care as follows:

> *"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".*

9.45 There is a degree to which different terms can be used for this type of development inter-changeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.

9.46 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

9.47 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987 (as amended). Use Class C2: Residential Institutions is defined 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)."* C3 (dwelling houses) are defined as "*use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents).*"

9.48 Care is defined in the Use Class Order as meaning "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 in class C2 also includes the personal care or children and medical care and treatment."

9.49   Personal care has been defined in Regulations[29] as "the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided."

9.50   The Government released the PPG on *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

> *"It is for a local planning authority 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."*

9.51   The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. This is consistent with the Use Classes Order, where **it is the ongoing provision of care which is the distinguishing feature within the C2 definition**. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

9.52   A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents' care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.

- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

9.53   For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied to specialist housing. In all cases we are dealing with residential accommodation. But nor is there a clear policy

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[29] Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

9.54 The NPPF sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 63 states that 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 off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.

9.55 Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But this does not set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.

9.56 The implications are that:

- The ability to seek affordable housing contributions from a C2 use <u>at the current time</u> is influenced by how its current development plan policies were constructed and evidenced; and

- If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.

9.57 Through the preparation of local plans, it would be possible for policies to seek affordable housing on extra care housing schemes from both C2 and C3 use classes. It should be noted that in July 2020 the High Court rejected claims that 'extra care' housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019[30]). The Rectory Homes Judgement confirms that the use class need not necessarily be determinative of whether affordable housing policies might be applicable to an extra care development (noting that the policy in that case did not refer specifically to different use classes but to dwellings, and specifically referenced specialist older persons housing. It noted that extra care housing can have the physical characteristics of dwellings (whilst falling in a C2 use)). Fundamentally it emphasises that the interpretation of a development plan policy must depend on the language used within the policy and the plan.

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[30] https://www.judiciary.uk/wp-content/uploads/2020/07/Rectory-Homes-v-SSHCLG-final-judgment-31-07-2020.pdf

9.58   It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

9.59   There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:

- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);

- Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;

- Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.

9.60   Set against this, some leasehold specialist housing schemes are focused towards the higher end of the market and command strong sales values. The GDV for some schemes can also be influenced by 'event fees' which in some instances can be significant.

9.61   There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care. This should be tested through viability evidence. If standard affordable housing policies are applicable to extra care, the risk is that it disincentives delivery – contrary to the County Council's strategic aims; and this is why it is important that viability (and the potential for differentiated policies) is considered as part of the plan-making process.

9.62   Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing and/or to specifically require certain levels of provision for specialist accommodation on strategic sites, and this may be something that the

Councils wish to consider through local plan preparation. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

9.63 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.

9.64 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Counting C2 Completions

9.65 As Para 63-016a in the PPG sets out, units of housing provided for older people can be counted against the housing requirement in monitoring housing delivery. For residential institutions (C2 use), the contribution counted should be based on the amount of accommodation released into the market based on the average number of adults living in households shown by the Census data.

9.66 At the current time, this calculation is based on specific data commission from the ONS; and we note that the 2022 Housing Deliver Test Results were prepared on this basis using a figure of 1.8 adults per household.

Accessible and Adaptable Homes

9.67 The PPG sets out that delivery of accessible and adaptable homes have an important role to play in enabling people to live independently. Planning policies for accessible and adaptable homes (Class M4(2)) and wheelchair-user dwellings (Class M4(3)) need to be based on evidence of need and viability; and policy application needs to take account of site-specific factors such as topography and the potential for level access.

9.68 In respect of accessible and adaptable homes, the analysis earlier in this section has pointed to a very substantial increase in those with mobility problems and impaired mobility, which supports policies seeking provision of new homes which meet Class M4(2) standards – these are properties

which can be adapted to meet households changing needs in situ, such as by providing for level access, minimum corridor and doorway widths and living area at entrance level.

9.69   The analysis below draws on secondary data sources to estimate the number of current and future wheelchair users and to estimate the number of wheelchair accessible/adaptable dwellings that might be required in the future. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) – mainly 2018/19 data. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them 'visitable' for wheelchair users and data about wheelchair users by tenure.

9.70   The table below shows at a national level the proportion of wheelchair user households by the age of household reference person. Nationally, around 3.4% of households contain a wheelchair user – with around 1% using a wheelchair indoors. There is a clear correlation between the age of household reference person and the likelihood of there being a wheelchair user in the household.

Table 9.21 Proportion of wheelchair user households by age of household reference person – England

Age of household reference person	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
24 and under	99.4%	0.3%	0.0%	0.3%	100.0%
25-34	99.3%	0.3%	0.1%	0.2%	100.0%
35-49	98.2%	0.5%	0.1%	1.2%	100.0%
50-64	96.9%	0.7%	0.4%	2.0%	100.0%
65 and over	93.1%	0.9%	0.4%	5.6%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

9.71   The prevalence rate data can be brought together with information about the household age structure in SW Herts and how this is likely to change moving forward. The data estimates a total of 6,100 wheelchair user households in 2021, and that this will rise to 8,300 by 2041.

Table 9.22 Estimated number of wheelchair user households (2021-41) – South West Herts

	Prevalence rate (% of households)	Households 2021	Households 2041	Wheelchair user households (2021)	Wheelchair user households (2041)
24 and under	0.8%	3,331	3,999	27	32
25-34	0.6%	28,388	34,600	162	197
35-49	1.1%	72,557	79,189	810	886
50-64	2.0%	71,961	83,898	1,421	1,660
65 and over	5.6%	65,745	98,117	3,667	5,484
All households	-	241,983	299,803	6,086	8,258

Source: English Housing Survey; 2021 Census and demographic projections

9.72 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. We therefore need to consider what proportion of homes might not be suitable for wheelchair users, or cannot be adequately adapted. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully 'visitable' – this is around 25% of wheelchair user households.

9.73 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for around 3,700 additional wheelchair user homes in the 2021-41 period. If the projected need is also discounted to 25% of the total (on the basis that many additional wheelchair user households will already be in accommodation), this leads to a need estimate of 2,100 homes. These figures equate to a need for 103-185 dwellings per annum. Therse figures and for individual local authorities are shown in the tables below.

Table 9.23 Estimated need for wheelchair user homes, 2021-41

		Current need	Projected need (2021-41)	Total current and future need
Dacorum	Total	429	580	1,009
	@ 25% of projection	429	145	574
Hertsmere	Total	296	422	718
	@ 25% of projection	296	106	402
St Albans	Total	321	416	737
	@ 25% of projection	321	104	425
Three Rivers	Total	235	349	584
	@ 25% of projection	235	87	322
Watford	Total	241	404	645
	@ 25% of projection	241	101	342
South West Herts	Total	1,522	2,172	3,694
	@ 25% of projection	1,522	543	2,065

Source: English Housing Survey; 2021 Census and demographic projections

9.74   Furthermore, information in the EHS (for 2018/19) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair uses (including 2.2% using a wheelchair indoors), compared with 3.1% of owner-occupiers (0.7% indoors). These proportions can be expected to increase with an ageing population but do highlight the likely need for a greater proportion of social (affordable) homes to be for wheelchair users.

Table 9.24 Proportion of wheelchair user households by tenure of household reference person – England

Tenure	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
Owners	96.9%	0.5%	0.2%	2.4%	100.0%
Social sector	92.9%	1.6%	0.6%	4.8%	100.0%
Private renters	98.8%	0.1%	0.1%	0.9%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

9.75   To meet the identified need, the Councils could seek a proportion (maybe up to 5%) of all new market homes to be M4(3) compliant and potentially a higher figure in the affordable sector (say 10%). These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.

9.76   As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).

9.77   It is worth noting that the Government has reported on a consultation on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds[31].

