GL Hearn
Part of Capita Real Estate

South West Hertfordshire Strategic Housing Market Assessment

Final Report

January 2016

Prepared by

GL Hearn Limited
280 High Holborn
London WC1V 7EE

T +44 (0)20 7851 4900
F +44 (0)20 7851 4910
glhearn.com

Contents

Section		Page
1	INTRODUCTION	5
2	DEFINING THE HOUSING MARKET AREA (HMA)	17
3	UNDERSTANDING THE SOUTH WEST HERTFORDSHIRE HOUSING MARKET	21
4	DEMOGRAPHIC PROJECTIONS	35
5	ECONOMIC-DRIVEN PROJECTIONS	57
6	HOUSING MARKET DYNAMICS AND MARKET SIGNALS	67
7	AFFORDABLE HOUSING NEED	95
8	NEED FOR DIFFERENT SIZES OF HOMES	123
9	HOUSING NEEDS OF PARTICULAR GROUPS	137
10	CONCLUSIONS	177

Appendices

APPENDIX A: DEFINING HOUSING MARKET AREAS

APPENDIX B: COMPONENTS OF CHANGE DATA – PAST TRENDS, AND SNPP SCENARIO

APPENDIX C: HEADSHIP RATES BY AGE GROUP

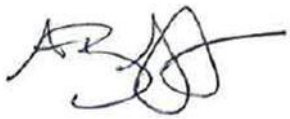
APPENDIX D: AFFORDABLE HOUSING DEFINITIONS

Quality Standards Control

The signatories below verify that this document has been prepared in accordance with our quality control requirements. These procedures do not affect the content and views expressed by the originator.

This document must only be treated as a draft unless it is has been signed by the Originators and approved by a Business or Associate Director.

DATE	ORIGINATORS	APPROVED
January 2016	Aled Barcroft, Planner Justin Gardner, JGC	Nick Ireland Planning Director



Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

1 INTRODUCTION

1.1 GL Hearn has been commissioned by Dacorum Borough Council, Hertsmere Borough Council, Three Rivers District Council, and Watford Borough Council ('the Councils') to prepare a Strategic Housing Market Assessment (SHMA).

1.2 The purpose of the SHMA is to assess future development needs for housing (both market and affordable) across the relevant housing market area (HMA) which this report defines as South West Hertfordshire. The SHMA considers housing need over the 2013-2036 period to inform strategic planning activities. It considers the need for different types of housing; and the housing needs of different groups within the population, such as older people and students.

1.3 The SHMA does not set housing targets. It provides an assessment of the need for housing, making no judgements regarding future policy decisions which the Councils may take. Housing targets will be set through local plans. The SHMA provides an important input into setting targets for housing provision, but plan-making will also take into account factors such as the supply of land for new development, Green Belt, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.

1.4 The SHMA responds to and is compliant with the requirements of the National Planning Policy Framework (the NPPF).[1] It is informed by Planning Practice Guidance (PPG) published by Government in March 2014 and maintained and updated as an online resource.[2] The SHMA provides assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:

> *"refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand."*

1.5 This report, in discussing housing need, is thus referring to both the need for market and affordable housing, taking account of both local need and that associated with in-migration. This is as required by national policy.

1.6 The SHMA considers housing need in the South West Hertfordshire Housing Market Area (HMA). The HMA comprises the following local authority areas:

- Dacorum;
- Hertsmere;
- St. Albans;
- Three Rivers; and

[1] CLG (March 2012) *National Planning Policy Framework*
[2] CLG (March 2014) *Planning Practice Guidance – Assessment of Housing and Economic Development Needs*

- Watford.

1.7 Detail of the methodology used to define the HMA is included in Appendix A of this report. A synopsis of this work is included in Section 2 of this report.

1.8 It should be noted that St. Albans City & District Council is not one of the commissioning authorities for this report. St. Albans City & District Council was invited to become a commissioning authority, but declined.

1.9 Key demographic data is not available below a local authority level. Where data is available below authority level this has been considered as necessary. Housing need across the HMA is thus considered by aggregating data for the above local authority areas.

1.10 The SHMA forms part of the evidence base which Councils will use in developing their development plans. The soundness test for local plans is that they meet objectively assessed development needs for their areas and unmet need from adjoining authorities where it is sustainable to do so. Unmet housing needs are (and should be) treated separately from the calculation of the Objectively Assessed Need (OAN) for housing, not least to avoid double counting.

National Policy and Guidance

1.11 National policies for plan-making are set out within the National Planning Policy Framework.[3] This sets out key policies against which development plans will be assessed at examination and to which they must comply.

National Planning Policy Framework (NPPF)

1.12 The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby local plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted.

1.13 The NPPF highlights the Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;

[3] CLG (March 2012) National Planning Policy Framework

- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

1.14 Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their local plans are submitted for examining. This is underpinned by the legal 'duty to cooperate.'

1.15 Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 outlines that planning should also take account of market signals, such as land prices and housing affordability. Paragraph 173 also makes clear that plans must be deliverable.

1.16 At the time of preparation of this report, Government is consulting on potential changes to the National Planning Policy Framework. These include potential amendments to the definition of 'affordable housing' to reflect Government's increasing policy emphasis on widening access to home ownership, including through delivery of Starter Homes.

Planning Practice Guidance

1.17 The Planning Practice Guidance (PPG) was issued by Government in March 2014 on '*Assessment of Housing and Economic Development Needs*' and is maintained as an online resource, which is updated periodically. PPG is relevant to this report in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving the Objectively Assessed Need (OAN) for housing. The approach in this report reflects and is consistent with this Guidance.

1.18 The Guidance defines "need" as referring to 'the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need." It sets out that the assessment of need should be realistic in taking account of the particular nature of that area, and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

> *"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."*

1.19 This report does thus not deal with development constraints including environmental constraints and infrastructure. These will be taken into account by each of the local authorities in considering how development needs can and should be accommodated.

1.20 The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, 'the starting point' for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report the latest projections are the 2012-based Household Projections[4]. The Guidance also outlines that the latest population estimates and projections should be considered. The latest ONS population projections are the 2012 Sub-National Population Projections published by ONS in May 2014. ONS also published 2013 Mid-Year Population Estimates in May 2014. The analysis and projections in this report were prepared in advance of the release of 2014 Mid-Year Population Estimates.

1.21 The Guidance sets out that there may be instances where the national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.

1.22 The Guidance also indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

1.23 The PPG sets out how affordable housing need should be assessed, in essence retaining the approach to doing so which had been used in previous Government Guidance (often termed the 'Basic Needs Assessment Model.'). This report assesses the objectively-assessed need for affordable housing following this approach. In considering how much housing to plan for, the PPG suggests that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. In some instances, it suggests that this may provide a case for increasing the level of overall housing provision.

1.24 The PPG goes on to outline that consideration should be given to the need for different sizes and tenures of homes including the need for private rented housing; for family housing; from older

[4] CLG (February 2015) *2012-based Interim Household Projections in England, 2012 to 2037*

people; students; and those with specific needs; as well as demand from people wishing to build their own homes.

Local Planning Policy

1.25 In this section we summarise relevant planning policies regarding housing provision in the four commissioning authorities. Table 1 summarises current adopted policies for housing provision.

Table 1: Adopted Policies for Housing Provision

Authority	Housing Target	Plan Period	Dwellings per Annum
Dacorum	10,750	2006-31	430
Hertsmere	3,990	2012-27	266
Three Rivers	4,500	2001-2026	180
Watford	6,500	2006-2031	260
HMA	-	-	1,572

1.26 This Strategic Housing Market Assessment will inform future policy development, including the review of current policies regarding housing provision and mix.

Dacorum Borough Council

1.27 Dacorum Borough Council adopted their Core Strategy in September 2013. It covers a plan period from 2006 to 2031. The Core Strategy makes provision for at least 10,750 net additional dwellings between 2006 and 2031. This is equivalent to 430 new dwellings per annum over the plan period.

1.28 Housing allocations, their planning requirements, and expected phasing will be set out in the Site Allocations DPD (which has reached the pre-submission stage), the East Hemel Hempstead Area Action Plan (if this document is produced) and the forthcoming Single Local Plan.

1.29 Policy CS18 deals with housing mix, and states that decisions on the appropriate type of mix of homes within development proposals will be guided by strategic housing market assessments and housing needs surveys, and informed by other housing market intelligence and site-specific considerations.

1.30 Policy CS19 deals with affordable housing. Detailed guidance on affordable housing provision is set out in an Affordable Housing SPD. 35% affordable housing is expected on sites of a minimum size 0.3ha or 10 dwellings (and larger) in Hemel Hempstead; and of 0.16ha or 5 dwellings (and larger) elsewhere. A financial contribution is expected from smaller sites. As a guide to the mix of affordable housing, the Council currently seeks 75% affordable rented housing, and 25% shared ownership homes.

Hertsmere Borough Council

1.31 Hertsmere Borough Council adopted their Core Strategy in January 2013 which covers a plan period from 2012 to 2027. The Core Strategy makes provision for at least 3,990 net additional dwellings between 2012 and 2027. This is equivalent to 266 new dwellings per annum over the plan period.

1.32 Policy CS2 sets out the location of new homes with priority given to locating the majority of residential development within the main settlements of Borehamwood, Potters Bar and Bushey. Between 2012 - 2027, up to 60% of new housing will be sought in Borehamwood, at least 10% in Potters Bar, up to 25% in Bushey and at least 5% in Radlett and other suitable locations.

1.33 Policy CS4 deals with affordable housing. Paragraph 3.27 sets out an affordable housing target of 1,140 from 2012 to 2027, equivalent to 76 affordable dwellings per annum. CS4 requires developments of 5 self-contained, residential units or more (gross), or residential sites of more than 0.2 hectares, should make provision for an element of affordable housing. On sites of fewer than 15 units, this may be delivered through the provision of intermediate housing (including shared ownership and share equity), with sites of 15 units or more containing a mix of social rented housing, affordable rent and intermediate housing. As a guideline, on sites of 15 or more units (gross) or 0.5 hectares, the Council expect that 75% of the affordable housing units will be delivered as social rented and/or affordable rent housing and the remainder as intermediate housing. The following percentage targets will be sought through negotiation:

- 40% in post code areas EN5 4, WD25 8, WD7 8, WD7 7;
- at least 35% in all other locations.

1.34 Policy CS7 deals with housing mix and sets out that housing developments in excess of 10 units (gross) contain some variation within their housing mix, with sites over 25 units or 1 hectare reflecting identified variations within the Borough's housing need, subject to proposals respecting the prevailing character of the area. On large sites allocated in the Site Allocations DPD and large windfall sites, the need for a proportion of sheltered or extra care housing is considered as part of the overall housing mix.

Three Rivers District Council

1.35 Three Rivers District Council adopted their Core Strategy in October 2011 which covers a plan period from 2001 to 2026. The Core Strategy makes provision for 4,500 new dwellings between 2001 and 2026, equivalent to 180 dwellings per annum.

1.36 Housing provision will be made primarily from within the existing urban area – it is anticipated that approximately 60% of housing requirements will be met in the Key Centres – and also from housing

sites at the most sustainable locations on the edge of existing settlements in the Green Belt. This is likely to be achieved in part through significant mixed use development at Leavesden Aerodrome and through regeneration in South Oxhey. The Council has adopted a Site Allocations Development Plan Document (DPD) which allocates sites within the District to meet development needs to 2026.

1.37 Policy CP3 deals with housing mix, and requires housing proposals to take into account the range of housing needs, in terms of size and type of dwellings as identified by the Strategic Housing Market Assessment and subsequent updates.

1.38 Policy CP4 sets out affordable housing requirements. The Council will seek an overall provision of around 45% of all new housing as affordable housing, incorporating a mix of tenures. All new development resulting in a net gain of one or more dwellings will be expected to contribute to the provision of affordable housing. As a guide, the Council will seek 70% of the affordable housing provided to be social rented and 30% to be intermediate. For schemes of fewer than 10 dwellings the council will consider the use of commuted payments towards provision off site depending on site circumstances and viability.

Watford Borough Council

1.39 Watford Borough Council adopted their Core Strategy – the Local Plan Part 1 – in January 2013. It covers a plan period from 2006 to 2031. The Core Strategy sets a minimum target of 6,500 net additional dwellings between 2006 and 2031. This is equivalent to 260 new dwellings per annum over the plan period.