9.78   The key outcome is: 'Government is committed to raising accessibility standards for new homes. We have listened carefully to the feedback on the options set out in the consultation and the government response sets out our plans to mandate the current M4(2) requirement in Building Regulations as a minimum standard for all new homes'. This change is due to shortly be implemented through a change to building regulations, with M4(1) homes being permitted only where achieving M4(2) standards is impractical and unachievable.

9.79   The consultation outcome still requires a need for M4(3) dwellings to be evidenced, stating 'M4(3) (Category 3: Wheelchair user dwellings) would continue as now where there is a local planning policy in place in which a need has been identified and evidenced. Local authorities will need to continue to tailor the supply of wheelchair user dwellings to local demand'.

9.80   As well as evidence of need, the viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.

9.81   It will be for viability evidence to consider specifically the costs of delivering homes at M4(2) and M4(3) standards. Our experience is however that the costs of meeting M4(3) standard can be notably higher than those for M4(2).

9.82   It should be noted that local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.

9.83   A further option for the Councils would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or

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[31] https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes

1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

10. SPECIALIST MARKET SEGMENTS

Self- and Custom-Build Housing

10.1   The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) ("the 2015 Act") provides a legal definition of 'self-build and custom housebuilding' which are where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.

10.2   Self-build and Custom-build dwellings differ in the way the construction is managed. The National Custom & Self Build Association (NaCSBA) defines self-build as 'projects where someone directly organises the design and construction of their new home'. Custom-build dwellings are less intensive, in that a developer does much of the construction work with input from the would-be homeowner.

10.3   The Government has long had a clear agenda for supporting and promoting the self-build and custom-building sector; and sees that its growth can help support increased product diversity and housing delivery. Local authorities are required by the 2015 Act to maintain and publicise a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land to build their own self-build and custom homes.

10.4   The Housing and Planning Act 2016 ("the 2016 Act"), which received Royal Assent on 12th May 2016, formally introduced the 'Right to Build'. It has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period (commencing on 31st October 2016). The fundamental intention is to increase the supply of land for those considering self and custom-build.

10.5   These provisions are explained in the Planning Practice Guidance on *Self-Build and Custom Housebuilding* which explains that provision of this form of housing helps to diversify the housing market and increase consumer choice. The PPG provides guidance on how registers can be managed; and the duties on local authorities to grant consents to meet the needs identified on them.

10.6   The Levelling Up and Regeneration Act (LURA) 2023 tightened up the definitions regarding what can be considered appropriate supply for self and custom housebuilding. The Act means that local authorities can only count planning permissions as part of self-build supply if they are specifically for self-build development. This means relevant permissions need to be secured for this purpose, such as through either through a condition attached to the planning permission or a legal agreement between the applicant and the council.

10.7   The SW Herts authorities each introduced a Self-Build and Custom Housebuilding Register in the year to October 2016, and have been monitoring the numbers joining the Register since.

10.8   Of the five authorities, only Three Rivers has introduced a requirement for evidence of a local connection (thus splitting the Register in two parts, showing local and general demand) as well as a registration fee. Three Rivers is thus only required by the legislation to grant sufficient consents for those on Part 1 of the Register; although it must have regard to the entries on Part 2 in carrying out its planning, housing, land disposal and regeneration functions. For the purposes of this assessment, we have included entries on both Parts 1 and 2. As at September 2023, we understand that there are 11 entries on the Part 1 Register and 68 entries on Part 2.

10.9   The table below provides a base period breakdown of plot demand from individuals (or associations as appropriate) who have joined the relevant registers. The strongest relative demand shown by the Registers, in absolute terms, is in St Albans District accounting for nearly two thirds of the total. There is the potential however that this partly reflects the relative awareness of the Registers in different areas, together with the perceived attractiveness of different authorities. We note that the St Albans Register does not include any specific eligibility criteria or a local connection test.

Table 10.1 Serviced Plot Demand in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (16 August 2015 to 30th October 2016)	2	17	13	9	108	149
Base Period 2 (31st October 2016 to 30th October 2017)	2	42	30	4	141	219
Base Period 3 (31st October 2017 to 30th October 2018)	3	20	17	23	104	167
Base Period 4 (31st October 2018 to 30h October 2019)	3	25	4	12	87	131
Base Period 5 (31st October 2019 to 30th October 2020)	3	44	7	4	76	134
Base Period 6 (31st October 2020 to 30th October 2021)	7	42	5	19	132	205
Base Period 7 (31st October 2021 to 30th October 2022)	11	13	2	7	87	120
Total	**31**	**203**	**78**	**78**	**735**	**1125**

Source: LA Register data

10.10   At the end of each base period, Councils have 3 years in which to grant permissions for an equivalent number of plots of land which are suitable for self-build or custom housebuilding as

there are entries for that base period (so as at October 2022, the Councils needed to have granted sufficient consents to meet the needs shown in base periods 1-4). The Levelling Up and Regeneration Act 2023 ('LURA') confirms that the demand calculation should include any need from previous years which has not been met.

10.11   Data on the permissions granted for self-build, based on information provided by the Councils, is shown in the table below. The LURA includes provision for the Secretary of State to set out regulations (in due course) regarding what planning permissions should be counted, which could have a downward impact on the supply position.

Table 10.2 Permissions Granted for Self- and Custom-Build Development in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (Aug 15-Oct 16)	5	15	15	15	0	50
Base Period 2 (Oct 16 - Oct 17)	4	27	20	25	17	93
Base Period 3 (Oct 17 - Oct 18)	2	42	15	13	14	86
Base Period 4 (Oct 18 - Oct 19)	6	39	14	19	23	101
Base Period 5 (Oct 19 - Oct 20)	5	30	22	39	23	119
Base Period 6 (Oct 20 - Oct 21)	1	58	14	31	15	119
Base Period 7 (Oct 21 - Oct 22)	4	21	13	23	58	119
Total	**27**	**232**	**113**	**165**	**150**	**687**

Source: AMRs/ LA-supplied data

10.12   The table below compares the numbers who had joined the Register in the 1st four base periods to the permissions granted to Oct 2022 (i.e. three years thereafter). The level of permissions granted in Dacorum, Hertsmere, Three Rivers and Watford is above the minimum required based on the Councils' monitoring of supply; but there is a shortfall in permissions granted in St Albans. Given the development constraints in the sub-region, a range of the permissions relate to houses built on individual plots including the delivery of replacement dwellings.

Table 10.3 Comparing Self-Build Permissions to Need to Oct 2019

	Watford	Daco-rum	Three Rivers	Herts-mere	St Albans	SW Herts
Need to Oct 2019 (Base Period 1-4)	10	104	64	48	440	666
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	17	128	49	117	-290	21

Source: LA Register data/ AMRs

10.13 In addition it is sensible to consider the level of permissions granted to date relative to the numbers joining each authority's register. This points to a modest shortfall in delivery in Watford; and in particular a very sizeable shortfall in St Albans of 585 homes, which reflects the much larger relative size of St Albans' Register.

**Table 10.4 Comparing Self-Build Permissions with Need to Oct 2022**

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Need to Oct 2022	31	203	78	78	735	1125
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	-4	29	35	87	-585	-438

Source: LA Register data/ AMRs

10.14 In order to supplement the data from the Council registers, we have additionally looked to secondary sources as recommended by the PPG, which is data from the National Custom and Self Build Association (NaCSBA).

10.15 NaCSBA published a series of maps with commentary titled "Mapping the Right to Build" which allows us to better understand the demand for serviced plots as a proportion of total population relative to all other local authorities across England. We have replicated this below; which again highlights the stronger relative need in and popularity of St Albans in particular.

Figure 10.1 Self-Build Need per 100,000 Population
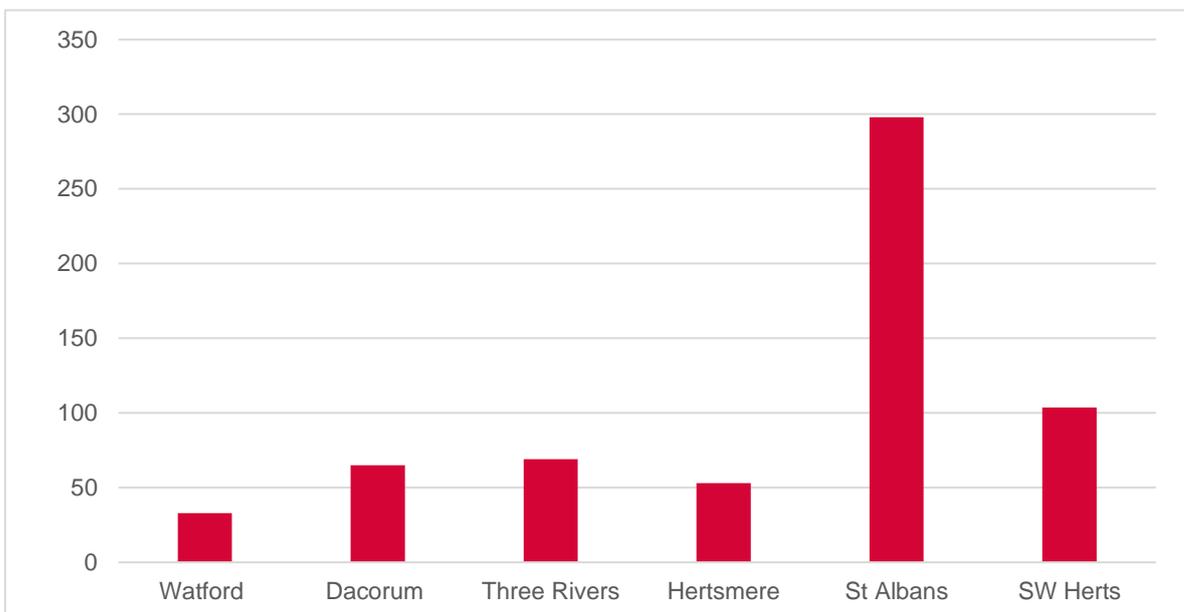
Source: NACSBA Research

10.16 A review of the Register data indicates that there is a balance of people seeking properties in suburban locations in the towns and in more rural settlements; with 3- and 4-bed properties the most sought after (where information on the mix of homes sought is available). Associations of

individuals, where they exist, generally seek land for between 2-4 homes. Many households will consider multiple locations when seeking to find a plot; and there is some potential that households can register with multiple Councils. Of the development seen, the evidence tends to suggest that this relates to individual plots including replacement dwellings – this may well reflect strategic land supply constraints within the area, including Green Belt.

10.17   The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG[32] is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward.

10.18   There are a number of measures which can be used to do this, including but not limited to:

- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;

- working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing;

- when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested; and

- working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.

10.19   Generally adopted local plans in the sub-region do not include specific policies seeking provision of self and custom-build housing, besides the Watford Local Plan where Policy HO3.7 seeks provision of self-build plots on non-flatted schemes of over 50 market units. The policies in emerging plans are however seeking to support self-build housing (for instance St Albans' emerging Plan seeks 3% self- and custom-build housing on the main broad locations for growth and encourages self- and custom-build development on other large sites).

10.20   Government policy and legislation is generally seeking to encourage and support self-build development and it is appropriate for this to be reflected in local plan policies. Indeed an increasing number of local planning authorities have adopted *specific* self-build and custom housebuilding

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[32] Paragraph: 025 Reference ID: 57-025-20210508

policies to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application. Inclusion of such a policy is therefore advisable in local plans.

10.21   A specific policy would typically express support for self-build and custom housebuilding and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots and/or allocation of sites solely for the use. Other local plans have required a proportion of plots on larger development schemes to be provided as self- and custom-build development (e.g. 2% or 5% provision on strategic or greenfield sites of over 100 homes).

Student Housing

10.22   The NPPF requires that the housing needs of students are assessed and reflected in planning policies. This section examines the need for student housing in SW Herts and in particular Purpose Built Student Accommodation (PBSA).

10.23   Nationally, there are challenges around the amount of student housing that is available, with some reports suggesting that the situation is reaching a crisis point. In some cases this has resulted in students queuing overnight to get first access to Purpose Built Student Accommodation, living in accommodation quite some distance from their place of study, or effectively becoming homeless. This provides a context for considering appropriate provision of PBSA alongside student population growth.

Higher and Further Education Institutions in the Sub-Region

10.24   **There are no higher or further education institutions in the SW Herts Sub-Region specifically**. More widely, taking the country as a whole, Hertfordshire has two higher education ("HE") establishments: the University of Hertfordshire and Royal Veterinary College.

10.25   The University of Hertfordshire provides for 32,000 students across three campuses: College Lane, Hatfield; de Havilland, Hatfield; and Bayfordbury (which is near Hertford). Accommodation is provided at both of the Hatfield campuses; and the University guarantees accommodation for first year students. It has a partnership scheme with landlords enabling access to privately rented accommodation in Welwyn Hatfield Borough.

10.26   The Royal Veterinary College Hertfordshire Campus is located in Hatfield, and students attend this campus for their final three years of training (the first two being spent at the College's London campus). It currently has 1,700 students on its Veterinary medicine and nursery courses. This comprises 1,500 on the medicine course, of which it is assumed 600 are based in London (first 2

years of this course are spent in the London campus; the nursing students are based in the Hertfordshire campus).

10.27   There are also further FE education establishments namely Oaklands College and West Herts College. Students attending these establishments do not normally require dedicated term-time accommodation, although we note that Oaklands College provides student accommodation at its campus in St Albans. Oaklands College has three campuses located in St Albans, Welwyn Garden City and Borehamwood, and caters overall for 7,500 students. The student accommodation is located at St Albans Campus.

10.28   West Herts College has campuses in Watford, Hemel Hempstead and Luton, with Watford being the main campus; and Hemel being the home to its Construction and Engineering Centre. In 2021/22 the College had around 6,000 young people on study programmes; as well as 450 apprenticeships and 2,700 adults.[33]

Student Numbers

10.29   The 2021 Census indicated that there were around 15,000 adults (i.e. persons aged 18+) in full-time education in SW Herts, with numbers spread relatively evenly across the authorities. Of these two thirds (66%) were living with parents; around a third living in the wider housing market (c. 5,000 persons) and a modest 150 living in communal accommodation. This will include students in both further and higher education.

10.30   For comparison purposes, the data for Welwyn Hatfield is shown: it has a much larger student population with almost 40% living in communal accommodation (i.e. PBSA).

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[33] Source: Ofstead Inspection Report

Table 10.5 Living Arrangements for Full-time Students aged 18+

	Daco-rum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts Total	Welwyn Hatfield
All Adults in FT Education	3,119	3,431	3,301	2,186	3,208	15,245	10,992
Living with parents	2,067	1,985	2,383	1,662	1,973	10,070	1,778
%	66.3%	57.9%	72.2%	76.0%	61.5%	66.1%	16.2%
Living in a communal establishment	80	12	29	18	11	150	4,271
%	2.6%	0.3%	0.9%	0.8%	0.3%	1.0%	38.9%
Living in wider housing market	972	1,434	889	506	1,224	5,025	4,943
%	31.2%	41.8%	26.9%	23.1%	38.2%	33.0%	45.0%
Of which							
Living in an all student household	160	600	118	70	285	1,233	3,296
Living alone	97	113	122	49	131	512	272
Living in another household type	715	721	649	387	808	3,280	1,375

Source: 2021 Census

10.31   The evidence points to modest numbers of full-time students living in the wider housing market in most areas; ranging from just over 500 people in Three Rivers to c. 1,400 in Hertsmere. These modest levels of students mean that the market for purpose-built student accommodation is likely to be relatively weak.