1.40 Policy HS2 concerns housing mix and requires development to deliver a mix of housing types, sizes and tenures at a local level to meet the requirements of all sectors of the community. Higher density developments mainly including flats will be focused around the town centre and key strategic sites such as the Watford Junction and the Health Campus Special Policy Areas, and to a limited extent around the area at the proposed station at Ascot Road. Medium density developments such as flats and houses may be appropriate close to neighbourhood centres where they are well served by transport links. Low density family houses with gardens will be sought in more suburban areas.

1.41 Policy HS3 deals with affordable housing. A rate of 35% affordable housing will be sought on major applications of 10 residential units and above or sites of more than 0.5 ha. The affordable housing provision will be;

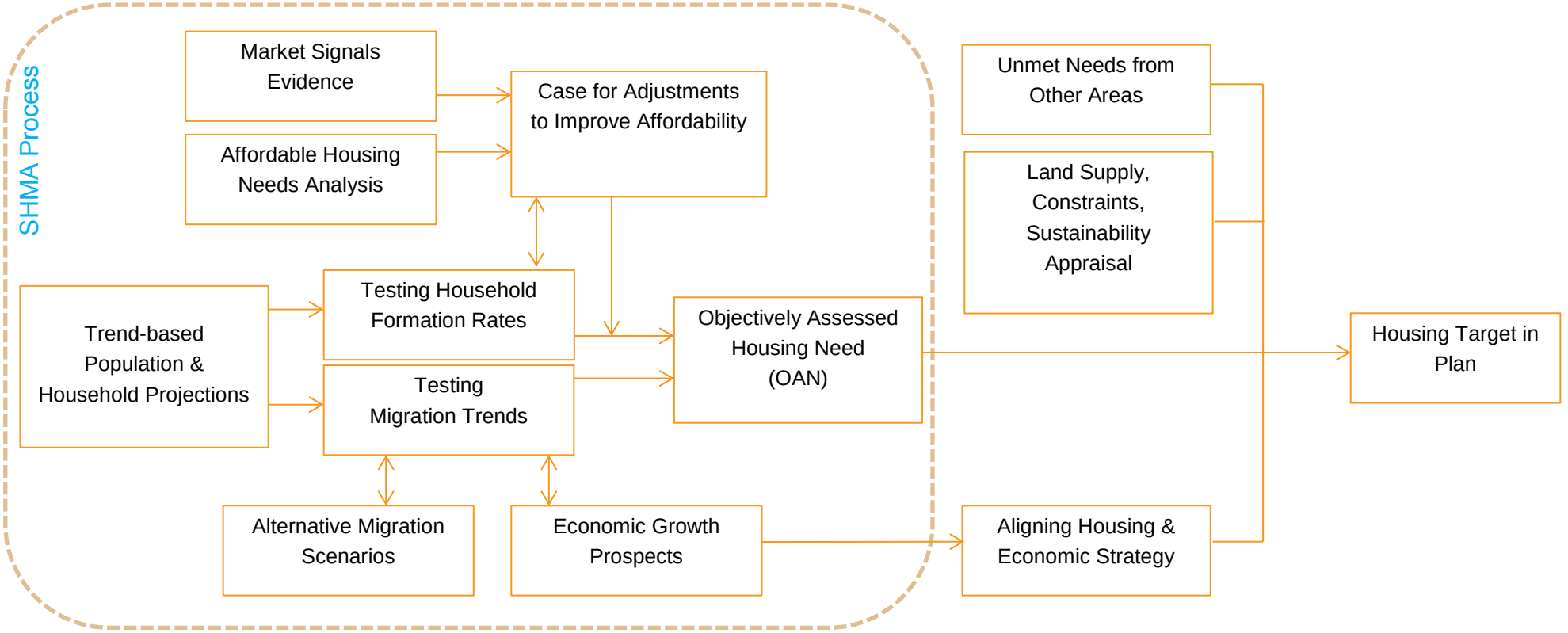
- Social rent 20%
- Affordable rent 65%
- Intermediate affordable housing (shared ownership) 15%

Overview of the Approach to Deriving OAN

1.42 The NPPF and Practice Guidance set out a clear approach to defining the Objectively Assessed Need (OAN) for housing. We have sought to summarise this within the diagram below. This summarises the approach we have used to considering OAN.

1.43 The latest official demographic projections are the 'starting point' but the SHMA tests different scenarios relating to levels of migration and household formation rates. In doing so, it takes account of the affordable housing needs evidence and market signals, which provide evidence regarding supply-demand balance, and the impacts of affordability on household formation.

Figure 1: Overview of OAN Approach



Stakeholder Engagement

1.44 The Strategic Housing Market Assessment has been informed by a wide range of data sources together with stakeholder consultation.

1.45 Meetings of a Project Advisory Group, involving surrounding local authorities, have been held at key stages in the preparation of the SHMA.

1.46 The draft findings of this study, together with the Economy Study which has been prepared alongside it, have been tested by means of a stakeholder consultation event held in Hemel Hempstead on 14th September 2015. This was attended by representatives from adjoining local planning authorities, Hertfordshire County Council, Hertfordshire Local Enterprise Partnership (LEP), other key duty to co-operate bodies such as Natural England and Heritage England, local agents operating within the area, local and national housebuilders, as well as local and national planning consultants representing clients with land interests. Feedback from the stakeholder event has informed the finalisation of this SHMA Report.

1.47 A separate Workshop Report on the stakeholder consultation event is available, which sets out the key focus of discussions and the main messages from the feedback from consultees. The feedback received at the workshop generally supported the key findings of the study. Most attendees agreed that the definition of the HMA was justified and based on good evidence. There was also general support for the methodology for calculating the objectively assessed need for housing. It should be noted, however, that St Albans District Council disagrees that the district should be included in the HMA and has questioned the objectively assessed need figures identified for the district. A number of attendees also highlighted that environment and policy constraints, including Green Belt and Areas of Outstanding Natural Beauty, will be relevant in translating conclusions on housing need into policy targets for future housing provision.

1.48 A draft of this report has been sent to adjoining local authorities and the Greater London Authority (GLA). Comments received from these parties have been taken into account in finalising the report.

Report Structure

1.49 The remainder of this report is structured as follows:

- Section 2: Defining the Housing Market Area (HMA);
- Section 3: Understanding the South West Hertfordshire Housing Market;
- Section 4: Demographic Projections;
- Section 5: Economic-Driven Projections;
- Section 6: Housing Market Dynamics and Market Signals;

- Section 7: Affordable Housing Need;
- Section 8: Need for Different Sizes of Homes;
- Section 9: Housing Needs of Particular Groups;
- Section 10: Conclusions.

2 DEFINING THE HOUSING MARKET AREA (HMA)

2.1 Planning Practice Guidance (PPG) on *Housing and Economic Development Needs Assessments* was issued by Government in March 2014. This provides a definition of a Housing Market Area (HMA); and provides Guidance on how this should be defined.

2.2 The PPG outlines what a housing market area is, setting out:

> *"A housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It might be the case that housing market areas overlap.*
>
> *The extent of the housing market areas identified will vary, and many will in practice cut across various local planning authority administrative boundaries. Local planning authorities should work with all the other constituent authorities under the duty to cooperate[5]."*

2.3 The PPG sets out that housing market areas can broadly be defined using three different sources of information: house prices and rates of change in house prices; migration and search patterns; and contextual data, such as travel to areas and commuting patterns. In practice, as set out in the Planning Advisory Service's Report on *Objectively Assessed Need and Housing Targets* (PBA, July 2015), weight is often placed on migration and commuting flows and containment.

2.4 As part of the preparation of this SHMA, GL Hearn has prepared a separate study examining Housing Market Area(s) in South West Hertfordshire. This study is included in Appendix A. It has been prepared alongside work, led by Regeneris Consulting, to define the Functional Economic Market Area (FEMA). The Study includes a review of existing work which has considered housing market geographies, including studies commissioned by surrounding local authorities; and national research to defined housing market areas across England.

2.5 The national research study, prepared by a team of academics[6], highlights the influence of London's housing market, which it defines as extending beyond Greater London into the Home Counties. The Study has reassessed this; with house price analysis showing the influence of London on areas around it, including South West Hertfordshire. The analysis also shows strong commuting and migration flows with the Capital. However whilst the Greater London Authority recognises links to surrounding areas, it has defined London as its own Housing Market Area in the London SHMA 2013; and this has been ratified through the examination of Further Alterations to the London Plan. Whilst recognising links between South West Hertfordshire and London, it is therefore necessary to define Housing Market Areas beyond the London boundary.

[5] Reference ID: 2a-011-20140306
[6] CURDS (2010) *Geography of housing market areas in England*

2.6 The national research study defines a local HMA as including the four commissioning authorities of Dacorum, Hertsmere, Three Rivers and Watford; together with St Albans District and the majority of settlements in Chiltern. The inclusion of St Albans in a common HMA to the commissioning authorities is inconsistent with St Albans City & District Council's own SHMA Report; but is supported by up-to-date independent work undertaken for Bedfordshire and surrounding authorities; and its inclusion within a common Broad Rental Market Area, as defined by the Valuation Office Agency (VOA). In the case of Chiltern, 2011 Census data suggests relatively weak migration and commuting links with authorities in South West Hertfordshire; and recent evidence commissioned by the Buckinghamshire local authorities defines this as within a Central Buckinghamshire Housing Market Area. Research studies suggest links from Welwyn Hatfield in a number of directions.

2.7 GL Hearn has sought to independently review the evidence regarding housing market geographies. The Study has considered house price differentials, and price growth; together with migration and commuting patterns, and self-containment.

2.8 The house price analysis points to a market-based distinction between Hertfordshire and areas such as Luton, Central Bedfordshire and Aylesbury Vale to the north, where housing costs are lower. Within a housing market area there are typically local variations in average house prices, reflecting differences in housing mix, quality of place and accessibility. These local variations allow households to trade up and down within an area.

2.9 An analysis of migration patterns and self-containment has been undertaken. The migration analysis suggests strong inter-relationships between the four commissioning authorities and St Albans (and between St Albans and Welwyn Hatfield). None of the commissioning authorities, or surrounding authorities with the possible exception of Luton, achieve sufficient self-containment of migration flows to be regarded as an HMA in their own right; with self-containment within individual commissioning authorities varying between 43-62% (excluding long-distance flows). However self-containment of between 77-84% of migration flows (depending on how it is measured) is achieved across the four commissioning authorities and St Albans, if the influence of London is set aside.

2.10 The majority of the population of the commissioning authorities and St Albans fall within a common Travel to Work Area, as defined independently by ONS based on 2011 Census data. Whilst recognising a strong commuting relationship with London, if this is set aside, the four commissioning authorities together with St Albans achieve 76% containment of commuting flows.

2.11 In examining Welwyn Hatfield however, the local authority has other influences outside of St. Albans and the commissioning authorities. These primarily relate to Stevenage and North Hertfordshire. Welwyn Garden City falls within the same Travel to Work area as Stevenage.

2.12 Based on a best-fit to local authority boundaries, the research defines a Housing Market Area as comprising:

- Dacorum;
- Hertsmere;
- St Albans;
- Three Rivers; and
- Watford.

2.13 During consultation St Albans City and District Council has criticised the inclusion of St Albans district within the HMA, referring mainly to evidence on house prices. We have reviewed the evidence in the light of this Council's comments, both at an early stage and later in the Study. Our conclusion is that there are very strong grounds for including St Albans within the HMA. Further information on this issue can be found in Appendix A. St Albans City and District achieves insufficient migration and commuting self-containment on its own to be regarded as a separate HMA in its own right. It has been assessed as in a common Broad Rental Market Area with other South West Hertfordshire authorities by the VOA; and two independent studies – the CURDS national research on housing market geographies; and work to defined HMAs by ORS for Luton, Bedfordshire and surrounding areas – alongside this, place it within a common HMA to the commissioning authorities. The evidence herein shows significant commuting and migratory links with other South West Hertfordshire authorities.