10.32   Where the growth in student numbers at the University of Hertfordshire or the Royal Veterinary College to grow much faster than the supply of accommodation locally, it is possible that some students could look for accommodation in SW Hertfordshire. We have therefore explored trends in student numbers at these establishments.

10.33   Drawing on data from the Higher Education Statistics Agency ("HESA"), the figure below sets out the pattern of growth over the last eight years from 2014/15 to 2021/22. The latest data shows that the two Universities had a combined total of 34,530 students in 2021/22. This includes those that are distance learning as well as those at campuses outside of the County (namely those associated with the Royal Veterinary College's London Campus).

Figure 10.2 Students at Universities in Hertfordshire (2014-2022)
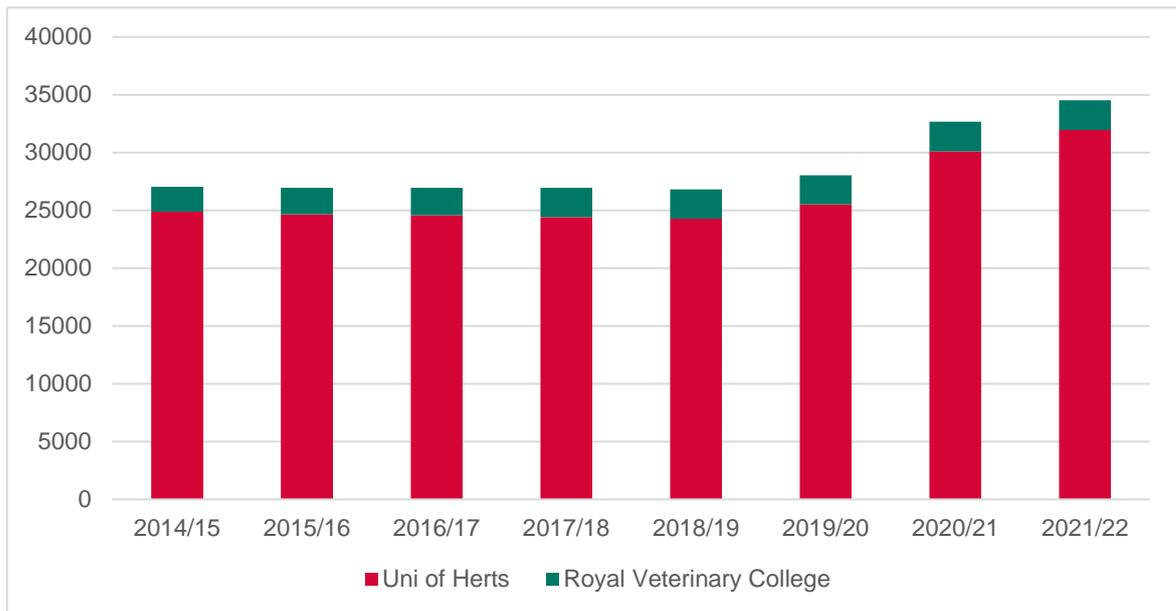
Source: HESA 2023

10.34   The number of students has grown by around 7,500 from 27,025 in 2014/15. This largely comprises a growth in students at the University of Hertfordshire which jumped from around 25,000 in 2019/2020 to c. 32,000 in 2021/22. The Royal Veterinary College, which has a much smaller intake, has remained steady at 2,500 – 2,600 students. The recent growth in student numbers may reflect short-term Covid-related impacts; and it will be important to monitor longer-term trends.

10.35   Housing needs for dedicated term-term accommodation arise principally from full-time students (with those studying part time typically also living and working locally already or living with parents). As of 2021/22, there were 27,185 full-time students at the Universities. This equates to around 79% of all students although this varies from 77% at University of Hertfordshire and 89% at Royal Veterinary College. The rise in full time students since 2014/15 is commensurate with the overall increase in student numbers across both institutions.

Figure 10.3 Full-Time Students at Universities in Hertfordshire (2014-2022)
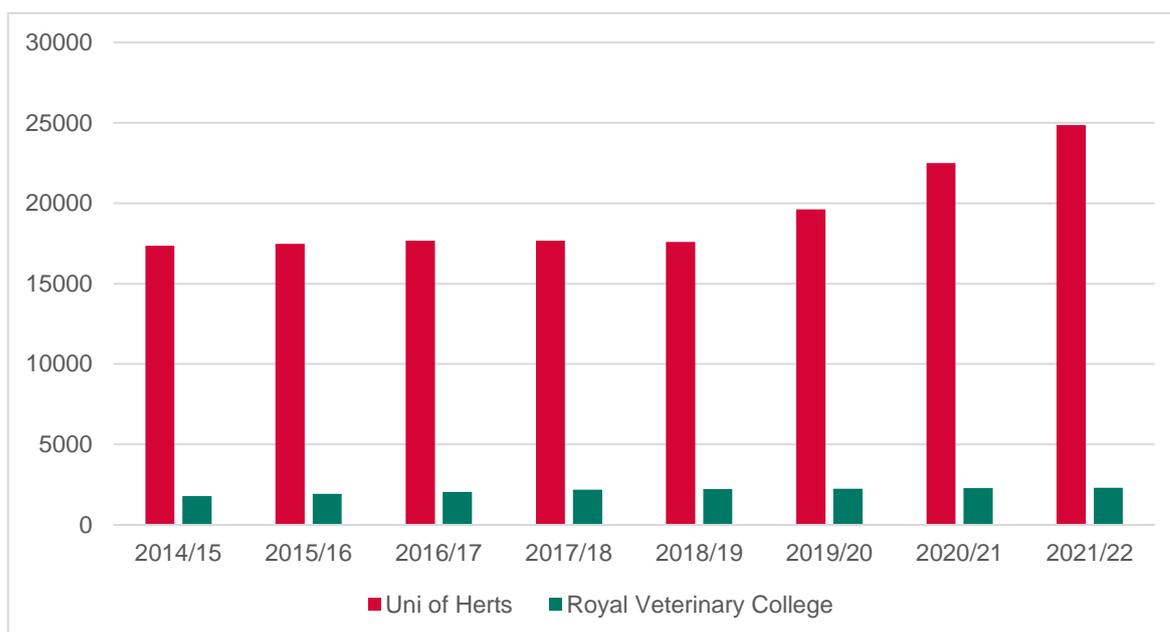
Source: HESA 2023

10.36   HESA also provide information on student accommodation for Full-Time students for each University. This is broken down by eight different typologies and also based on self-completion, so there may be a level of inaccuracy within it. For example 'Own residence' includes a student's permanent residence, which may be owned or rented by them. However, some respondents might believe this to mean any accommodation in which they live. There is also some confusion resulting from students being placed by the Universities in private halls they have nomination rights to. Other categories include university-maintained accommodation (or Halls of Residence), private sector accommodation (or PBSA). 'Other rented accommodation' refers to a more temporary arrangement, such as a yearly house shares. Not in attendance at the provider includes those on as industrial placement or language year abroad.

Table 10.6 Accommodation of Full-Time Students by Institution

	Provider maintained property	Private-sector halls	Parental/ guardian home	Own residence	Other rented accom-modation	Other	Not in atten-dance at the provider	Not known	Total
University of Hertfordshire	5,100	165	6,965	4,665	6,840	1,000	125	5	24,870
	20%	1%	28%	19%	27%	4%	1%	0%	100%
Royal Veterinary College	335	275	315	560	780	50	0	0	2,315
	14%	12%	14%	24%	34%	2%	0%	0%	100%
Total	5,435	440	7,280	5,225	7,620	1,050	125	5	27,185
	20%	2%	27%	19%	28%	4%	0%	0%	100%

Source: HESA, 2023

10.37   If we combine those living with parents or guardians, living in their own residence or not in attendance then 46% of the full-time student population already have accommodation. This means that 54% of FT students or 14,680 students require accommodation. If we assume that a proportion of the Royal Veterinary College students are located in London (those on the first 2 of the 5 years of the medicine course (c. 500 of F/T students) then the need would reduce down to 14,180. This is effectively the overall quantum of student accommodation that currently needs to be provided to meet the needs of the universities.

Delivery of Student Accommodation

10.38   The University of Hertfordshire has 4,908 bedspaces, comprised of:

- 3,000 rooms at College Lane Campus;

- 1,600 rooms at de Havilland Campus.

- 308 bedspaces at Luna (private halls of residences).

10.39   The Royal Veterinary College Hertfordshire Campus provides for 299 bedspaces across three student accommodation blocks:

- College Close: 13 self-sufficient houses that accommodate 6 people each. 78 bedspaces in total.

- Student Village: 191 bedspaces

- Odiham Hall: 30 bedspaces.

10.40   Removing the total supply (5,207) from the 14,180 FT students that require accommodation results in a residual need for 8,973 bedspaces. This group would require accommodation in the general housing market (particularly the private rented sector). However the Census and other evidence shows that need relates primarily to Welwyn Hatfield.

10.41   Monitoring data provided by the Councils indicates that the only recent delivery of PBSA has been a scheme for 92 bedspaces at Oaklands College in St Albans (completed in 2021/22) which it uses to provide accommodation for students on specialist courses. Across the five authorities there has been no other recent delivery of student accommodation; and there is no further development in the pipeline.

Implications

10.42   The modest scale of students living in SW Herts, and the lack of HE institution campuses within the sub-region, means that we would consider the need for purpose-built student accommodation to be limited: there is essentially limited critical mass of students from which to draw on or to whom to

market student bedspaces. The evidence does not therefore currently support the allocation of sites for purpose-build student accommodation.

10.43   There is some potential for the situation to however evolve over time: for instance if growth in student numbers were to exceed accommodation supply in Welwyn Hatfield, some students might look further away for housing. However typically students prefer to live close to their place of Study and fundamentally the lack of HE provision within the sub-region is likely to limit the need for delivery of purpose-build student accommodation.

Build-to-Rent and Co-Living

10.44   Build to Rent is defined in the NPPF 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.*"

10.45   The Planning Practice Guidance on Build to Rent (BtR) sets out that it is a distinctive asset class in the Private Rented Sector and outlines that assessments such as this should consider the need for Build to Rent development. Where a need is identified, plans should set out in policies their approach to promoting and accommodating build to rent development. The PPG also provides guidance on affordable housing provision (which has been considered in this report in Section 7), scheme management and space standards. The expectation in the PPG is that BtR schemes are expected to offer longer tenancies (3+ years); and that the application of space standards may not always be appropriate (for instance taking account of access to communal space).

10.46   As the analysis in Section 3 has shown, the Private Rented sector now accommodates 18% of households across SW Herts and is a sector which has been growing strongly. Over the 2011-21 period, the Private Rented Sector grew in size by 72% with 11,400 more households living in the Sector over this period.

10.47   Influenced in part by the relative size/population of different authorities, the absolute volume of households in the Private Rented Sector is highest in Watford (11,200) followed by St Albans (9,600) and Dacorum (9,100). These authorities include larger economic centres as well as strong rail connectivity with Central London.

Figure 10.4 Households living in the Private Rented Sector
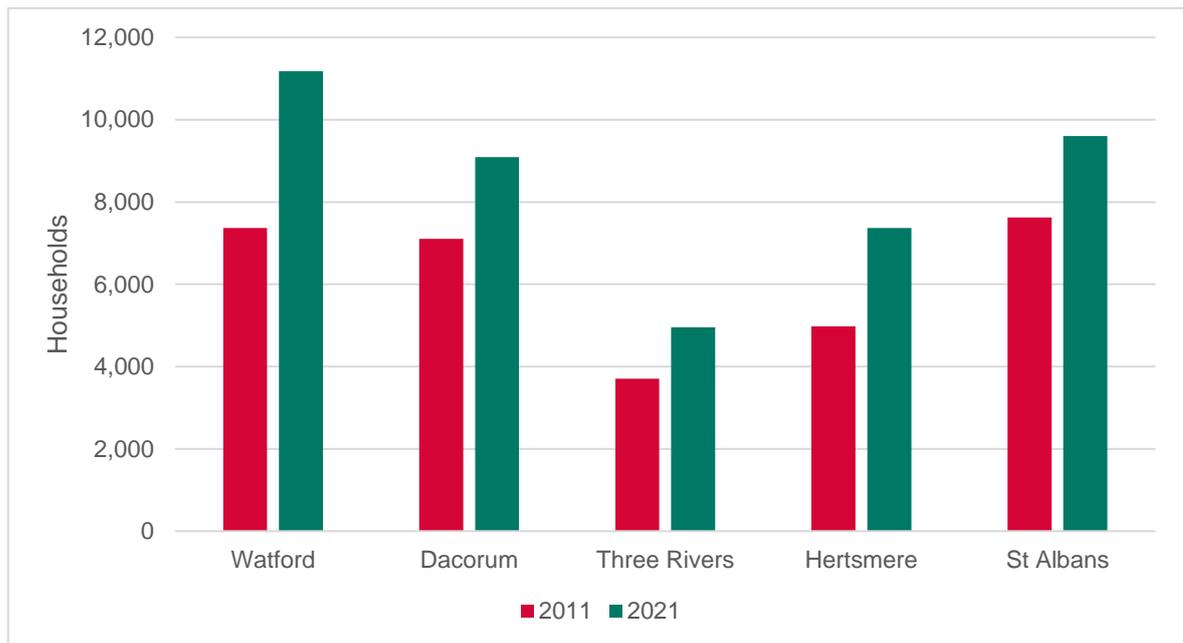
Source: 2021 Census

10.48   The Build-to-Rent (BtR) sector has emerged in the context of growth in private renting, increasing house prices and a shortfall in overall housing delivery. Nationally, Government has sought to support its growth, with the 2017 Housing White Paper supportive of investment in Build-to-Rent in recognition of the role which this could play in helping to drive up overall housing supply and increase choice and housing standards for those living in private rented homes; as well as providing more stable rented accommodation for families.

10.49   The Government's *'A Build to Rent Guide for Local Authorities'* identifies the benefits of BtR development which include helping to meet demand from private rented housing whilst increasing tenants' choice; retaining tenants for longer (as schemes often include longer-term tenancies); and helping to increase overall housing supply.

10.50   Evidence, such as the British Property Federation's *Who lives in Built to Rent*, note that the profile of tenants is focused on those aged under 44 (with the 25-34 age group the most prevalent) and includes single people, couples, sharers and families. The most common income bracket nationally was (based on the 2021 position) those earning between £32,000 - £48,000.

10.51   If the core market comprises those in younger age groups, the chart below shows the number of households headed by someone aged under 50 living in private rented accommodation. The largest market in SW Herts is in Watford, with the smallest in Three Rivers.