2.14 It should be recognised that there are external influences on the housing market outside of the South West Hertfordshire area, most notably the strong links to London and the interaction with Welwyn Hatfield. In addition there are also more localised links that have to be considered, these are:

- Tring with Aylesbury Vale;
- Rickmansworth with Chiltern; and
- Markyate with Central Bedfordshire and Luton

2.15 These cross-boundary influences are two-way and occur at the edges of any housing market area. While not sufficient to redraw the boundaries of the HMA these influences along with those with Welwyn Hatfield and the London authorities should be recognised through duty to cooperate discussions on housing provision.

3 UNDERSTANDING THE SOUTH WEST HERTFORDSHIRE HOUSING MARKET

3.1 In this section we consider the characteristics of South West Hertfordshire's population and housing stock. It is important to understand population dynamics as a key driver of future housing need. This section also considers the current housing stock. Given that much of the housing stock in 2036 exists now, it is important to understand the current housing offer in assessing how it might be developed over the next 20+ years.

3.2 Economic dynamics are considered within the South West Hertfordshire Economy Study, which has been prepared alongside the SHMA.

South West Hertfordshire's Population

Population Growth

3.3 The population of South West Hertfordshire totalled 575,800 persons in mid-2013[7]. Of the five authorities, Dacorum and St. Albans have the highest populations and together comprise 51% of the HMA total.

Table 2: South West Hertfordshire's Population

Area	Population, 2013	% HMA Population
Dacorum	148,200	26%
Hertsmere	101,300	18%
St. Albans	143,100	25%
Three Rivers	89,500	16%
Watford	93,700	16%
SW Herts	575,800	100%

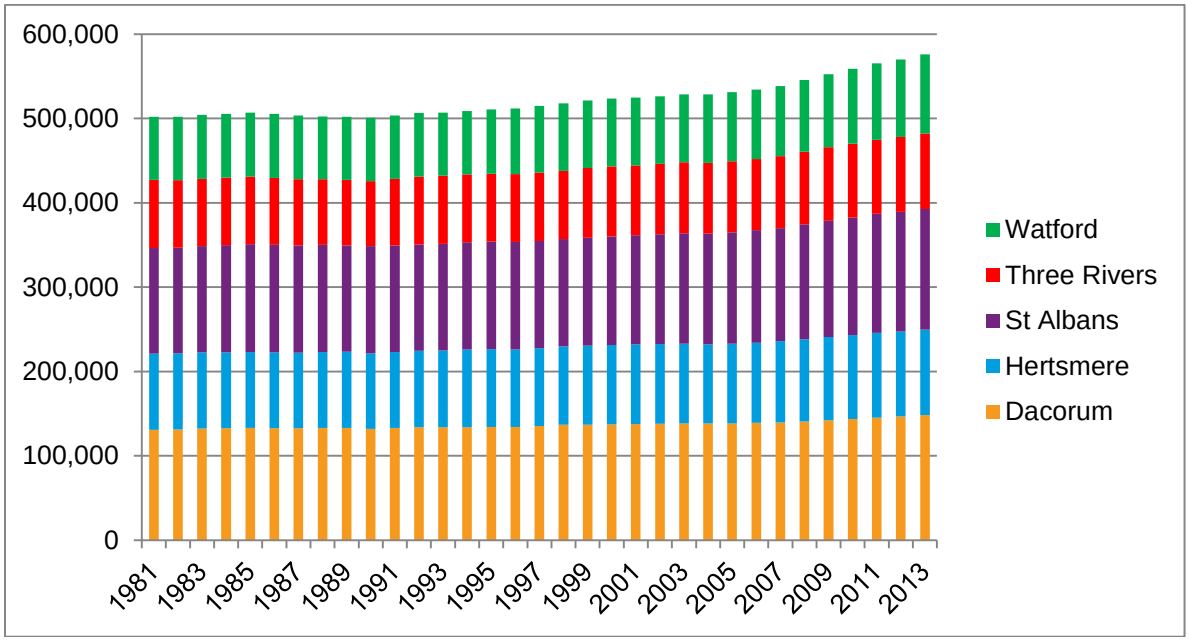
Source: ONS Mid-Year Population Estimates

3.4 Figure 2 indicates how the population has changed since 1981. This shows the population remaining fairly steady throughout the 1980s and beginning to grow in the early 1990s. Growth was steady throughout the 1990s to the mid-2000s, with growth rates increasing through 2005 to 2013. Stronger recent population growth is consistent with trends seen in London.

3.5 Over the period 1981-2013 the average annual growth rate across South West Hertfordshire is 0.4%. In the most recent five years (2008-2013) the average annual growth rate has been 1.1%.

[7] ONS 2013 Mid-Year Population Estimates

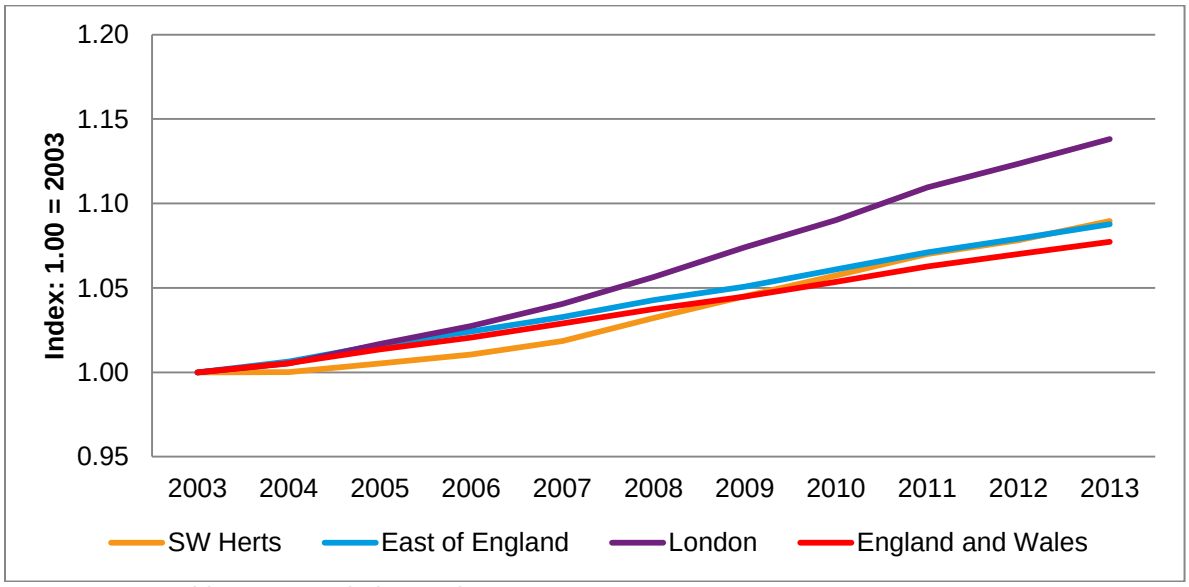
Figure 2: Population Growth in South West Hertfordshire, 1981-2013



Source: ONS Mid-Year Population Estimates

3.6 Figure 3 shows the population growth over the past 10-year period. It is indexed relative to the population of each area in 2003. The population of South West Herts has grown by 47,300 over this period, equivalent to a growth of 9%. This is in line with the East of England region and slightly above the England and Wales growth of 8%. London has seen a 14% increase in population over this period.

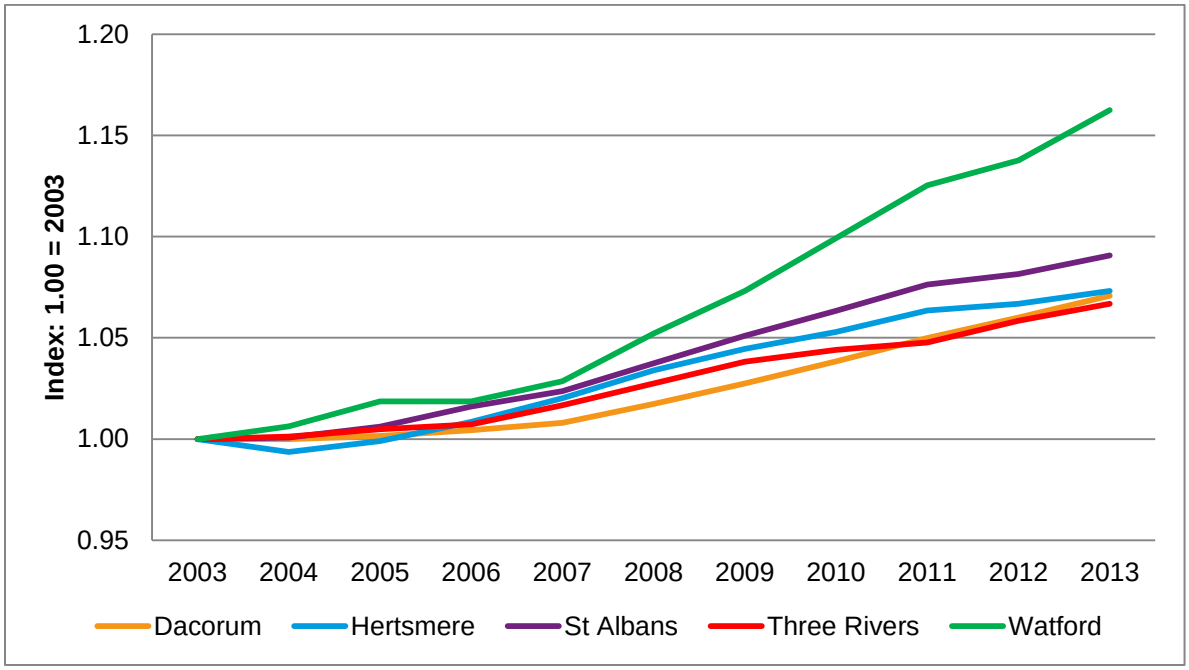
Figure 3: Benchmarking Population Growth, 2003-13



Source: ONS Mid-Year Population Estimates

3.7 Over the 2003-13 decade there has been particularly strong population growth in Watford where there has been an increase in population of 13,100, an increase of 16%. St. Albans saw an increase of 11,900, an increase of 9%. Dacorum grew by 9,800 residents (7% growth), Hertsmere grew by 6,900 (7%), and Three Rivers by 5,600 (7%).

Figure 4: Population Growth by Local Authority, 2003-13



Source: ONS Mid-Year Population Estimates

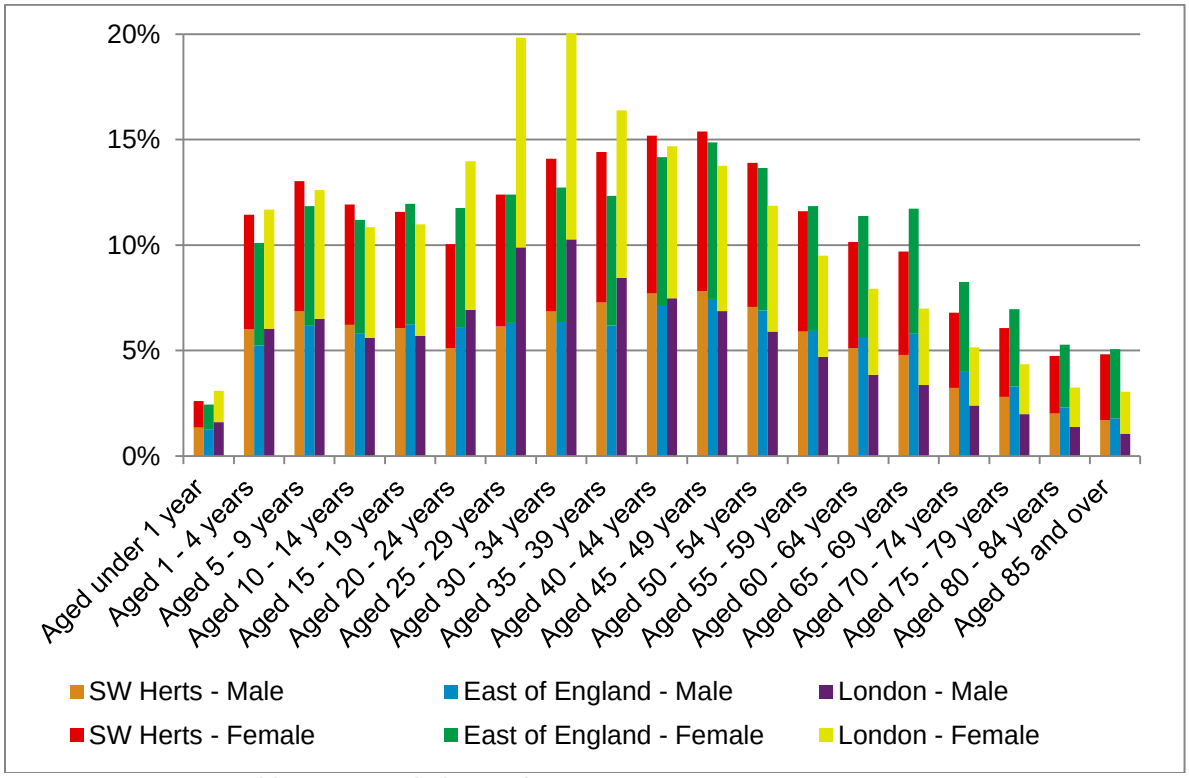
3.8 ONS population projections (which are considered in Section 4) are based on past population trends, principally over the 5-6 years prior to the base date of the projections. The latest projections are 2012-based.