Figure 10.5 Persons aged under 50 in PRS, SW Herts
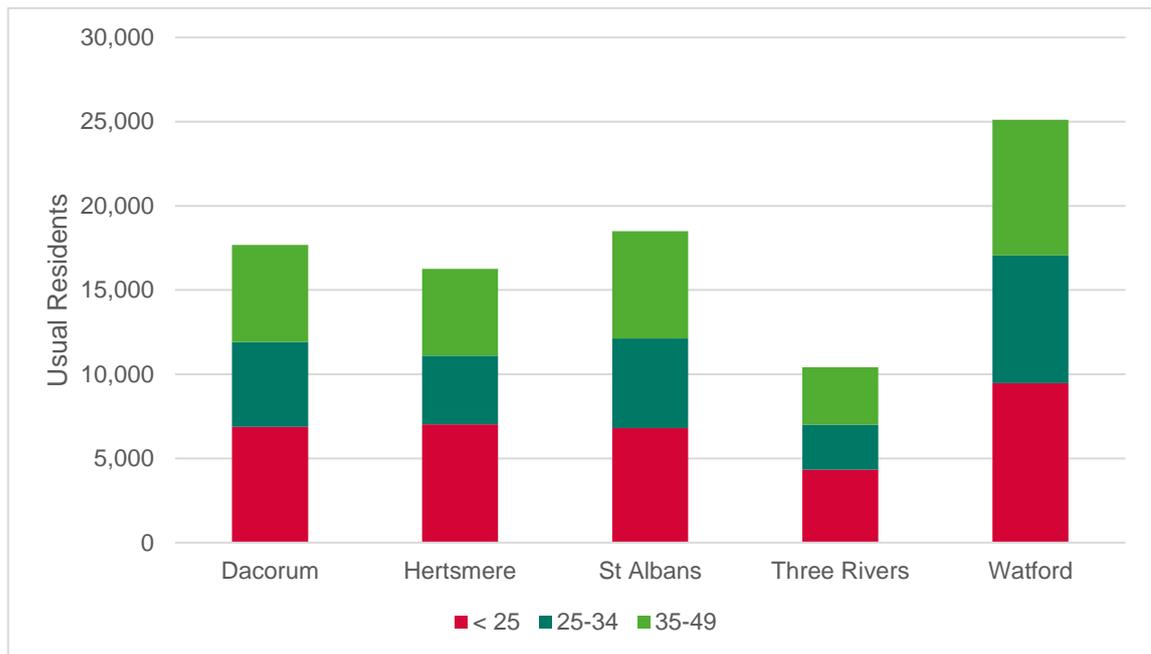
Source: 2021 Census

10.52   The chart below shows rents across the sub-region. Average rents are above the regional average, as might be expected given the proximity to London, with notably higher rents in St Albans for larger properties. Rents for 2-bed units are around £1,300 - £1,350 per month.

Figure 10.6 Current Rental Values, Year to March 2023
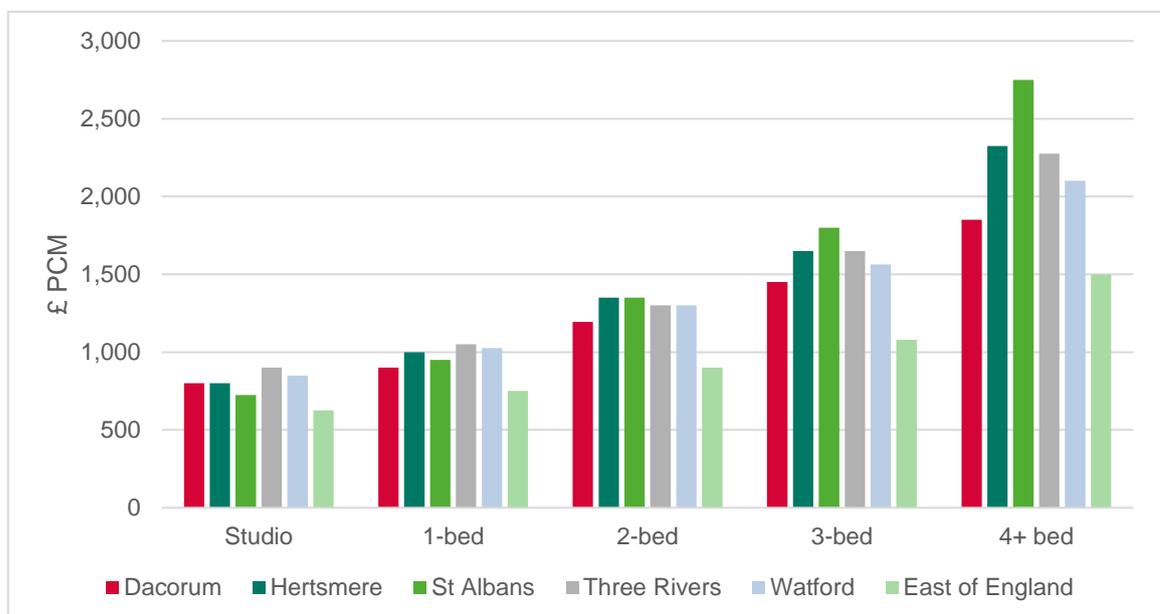
Source: ONS Private Rental Market Statistics

10.53   The ONS data points to upper quartile rents, which is akin to high quality product, varying between £995 – £1,215 per month for 1-bed properties; £1,295 - £1550 for 2-bed properties; and up to £2,100 per month for 3-bed properties. St Albans again commands some of the highest rents – particularly for larger properties.

10.54   Turning to consider supply, the Savills Build to Rent Market Update (July 2023) highlights the growth which has been seen in the BTR sector, with built supply now reaching 88,000 homes completed nationally with a further 53,500 under construction and over 100,000 units being promoted or in planning. This points to a growing investor appetite in the sector and in larger urban centres, including London, BTR is becoming an increasingly important component of overall housing delivery.

10.55   In SW Herts, the market is less well established but recent years have started to see schemes coming forward in town centre/ central locations, with existing schemes comprising:

- Bryanston Court, Selden Hill, Hemel Hempstead: 109 units completed in 2020/21; and

- Ascot Road, Watford: first 81 units completed in 2021/22 with further phases to deliver.

10.56   Further pipeline schemes at the time of writing include further phases of the Ascot Road scheme (315 units) together with elements of the St Albans Road Retail Park redevelopment (249 units), both in Watford.

10.57   The Ascot Road scheme in Watford developed by Cortland Cassiobury is advertising properties at a significant premium to the ONS data on current private rents (£1,250 PCM for studios, £1480 for 1-bed, £2080 for 2-beds and £2735 for 3-bed units). Whilst rents are therefore potentially towards the higher end of the spectrum, it includes a range of amenities on site including a fitness centre, cinema and business suite; and at the time of writing is offering incentives for key workers (1 month rent free).

10.58   In contrast, our discussions with one of the agents for Bryanston Court in Hemel indicates that the rents for this scheme are a little cheaper than average for similar sized properties (£1000 PCM for 1-beds and £1200 - £1300 for 2-beds).

10.59   The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. We would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.

10.60   There is also the potential for other markets to emerge, including a suburban build to rent model (sometimes called 'Single Family Housing') which sees family homes built to rent on more suburban sites. There are a number of institutional investors who are entering this market, including Legal & General, Aviva and Blackstone. We understand there is developer interest in this at Beaumont Manor/ Spencers Park, on the edge of Hemel Hempstead; and as the market

develops this could also be expected on other larger strategic development sites. On such sites it can contribute to the pace of build out/ delivery.

10.61   It is appropriate, therefore, for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.

10.62   The NPPF Glossary expects schemes to include conditions requiring operators to offer tenancies of 3 or more years, but with options for tenants to break their tenancy (without a fee) after 6 months with a 1 month notice period.

10.63   In respect of affordable housing, the economics of build-to-rent development are different to standard 'for sale' or mixed tenure residential schemes. The net-to-gross ratio for BTR flatted schemes is different, with often more communal space which is not revenue generating. The emphasis is on creating a longer-term investment with returns phased over a longer period of time (patient capital). This means that finance costs may be higher, and viability will be sensitive to changes in interest rates.

10.64   Government is keen to secure growth in the sector and in this context, the PPG proposes 20% affordable housing as a 'suitable benchmark' for affordable private rent within BTR developments. Affordable housing on BTR schemes is expected to come forward as affordable private rent, and be brought forward with common ownership and management to the market housing provision. A minimum rent discount relative to local market rents is expected to be set out in policy, with a 20% discount proffered. Councils can set higher discounts, and there may be a case to consider this to ensure a supply of 'genuinely affordable homes' however this needs to be balanced against the effects on viability and the growth of the sector, which is currently not particularly well established in the SW Herts area. Affordable housing policies need therefore to be informed by detailed viability testing which specifically addresses the BTR sector. Section 7 has included further advice on affordable housing provision in BtR Schemes.

Co-Living

10.65   In its current form, modern co-living in the UK tends to be urban-focused and integrate accommodation and amenities into a single building or development. As a market segment it is most developed in London and offers private bedrooms with shared common spaces and community events, at an all-inclusive rent. Its target market is mainly those in their 20s and 30s, particularly those in professional roles. Schemes provide high spec serviced accommodation typically in central locations which are close to amenities. A difference from standard BTR is that

unit sizes are smaller, with greater shared communal areas, and schemes can offer shorter-term rents such as for those new to an area or only working there part of the time.

10.66   Within a SW Herts context, co-living is likely to be most appropriate in the larger urban centres with a concentration of population in their 20s and early 30s. Unit sizes are typically small, and it should be seen as an alternative to living within Houses in Multiple Occupation (HMOs) or with parents.

10.67   As the chart below shows, Watford in particular, followed by Dacorum and Hertsmere, have larger populations of young adults. As above, these authorities and St Albans have high proportions of younger households living in Private Rented Accommodation.

Table 10.7 Target Market - Population in Younger Age Groups

	Daco-rum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Aged 20-24	7,106	5,444	5,943	4,418	5,335	28,246
Aged 25-29	9,114	6,159	7,431	4,827	7,697	35,228
Aged 30-34	10,865	6,754	8,670	5,463	8,819	40,571
Total: Younger Age Groups	27,085	18,357	22,044	14,708	21,851	104,045
% District Population	17.5%	17.0%	14.9%	15.7%	21.4%	17.1%

Source: Census 2021

10.68   We have also sought to consider the household composition of younger households. The analysis shows that for people aged 16-34, there is a concentration of live in family households but there are also notable numbers in other households which will include shared housing (including HMOs).

Figure 10.7 Population aged 16-34 in Other Households

Other Households: no dependent children
Other households as a % of residents aged 16-34
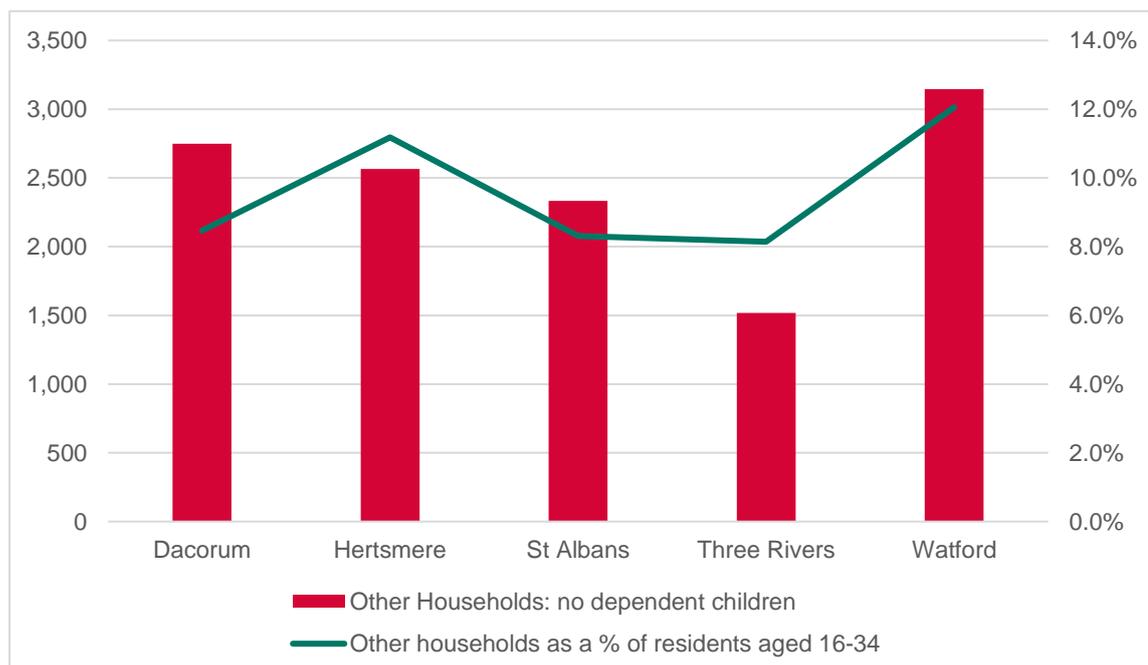
10.69   Overall the analysis points to the greatest potential co-living market being in Watford; but with the potential that it may also develop in other towns within the sub-region. Iceni understands that at the current time there are no current co-living schemes in SW Herts, but that there has been market interest from providers to deliver co-living development in Watford.

10.70   Co-living to some degree is a purpose-build alternative for younger households to living either at home with parents, or in HMOs. It can provide modern, good quality accommodation and shared amenities for those who cannot afford the costs of 1-bed properties in the wider rental market. In providing a competitor product, there is some potential for it to help to drive up standards within the HMO sector, or to release supply for other households (including those on lower incomes in receipt of LHA).

10.71   Where schemes come forward, the room sizes are smaller than for other new-build developments but should be considered in this light: that they offer new high quality supply as an alternative to those who might otherwise be living at home or in poorer quality HMO accommodation. Savills report that recent schemes in London for instance have rooms of between 20-25 sq.m. Schemes should ensure that longer-term tenancies are available for those that seek it.

10.72   Co-living schemes will generally provide a lower cost housing option than other new-build development. The considerations in terms of affordable housing provision will be similar to Build-to-Rent: any on-site provision would need to be under common management with the remainder of the scheme, with an agreed process for nominations, and policy requirements informed by viability analysis specific to this market segment. We would note that the London Plan seeks contributions in lieu of affordable housing provision.

Children's Homes

10.73   A Written Ministerial Statement by the Minster of State for Housing and Planning on 23rd May 2023[34] has made clear that LPAs should determine whether it is appropriate for studies such as this to consider the accommodation needs of children in need of social services care (children in care). It advises that LPAs should give due weight to and be supportive of applications for accommodation for looked after children in their area that reflect local needs; and that unitary and upper tier authorities should work with commissioners to assess local need.

10.74   The 'sufficiency duty' under the Children's Act (1989) requires local authorities to take steps to secure, as far as reasonably practical, sufficient accommodation within the Authority's area

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[34] https://questions-statements.parliament.uk/written-statements/detail/2023-05-23/hcws795

boundaries to meet the needs of children that the local authority is looking after and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area. The authority in these terms is Hertfordshire County Council (HCC).

10.75   Hertfordshire's Plan for Children and Young People 2021-26 identifies that the pandemic has been disruptive, but sets out the County Council's vision to support children and young people to be happy, loved and thrive in their family and the community. It seeks to provide sufficient placements for looked after children in the County[35], by increasing both in-house foster carers (through HCC's Fostering Strategy[36]) and residential homes which can support a range of complex needs. It seeks to improve the availability of placements in Hertfordshire in a context where around 25% of looked after children are currently placed more than 20 miles from home; and a third out of the County (albeit that this has been falling).