Population Structure

3.9 Population growth and housing need are influenced not just by the growth of the population, but by the population structure.

3.10 Figure 5 overleaf shows South West Hertfordshire's population structure compared to that of the East of England and London regions. This shows that a higher proportion of South West Hertfordshire's population is made up of residents in their 40s and children aged 5 to 14. Conversely there are a notably lower proportion of residents in their early twenties, with numbers steadily increasing with each age band through the late twenties, thirties, and forties. This suggests the population of the area is predominantly made up of people within these age cohorts moving into the area to have children and raise families. There is a low university age population as a proportion of younger people generally move out of the area to study.

Figure 5: Population Structure, 2013



Source: ONS 2013 Mid-Year Population Estimates

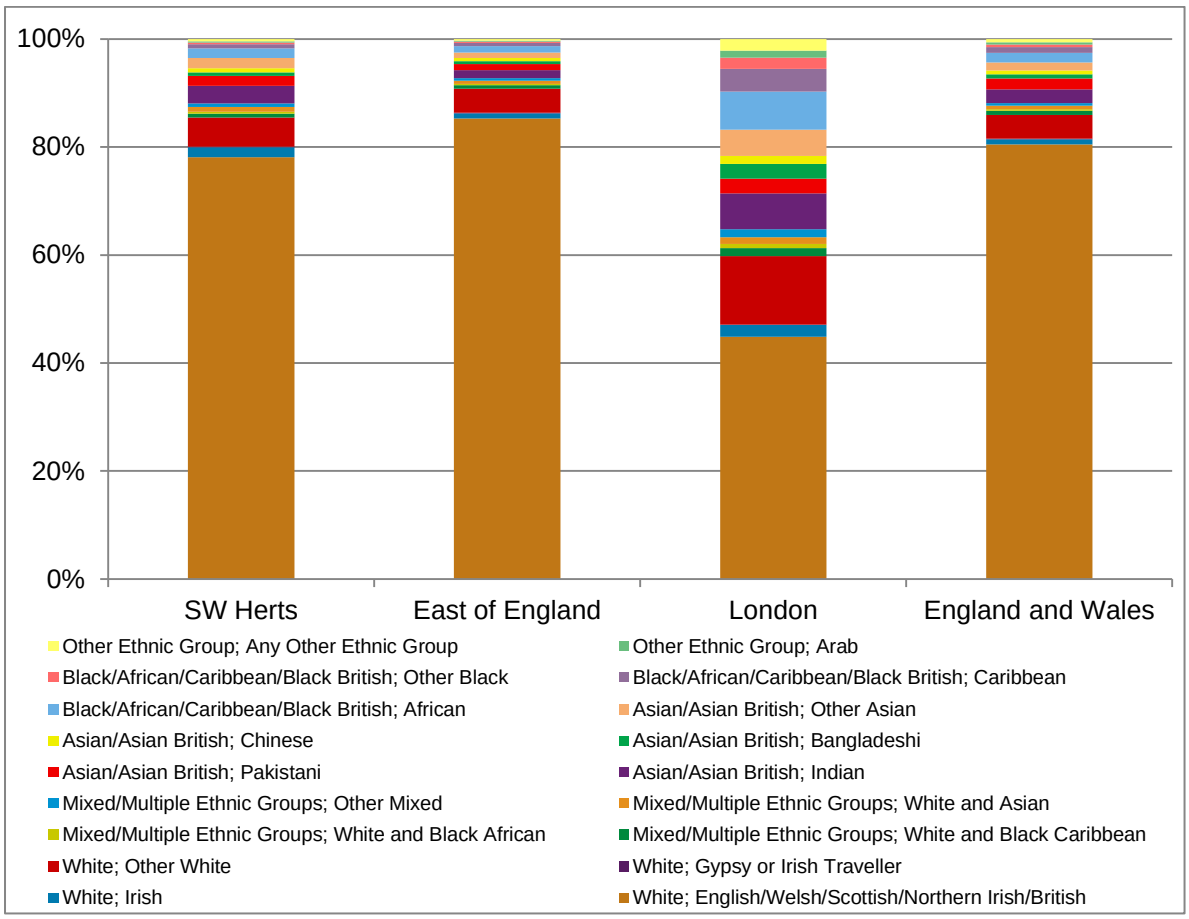
3.11 The population of working-age influences the dynamic between housing and employment growth, which is considered later in the report.

3.12 The ethnic composition of South West Hertfordshire as a whole (based on 2011 Census data) is quite similar to the national average with 78% of the population identified as White British. 2% identified as White Irish and 5% as White Other; 9% as Asian/Asian British; 3% as Black/Black British; and 3% as Mixed/Multi Ethnicity.

3.13 The HMA is more ethnically diverse than the East of England region, where 85% of respondents to the 2011 Census identified themselves as White British, but is much less diverse than London where 45% did.

3.14 Within South West Hertfordshire, Watford Borough is more ethnically diverse than the other authority areas. In Watford 62% of the population identify as White British. There are significant numbers of Asian/Asian British (17%), White, other (non-British or Irish) (8%), and Black/Black British (6%).

Figure 6: Ethnicity, 2011



Source: 2011 Census

Households

3.15 Figure 7 overleaf shows the proportion of different types of households in 2011. 29% of households in South West Hertfordshire are single person households, roughly in line with the levels seen in the East of England and nationally.

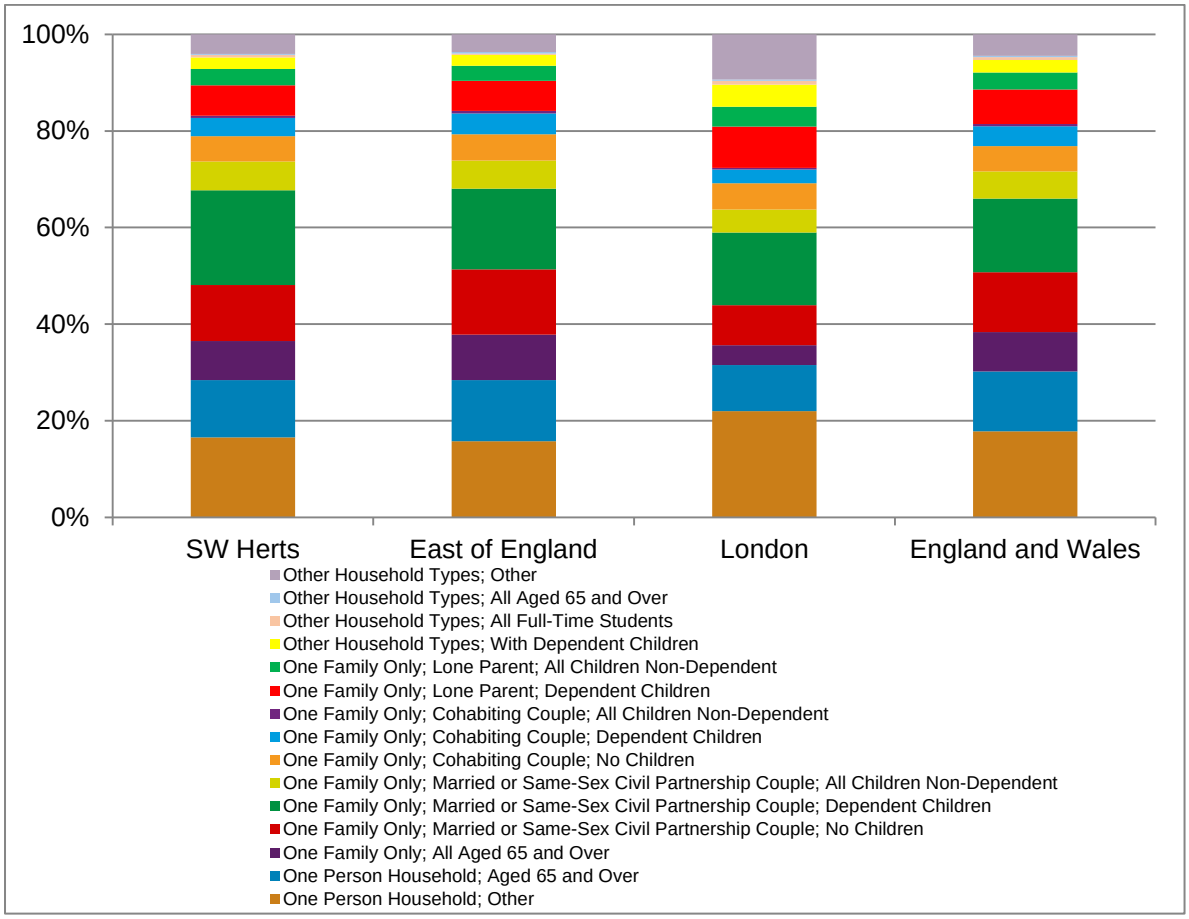
3.16 26% of households in South West Hertfordshire have dependent children, which is above the East of England rate of 23% and national average of 22%. There are particularly high proportions in St. Albans (28%) and Three Rivers (27%).

3.17 20% of households have all residents over the age of 65 – which is in line with national levels and slightly below the 22% seen across the East of England Region.

3.18 London by comparison has much higher proportions of single person households (32%), a smaller proportion aged over 65 (14%), and a smaller number of households with dependent children (23%). The evidence would suggest that some households move out of London to South West

Hertfordshire to access family housing, in attractive areas with good schools which are good places to bring up children.

Figure 7: Household Types, 2011



Source: Census 2011

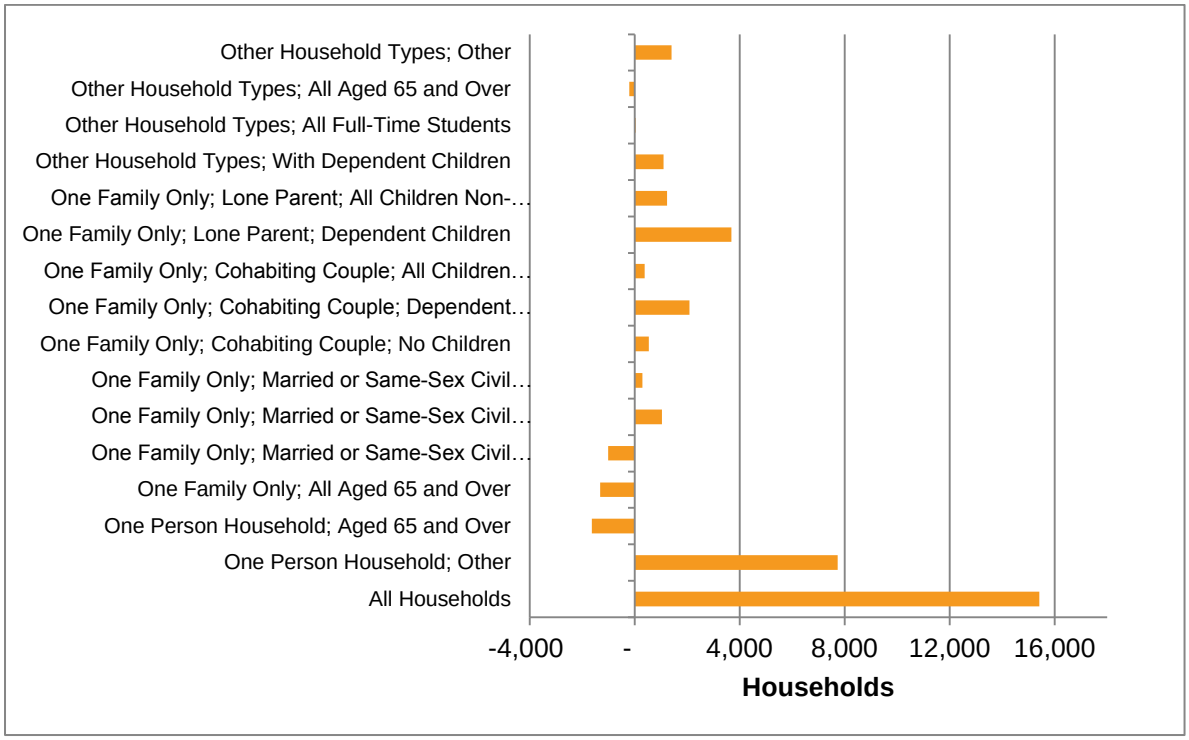
3.19 Between 2001-11 South West Hertfordshire has seen a growth in the number of households with an additional 15,420 households living in the HMA by 2011, which is equivalent to 7% growth. By comparison, the East of England and London regions both saw growth of 8% and England and Wales saw a 7% growth over this period.

3.20 Within the HMA, the largest growth was in Watford which saw a growth of 4,330 households – a growth of 12% on 2001 levels. Dacorum saw a similar number of new households with 4,030 – a growth of 7% on 2001 levels. St. Albans saw a growth of 3,480 new households – 6% growth; Hertsmere grew by 1,900 new households – 5% growth; and Three Rivers grew by 1,670 new households – 5% growth.

3.21 7,700 (50%) of all new households in the HMA were one person households. There were also increases in the number of single parent households and cohabiting couple households as well as

'other' household types which is in line with the general trend of growing numbers of non-traditional household types seen nationally.

Figure 8: Change in Households by Type, 2001-2011



Source: Census 2011

Tenure

3.22 Table 3 overleaf provides a detailed breakdown of the housing stock by tenure type in each of the South West Hertfordshire authorities and wider geographies. In South West Hertfordshire as a whole 68% of households own their homes – 31% own outright and 37% by way of a mortgage or loan. This proportion of home ownership is in line with the East of England average (68%), well above the London average (48%), and above the national average (64%). Watford has a notably lower proportion of households who own their property outright with 24%; St. Albans has the highest proportion with 35%.

3.23 17% of households in South West Hertfordshire are in the social rented sector which is roughly in line with regional and national rates. Dacorum has the highest proportion of households in the social rented sector with 22%, influenced by the concentration of stock delivered in the new town of Hemel Hempstead. Conversely St. Albans has 12%.

3.24 14% of households are in the private rented sector, which is below the national average. Watford has the largest proportion of households in the private rented sector with 20%. Three Rivers has the lowest, at 11%.

Table 3: Tenure Profile, 2011

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	SW Herts	East of England	London	England & Wales
All Households	59,938	39,778	56,140	35,108	36,681	227,645	2,423,035	3,266,173	23,366,044
Owned; Owned Outright	17,458	12,489	19,409	11,988	8,954	70,298	797,019	689,898	7,206,954
Owned; Owned with a Mortgage or Loan	21,419	14,408	21,422	13,544	13,654	84,447	840,842	886,309	7,646,724
Shared Ownership	373	471	261	194	426	1,725	17,760	42,108	178,236
Social Rented	13,045	6,932	6,832	5,318	5,987	38,114	380,331	785,993	4,118,461
Private Rented	7,107	4,981	7,624	3,708	7,371	30,791	356,227	819,085	3,900,178
Living Rent Free[8]	536	497	592	356	289	2,270	30,856	42,780	315,491
	Dacorum	Hertsmer e	St. Albans	Three Rivers	Watford	SW Herts	East of England	London	England and Wales
All Households	100%	100%	100%	100%	100%	100%	100%	100%	100%
Owned; Owned Outright	29%	31%	35%	34%	24%	31%	33%	21%	31%
Owned; Owned with a Mortgage or Loan	36%	36%	38%	39%	37%	37%	35%	27%	33%
Shared Ownership	1%	1%	0%	1%	1%	1%	1%	1%	1%
Social Rented	22%	17%	12%	15%	16%	17%	16%	24%	18%
Private Rented	12%	13%	14%	11%	20%	14%	15%	25%	17%
Living Rent Free	1%	1%	1%	1%	1%	1%	1%	1%	1%

Source: 2011 Census

Housing Stock and Supply Trends

Housing Mix

3.25 We turn next to consider the mix of housing in the HMA. 21.3% of household spaces[9] in South West Hertfordshire are detached houses, 29.4% are semi-detached houses; 24.8% are terraced houses; and 22.8% are flats, maisonettes, or apartments. 0.5% are categorised as 'other' dwellings, and will include for instance caravans and houseboats.

3.26 This housing mix is fairly similar to the proportional mix seen across England and Wales as a whole. The HMA has fewer detached properties and more flats/ maisonettes/ apartments than the East of England region, while the converse is true when compared to London.

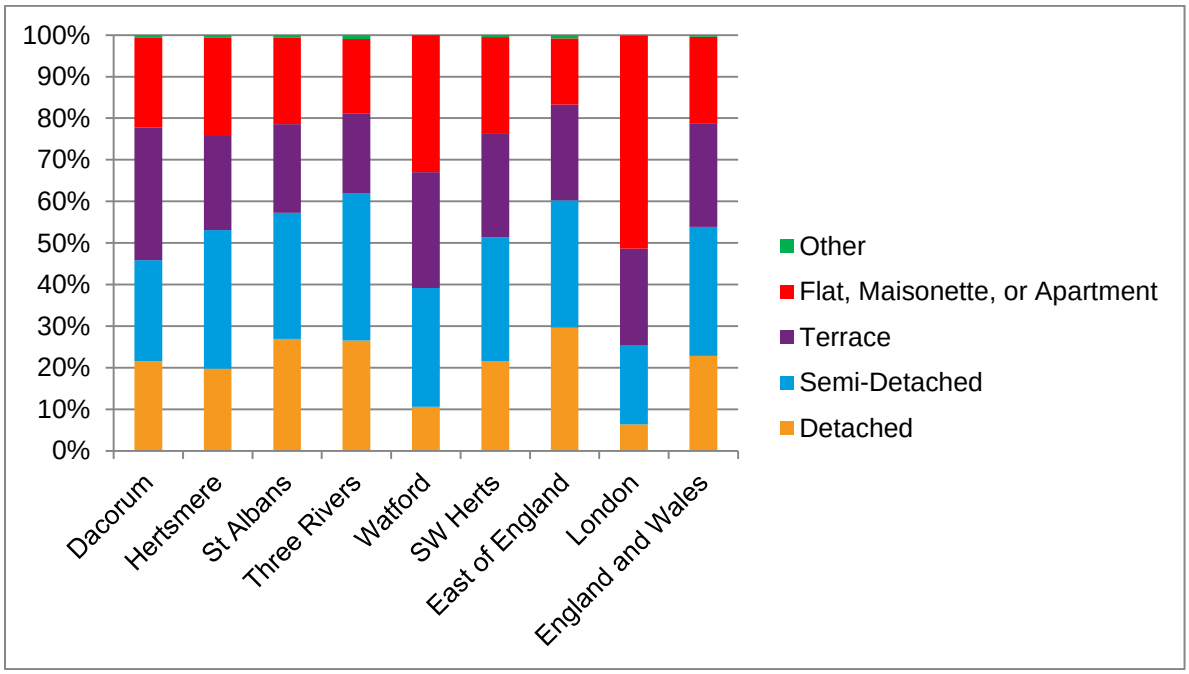
3.27 Within the HMA, there is considerable variance between the local authority areas. St. Albans has the highest proportion of detached properties (27%); while Three Rivers has the highest proportion

[8] ONS set out that the Living Rent Free category could include households that are living in accommodation other than private rented

[9] A household space is the accommodation used or available for use by an individual household.

of semi-detached properties (35%). Conversely Watford has comparatively few detached properties (10%) but a much higher proportion of flats/ maisonettes/ apartments. Dacorum and Watford have the highest proportions of terraced properties.

Figure 9: Housing Types, % of All Household Spaces, 2011

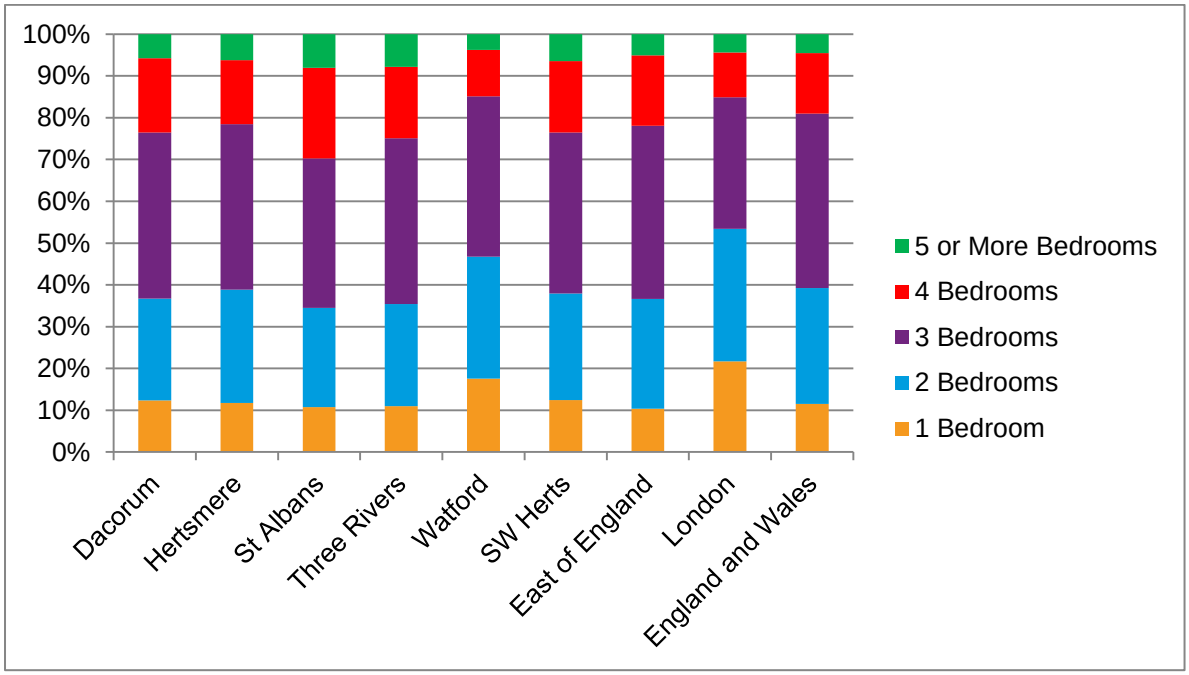


Source: 2011 Census

3.28 Figure 10 shows the sizes of homes, in terms of the number of bedrooms. This shows that South West Hertfordshire has a similar size profile to the East of England region, with a slightly higher proportion of larger properties than the national average, and much higher proportion compared to London.

3.29 This data mirrors the housing type data seen above. St. Albans and Three Rivers have a larger proportion of properties with more bedrooms, while Watford has the highest proportion of properties with smaller numbers of bedrooms.