10.76   A Sufficiency Statement, prepared by HCC in 2022,[37] provides more up-to-date information. It outlines that in assessing sufficiency, the County Council consider the condition of the market, development capacity of local providers and importantly the current resource and budget priorities of the Council. The Sufficiency Statement outlines:

- As at March 2022, there were 1,030 children looked after and 111 unaccompanied asylum seeker children (totalling 1,131 children), equating to 38 per 10,000 population aged under 18. The rate of children looked after is below the regional and national averages (49 and 67 per 10,000). These figures include those in foster care;

- Of these total children, 25% are aged under 10, with the majority (75%) aged between 10-17;

- As at March 2022, there were 383 children and young people placed outside of Hertfordshire, of which 134 were placed 'at a distance.' However the majority of these relate to those accommodated in foster care. There were 52 children in Children's Homes outside of the County;

- There are evident challenges around placement location, availability and choice, common with all local authorities, influenced by a national shortage of people wanting to foster complex children. Independent placements are very expensive for HCC, costing over £5,000 per week.

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[35] Reducing the % placed outside of the local authority boundary and more than 20 miles from home

[36] https://www.hertfordshire.gov.uk/media-library/documents/childrens-services/fostering/hertfordshires-fostering-strategy-2020-2022.pdf

[37] https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/sufficiency-summary-2022.pdf

10.77   HCC's Strategy is to create an additional 31 residential beds by 2024. Of these 10 beds have been created (by end of 2021/22 monitoring year), a mix of both in-house and independently managed services. The homes are intended to be a blend of short term/ emergency accommodation and medium-to-long-term placements. The intention is to achieve this principally through the refurbishment of buildings within Hertfordshire CC's existing property portfolio.

10.78   Phase II will see 18 beds created through refurbishment of Hertfordshire properties and the creation of new in-house and independent provider-run provision. Phase III, post 2023, will create 3 or more bedrooms through either refurbishment or new-build. The current position is of a shortfall of 4 beds against the Strategy's target for 31 residential beds in total.

10.79   Supply is managed on a Hertfordshire-wide basis. The existing supply position on a County wide basis appears to be of 28 HCC in-house places, with 62 places in independent residential children's homes. Based on discussions with HCC Commissioners in Sept 2023, it is appropriate to assume that 90% of the 52 children accommodated outside of Hertfordshire now would be better served by places more local to their previous address. On this basis, an overall indicative level of provision sought would be 137 spaces now; with an existing county-wide shortfall of around 47 places. Indicatively with 53% of the County's 11-17 population living in SW Herts, the current shortfall is of around 25 children's home places. Children's homes are generally registered for those aged 11/12 – 18, as younger children in care are likely to be placed with foster carers.

10.80   Based on the County wide position, around 80 per 10,000 children aged 11-17 are in care; of which currently 11% are accommodated in existing children's homes in Hertfordshire and 6% in homes outside of the County; and 83% in Foster Care.

10.81   However based on our discussions with HCC Commissioners, there are clear benefits from being able to accommodate most children in communities they know and which are close to their families, in particular to support family reunification. It is therefore appropriate to seek to accommodate future growth at a more local level, and to broaden the locations within Hertfordshire where children's homes places are available, which includes developing provision in SW Herts. To reduce the out-of-county placements it is appropriate therefore to assume 16% of the current need should be accommodated in children's homes.

Equally the availability of foster homes has however been reducing and is expected to continue to do so for the foreseeable future, which will add to the demand for children's home bedspaces. Taking this into account, we have assumed that 20% of those aged 11-17 who are typically accommodated in foster homes now could require children's home places by 2041. This means that the proportion of children in care accommodated in children's homes is expected to rise from 16% to 33% over the period from 2021 to 2041.

Table 10.8 Basis of Modelling Assumptions for Children's Homes Needs

	Hertfordshire
Looked after children under 18 across Herts	1131
Estimate of those aged 11-17 @ 75%	848
Usual residents aged 11-17, Hertfordshire	105,985
Prevalence of Children aged 11-17 in Care (per 10,000)	80
Children 11-17 accommodated in existing Children's Homes	90
% Children in Care aged 11-17	11%
Children 11-17 accommodated in Children's Homes out of County	52
% Children in Care aged 11-17	6%
Children 11-17 in Foster Care	706
% Children in Care aged 11-17	83%
% Children 11-17 need to be accommodated in Children's Homes now	16%
% Children 11-17 need to be accommodated in Children's Homes in the Future	33%

Source: Iceni

10.82   We have assumed that future provision should be made in accordance with this. Other children are accommodated with foster families, with family/friends, adopted or live in special schools.

10.83   An analysis of existing supply indicates that within the County this is particularly focused towards Stevenage, Welwyn Garden City and Baldock. Existing supply managed by the County Council includes the Meadow View scheme in Watford. This is the only HCC managed scheme in SW Herts. We do not however have comprehensive data on existing provision managed by others in SW Herts. We have therefore modelled the gross needs position from which existing supply (for instance at the time of a planning application) can be subtracted.

10.84   The tables below model future need on this basis. We take first the projections for the population aged 11-17 from the demographic projections (Table 10.10). An estimate is then made of the current number and future growth in children in care by applying the prevalence rate of 80 per 10,000 population within this age range (Table 10.11). We then model children's homes needs assuming that the proportion of those in care should be 16% in 2021 but could rise to 33% by 2041.

10.85   The analysis shows a gross need for at least 72 bedspaces now; with a current shortage likely to be evident in all areas; which rises to 155 spaces by 2041.

Table 10.9 Population aged 11-17, SW Herts

	2021	**2,041**	**Change in Population aged 11-17**
Dacorum	13,384	14,387	1,003
Hertsmere	9,841	10,437	596
St Albans	14,897	14,666	-231
Three Rivers	8,821	9,234	413
Watford	8,975	9,904	929
SW Herts	**55,918**	**58,628**	**2,710**

Source: JGC Demographic Projections

Table 10.10 Projections of Current and Future Children aged 11-17 in Care, SW Herts

	Est Children in Care, 2021	**Estimate Children in Care, 2041**	**Change, 2021-41**
Dacorum	107	115	8
Hertsmere	79	83	5
St Albans	119	117	-2
Three Rivers	71	74	3
Watford	72	79	7
SW Herts	**447**	**469**	**22**

Source: JGC Demographic Projections; Iceni

Table 10.11 Current and Projected Gross Need for Childrens' Home Spaces to 2041, SW Herts

	Estimated Current Need (Gross) at 16%	**Estimated Need (Gross) at 33%, 2041**
Dacorum	17	38
Hertsmere	13	28
St Albans	19	39
Three Rivers	11	24
Watford	11	26
SW Herts	**72**	**155**

10.86   The need shown represents the potential 'gross need' and does not take account of existing supply which needs to be taken into account at the point of a planning application to assess whether there is a need for additional provision. The County Council manage Meadow View in Watford which provides spaces for 4 young people; but wider supply in SW Herts is run by other providers.

10.87   Children's homes are not typically large, with normally between 1-4 children in a home as well as provision for staff to sleep and a number of communal rooms. They should include outdoor space within a garden and ideally provision for staff parking. Houses on through roads in suburban environments are thus particularly suitable. Additional provision does not necessarily need to be new-build but could include conversion of existing C3 properties or other buildings in public sector ownership. Children's homes would typically fall within a C2 use class. It should be noted that

homes will need to include both bedrooms for children and for carers (so that for instance a 4-bed house could be for 3 children). There is a need for homes of varying sizes.

10.88   To address the need identified, it is appropriate for Hertfordshire County Council to be engaged in the planning process for strategic sites and for appropriate consideration to be given to the need for children's homes and how this might be accommodated. The WMS makes clear that in two tier authorities as here, it expects local planning authorities to support these vital developments where appropriate, to ensure that children in need of accommodation are provided for in their communities.