Figure 10: Dwelling Size by Number of Bedrooms, 2011



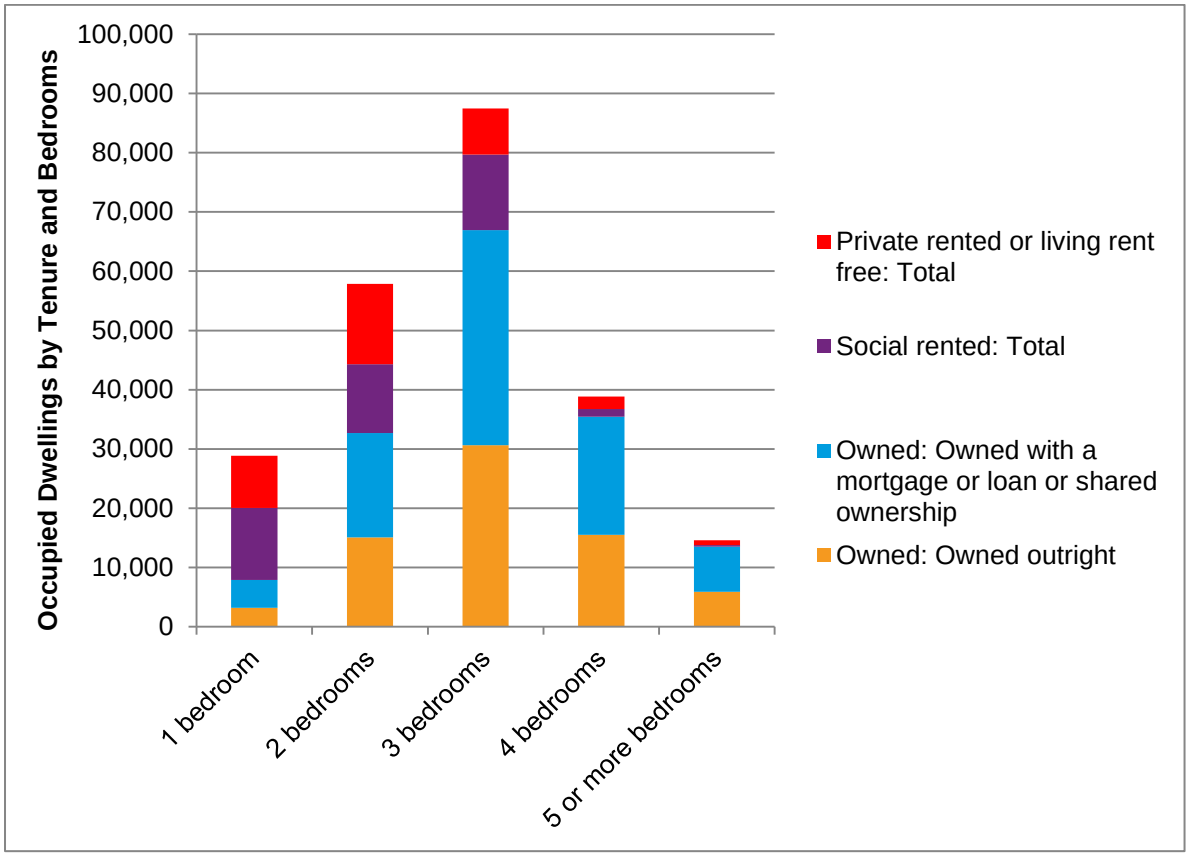
Source: 2011 Census

3.30 Figure 11 overleaf cross references tenure type by dwelling size. There is a clear link between the size of property and tenure with just 27% of one bedroom properties owner occupied compared to 91% of 4-bedroom, and 93% of 5 or more bedroom properties.

3.31 Overall two- and three-bedroom properties are the most common in the HMA. In the rented tenures a higher proportion of homes are smaller. 32% of social rented properties have 1 bedroom with similar percentages for 2 and 3 bedrooms and 4% with 4 or more bedrooms.

3.32 In the private rented sector 2-bed properties are the most common (41%), with one-bed properties accounting for 27% and three-bed properties accounting for 23%.

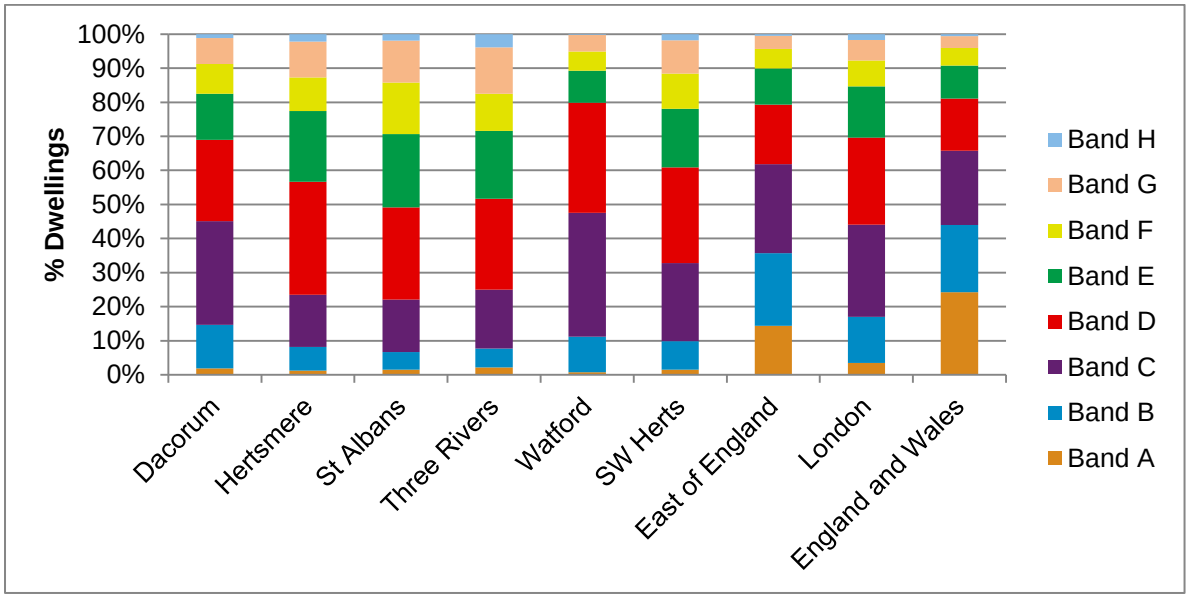
Figure 11: Tenure Type by Dwelling Size, South West Hertfordshire, 2011



Source: 2011 Census

3.33 We can also consider the profile of homes in different Council Tax Bands. Overall, South West Hertfordshire has a smaller proportion of Band A to C properties and a larger proportion of Band D-H properties than the East of England, London, or England and Wales as a whole. Of the HMA authorities, Hertsmere, St. Albans, and Three Rivers all have particularly low proportions of Band A-C properties and greater proportions of Band E-H properties. Watford, and to a lesser extent Dacorum, exhibit the opposite trend.

Figure 12: Dwelling % by Council Tax Band, 2011



Source: VOA/ ONS 2011

Summary

3.34 The most recent Mid-Year Population Estimates (2013) record the population of South West Hertfordshire at 575,800. The South West Hertfordshire HMA has experienced a steady growth in population over recent decades and over the most recent decade the population has grown by 9%, which is above national growth rates and in line with growth in the East of England region.

3.35 The HMA is positioned at the southern edge of the East of England region and the north of the London region. The population breakdown of the HMA and surrounding areas suggests South West Hertfordshire's population includes a large number of people in the late 30s and 40s age brackets moving into the area to have children and raise families. Most of these are expected to be moving from London. Conversely there are a lower proportion of residents in their late teens and twenties as these cohorts move out of the area to study and to work.

3.36 Overall the ethnic profile of the HMA is generally similar to the England and Wales profile. However, there are variances within the HMA with Watford borough being far more ethnically diverse than the other HMA authorities. Similarly, the household structure seen across the HMA is similar to the national mix. Household growth in the HMA has been strongest in the non-traditional household types which is in line with the general trend seen nationally.

3.37 Levels of home ownership across South West Hertfordshire as a whole are similar to national rates. However, again there is considerable variance between the HMA authorities with high proportions of home ownership in St. Albans and Three Rivers, and much lower levels in Watford.

3.38 This disparity is also seen in the dwelling type mix and dwelling size. St. Albans and Three Rivers having higher proportions of detached and semi-detached properties which on average have more bedrooms while Watford has a greater proportion of flats, maisonettes, and apartments which are on average smaller in size. In this regard the dwelling stock in Watford reflects a housing mix midway between the East of England and London trends. The rest of the HMA authorities reflect more strongly the characteristics of the East of England region.

4 DEMOGRAPHIC PROJECTIONS

Introduction

4.1 This section assesses demographic projections, considering how the population and households in each of the five authorities in the HMA is expected to change based on past trends.

4.2 The Planning Practice Guidance sets out that trend-based demographic projections should provide the "starting point" estimate of overall housing need. It recommends interrogation of projections and use of the latest available information.

4.3 In deriving overall conclusions on housing need, the demographic projections are brought together with evidence of economic growth potential, market signals and affordable housing need. Subsequent sections of this report consider wider evidence in respect of these issues. Section 5 considers the link between population and employment growth. The following chapters (Section 6 and 7) consider market signals and affordable housing need, and whether an additional uplift in housing numbers might be appropriate to improve affordability and household formation particularly amongst younger households.

4.4 The core projections in this section look at housing needs in the period from 2013 to 2036. The starting point reflects a base position for which reasonable data is available (the ONS mid-2013 population estimates) with the end date selected to align with the longest period likely to be used in emerging local plans. Data is available for all years from 2013 to 2036.

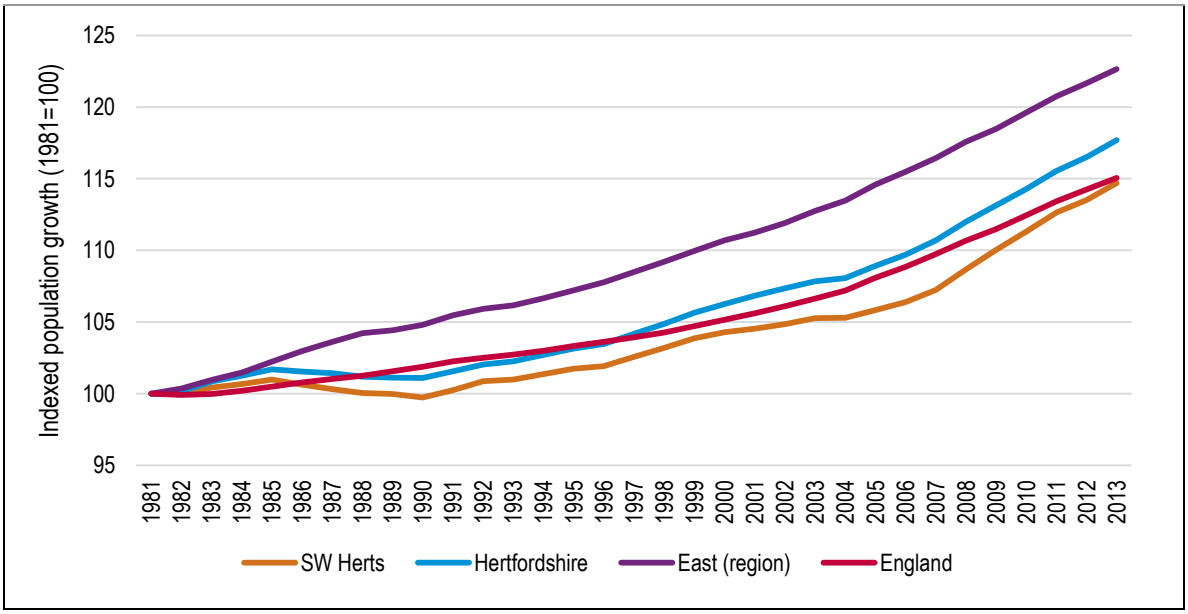
Demographic Profile of South West Hertfordshire

4.5 The population of South West Hertfordshire in 2013 is estimated to be 575,800. This is an increase of 51,000 people since 2001 – up from 524,800, a 9.7% increase over the 12-year period. This level of population growth is below that seen across Hertfordshire (10.2%) and the East of England region (10.3%) but above the average for England as a whole (8.9%).

4.6 Over the period from 2001, population growth was particularly strong in Watford (16.5% increase) and to a lesser extent St. Albans (10.8%). Other areas saw more moderate population growth of 7.5% in Dacorum, 7.2% in Hertsmere and 8.0% in Three Rivers.

4.7 Whilst demographic data for the period since 2001 is likely to be of better quality than older data, we can use ONS Mid-Year Population Estimates data to consider longer-term trends in population growth since 1981. Figure 13 shows that population growth in South West Herts has historically been quite weak and over the 1981 to 2013 period was lower than in all other comparison areas. Since about 2004 population growth has however been comparatively stronger.

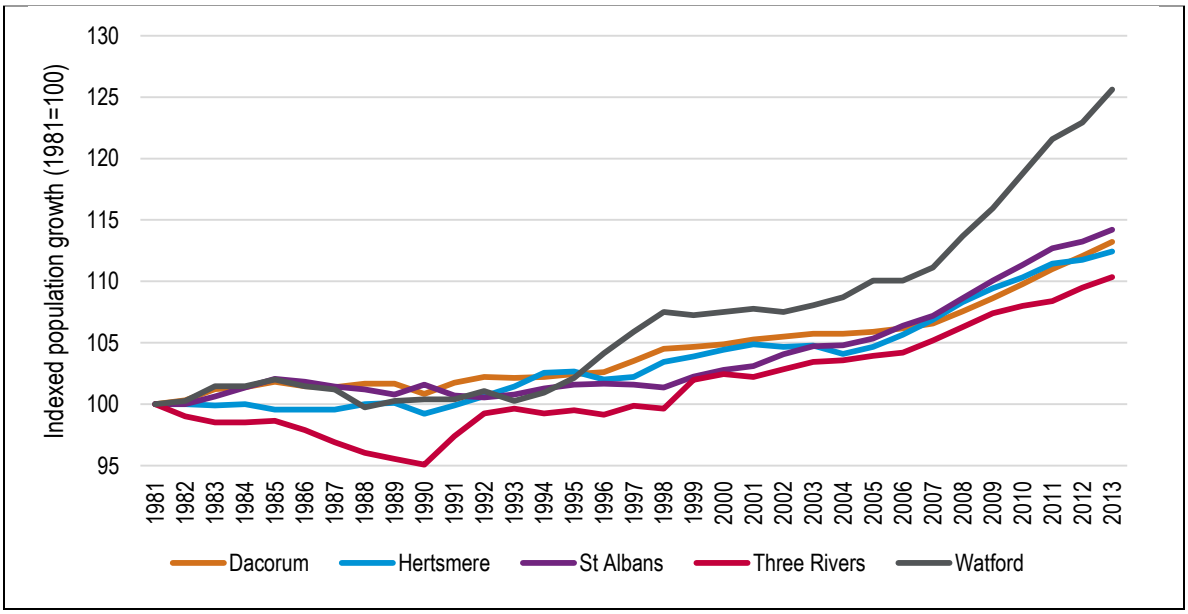
Figure 13: Indexed population growth (1981-2013)



Source: ONS

4.8 Figure 14 shows the same information for individual local authority areas. All locations show pretty moderate growth in the period to about 2004 with notable increases thereafter – Watford in particular shows very strong growth from 2007 onwards.

Figure 14: Indexed Population Growth (1981-2013) – by District



Source: ONS

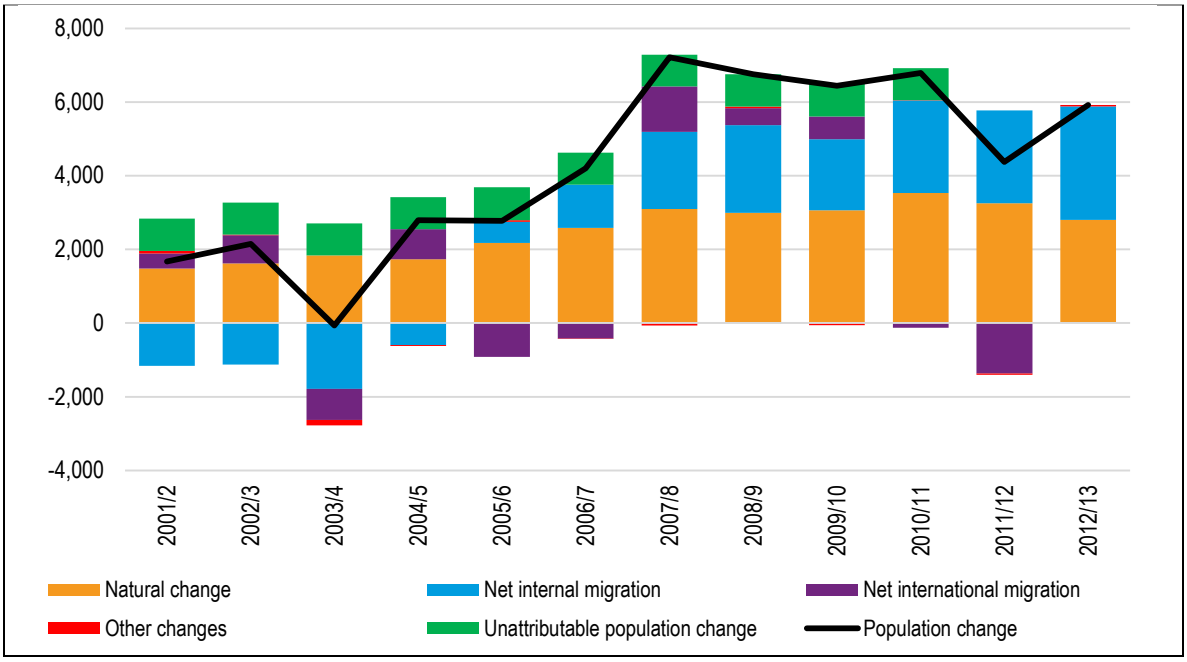
4.9 Figure 15 considers the drivers of population change in the sub-region. Population change is largely driven by natural change (births minus deaths) and migration (the balance between in- and out-migration from an area).

4.10 Figure 15 shows that natural change is the key driver of population change in South West Hertfordshire. The number of births has typically exceeded the number of deaths by around 2,000 per annum over the period from 2001. The level of natural change has generally been increasing over time, although the more recent evidence suggests that this may now be levelling off or even decreasing slightly.

4.11 Figure 15 and Table 4 show the relative influence of internal and international migration and natural change. The data also shows that migration is a key component of change, and in particular internal migration (i.e. moves from one part of the Country to another). Levels of migration can be seen to have increased significantly over the recent past – from a position where there was net out-migration or negligible net migration (in the years to about 2006/7) to a position where net migration is a significantly positive aspect of population growth[10]. Appendix A provides more information on internal migration patterns.

4.12 Net international migration has varied year-on-year. There was net international out-migration from the HMA in 2003/4, 2005/6 and between 2010-12; with in-migration in other years. International in- and out-migration were broadly balanced in the latest year for which data is available (2012/13). Over the last 10 years, as Table 4 shows, a modest net international out-migration of 54 persons per annum is evident; however a 12 year average would show a modest inflow of 52 persons per annum.

Figure 15: Components of Population Change, mid-2001 to mid-2013 – South West Herts



Source: ONS

[10] Further analysis of spatial patterns of migration is included in the 'Defining the Housing Market Area' Study, which is included as an Appendix to this report.

4.13 Other changes (which relate mainly to armed forces and prison populations) are quite small.

4.14 The demographic data does however show a level of 'Unattributable Population Change' (UPC) in the inter-Censal period, 2001-11. Unattributable population change could relate to inaccuracies in the 2001 and 2011 Census data, or suggest that population growth had either been over- or under-estimated in the inter-Censal years. Because UPC links back to Census data a figure is only provided for 2001 to 2011. We return later in this section to provide a sensitivity analysis exploring the potential scale of impact which UPC could have on future projections for population growth.

Table 4: Components of Population Change (2001-13) – South West Herts

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	1,482	-1,159	405	73	872	1,673
2002/3	1,620	-1,124	764	16	873	2,149
2003/4	1,833	-1,785	-844	-146	875	-67
2004/5	1,735	-594	815	-31	869	2,794
2005/6	2,178	572	-916	44	895	2,773
2006/7	2,584	1,172	-423	-6	869	4,196
2007/8	3,096	2,090	1,238	-70	861	7,215
2008/9	2,993	2,377	465	41	879	6,755
2009/10	3,062	1,930	613	-60	898	6,443
2010/11	3,530	2,509	-127	12	864	6,788
2011/12	3,256	2,518	-1,372	-32	0	4,370
2012/13	2,803	3,070	11	39	0	5,923
10 Year Average	2,707	1,386	-54	-21	701	4,719
12 Year Average	2,514	965	52	-10	730	4,251

Source: ONS

4.15 Information on the components of change data for each of the five individual South West Hertfordshire authorities can be found in Appendix B.

4.16 The table below shows how the age structure of the population has changed over the 2001 to 2013 period. The data shows the most significant growth to have been in the 60-74 and 75+ age groups. The analysis also indicates a small decline in the population aged 30-44 along with an increase in the number of children (people aged under 15).

Table 5: Change in Age Structure 2001 to 2013 – South West Herts

Age group	2001	2013	Change	% change
Under 15	102,100	112,200	10,100	9.9%
15-29	91,300	98,000	6,700	7.3%
30-44	127,200	125,600	-1,600	-1.3%
45-59	100,900	117,800	16,900	16.7%
60-74	64,800	76,900	12,100	18.7%
75 and over	38,400	45,100	6,700	17.4%
Total	524,800	575,800	51,000	9.7%

Source: Census (2001 and 2011)

2012-based Population & Household Projections

4.17 Planning Practice Guidance states that *'household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'.*

4.18 The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) subnational population projections (SNPP) – published in May 2014. Planning Practice Guidance specifically outlines that "The 2012-2037 Household Projections were published on 27 February 2015, and are the most up-to-date estimate of future household growth." Our analysis therefore initially considers the validity of the population projections and their consistency with past trends.

2012-based Sub-National Population Projections

4.19 The latest set of subnational population projections (SNPP) were published by ONS on the 29th May 2014. They replace the 2010- and 2011-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2012-based national population projections.

4.20 The new SNPP are based on projecting forward migration trends, births and deaths over the 2007-12 period (2006-12 for international migration trends). The 2012-based SNPP show considerable improvements on the 2011-based projection. The SNPP are only population projections and do not contain headship rates (which are needed to convert into household estimates).

4.21 The SNPP are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way. The PPG places weight on their use in this respect. Through this SHMA Report, we have however sought to consider whether these represent a reasonable trend-based projection based on past demographic trends.

4.22 Table 6 shows projected population growth from 2013 to 2036 in each District and other areas. The data shows that the population of the HMA is expected to grow by around 131,800 people; this is a 22.9% increase – slightly higher than expected across Hertfordshire and notably above figures for the East of England region and England as a whole. This is consistent with recent population trends.

Table 6: Projected Population Growth (2013-2036)

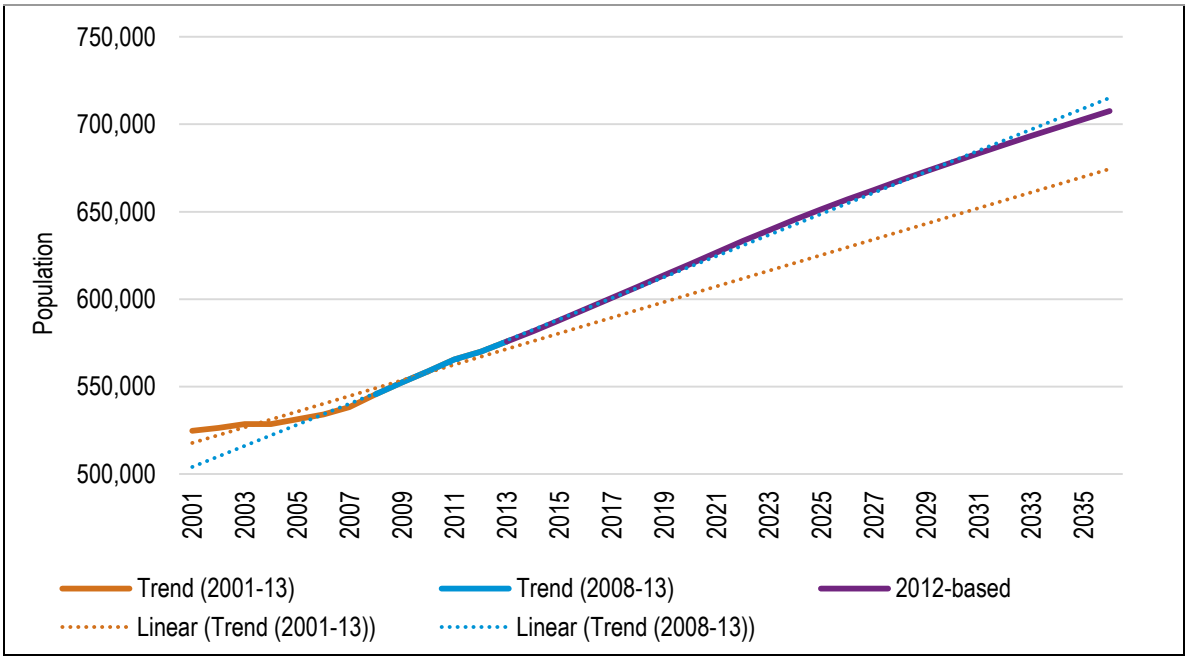
	Population 2013	Population 2036	Change in population	% change
Dacorum	148,196	179,568	31,372	21.2%
Hertsmere	101,271	125,417	24,146	23.8%
St. Albans	143,094	173,401	30,307	21.2%
Three Rivers	89,495	110,828	21,333	23.8%
Watford	93,736	118,371	24,635	26.3%
HMA	575,792	707,585	131,793	22.9%
Hertfordshire	1,139,300	1,391,600	252,300	22.1%
East of England	5,951,700	7,053,100	1,101,400	18.5%
England	53,843,600	61,886,100	8,042,500	14.9%

Source: ONS

4.23 Figure 16 shows past and projected population growth in the period 2001 to 2031. The data also plots a linear trend line for the last five years for which data is available (2008-13) and also a longer-term period from 2001 to 2013 – this being the longest period for which reasonable data about the components of population change (e.g. migration) is available[11]. The data shows that the population is expected to grow at a rate which is in-line with recent past trends, but somewhat above the longer-term position looking back to 2001.

[11] Pre-2001 demographic data is likely to be less accurate

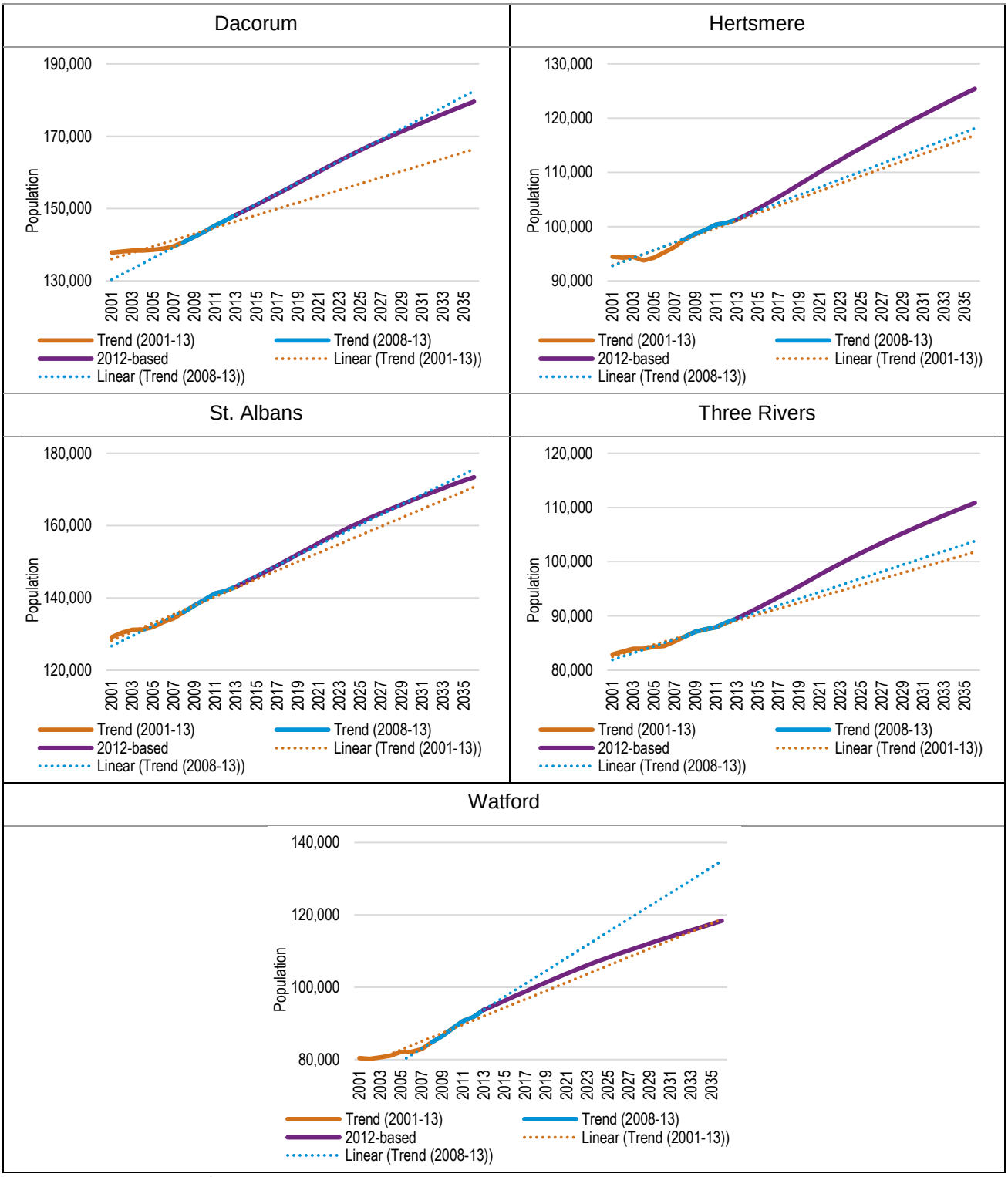
Figure 16: Past and Projected Population growth – South West Herts



Source: ONS

4.24 Figure 17 shows the same data for individual local authorities. The graphs consider, for each authority within the HMA, how the projected future rate of population growth compares with past rates of growth over the previous 5 and 12 years. In Dacorum the data suggests that future growth is expected to be broadly in-line with short-term (5-year) trends (based on annualised growth in population), but somewhat stronger than the trend seen back to 2001. In both Hertsmere and Three Rivers the future projection is somewhat above past trends (regardless of the period studied). In St. Albans the projection is broadly in-line with past trends over both a short- and longer-term. Finally, the population growth in Watford is expected to be in-line with long-term trends but some way below the typical trends recorded over the past five years.

Figure 17: Past and Projected Population Growth – by District



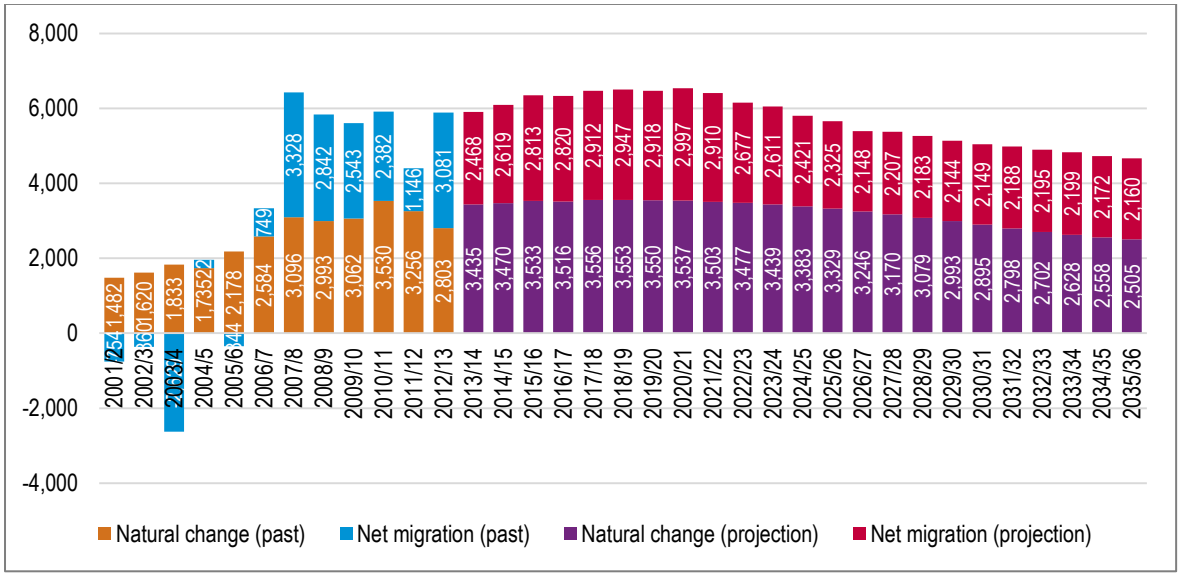
Source: ONS/ JGC

4.25 Overall, at the HMA level, we would conclude that the SNPP is a reasonable projection to take forward into household growth modelling. A headline assessment of the projections shows that the rate of population growth anticipated in Watford is below recent trends; whilst in Hertsmere and Three Rivers the rate of growth is above short- and longer-term trends. However, it does need to be borne in mind that the ONS projections are not a simple roll forward of past population growth. The projections take account of the current population age structure; and how this will change over time. The age structure changes then feed into estimates of how migration patterns might change.

4.26 Figure 18 brings together data about migration (both past trends and the future projection) along with information about natural change. This shows that after growing slightly at the start of the projection period, natural change is expected to decrease over time. Expected levels of migration also show a similar pattern – increasing over the first few years and then decreasing over time. When compared with the past trends in migration, the figures look to be reasonable.

4.27 When looking at migration it is notable for the whole of the projection period (2013-36) that the average level of migration is expected to be around 2,486 people (net) per annum. This figure is higher than the level seen in past trends, regardless of the period studied (1,017 per annum on average from 2001 to 2013; and 2,399 per annum for the past five years) but is similar to recent trends.

Figure 18: Components of Population Change, mid-2001 to mid-2036 - South West Herts



Source: ONS

4.28 The changes in the rate of population growth over time, compared to the past, reflect how the age structure of the population is expected to change; and impacts which this has on births, deaths and migration. Watford has a relatively younger population, which is expected to influence levels of out-

migration. Three Rivers and Hertsmere show an older age structure, which is expected to result in lower out-migration moving forwards (as older persons are less likely to move).

4.29 In addition, it is worth remembering that all areas are expected to see a similar level of population growth (in proportionate terms) over the period to 2036.

4.30 Population projections are sensitive in particular to migration. In line with the PPG, we provide a sensitivity analysis later in this section which considers alternative time periods over which migration trends might be projected; and the potential implications of Unattributable Population Change.

4.31 With growth in the population will also come age structure changes. Table 5 below summarise the findings for key (15-year) age groups under the 2012-based SNPP. The data shows that largest growth will be in people aged 60 and over. It is estimated that there will be 191,100 people aged 60 and over in 2036 – this is an increase of 69,100 from 2013, representing growth of 57%. The population aged 75 and over is projected to increase by an even greater proportion, 82%. Looking at the other end of the age spectrum the data shows that there are projected to be around 18% more people aged under 15 with small increases shown for other age groups.

Table 7: Population change 2013 to 2036 by fifteen-year age bands (2012-based SNPP)

Age group	Population 2013	Population 2036	Change in population	% change from 2013
Under 15	112,241	132,544	20,303	18.1%
15-29	98,110	112,339	14,229	14.5%
30-44	125,616	135,016	9,400	7.5%
45-59	117,771	136,568	18,797	16.0%
60-74	76,900	109,016	32,116	41.8%
75+	45,154	82,103	36,949	81.8%
Total	575,792	707,585	131,793	22.9%

Household Growth

4.32 Household projections are developed by applying age-specific household formation (headship) rates to the projection of the household population. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

4.33 With the publication of new 2012-based CLG Household Projections a new set of headship rates is now available. These rates are considered to be more positive than the previous set (2011-based) and typically suggest higher rates of household growth for a given population. At a national level (in

the 2012-21 period considered by CLG) the new projections show 10% higher growth in households, for South West Hertfordshire the figure is slightly lower (at 6%).

4.34 Table 8 shows expected household growth in the 2012-based projections from 2013 to 2036 for South West Herts and a range of other areas. The figures for the South West Herts authorities do not exactly match the CLG projections as we have included population data for 2013. All other areas show the data as published. The data suggests an increase in households of about 68,200 over the 23-year period – this is a 29% increase; very slightly higher than expected across Hertfordshire and notably above the regional and national average.

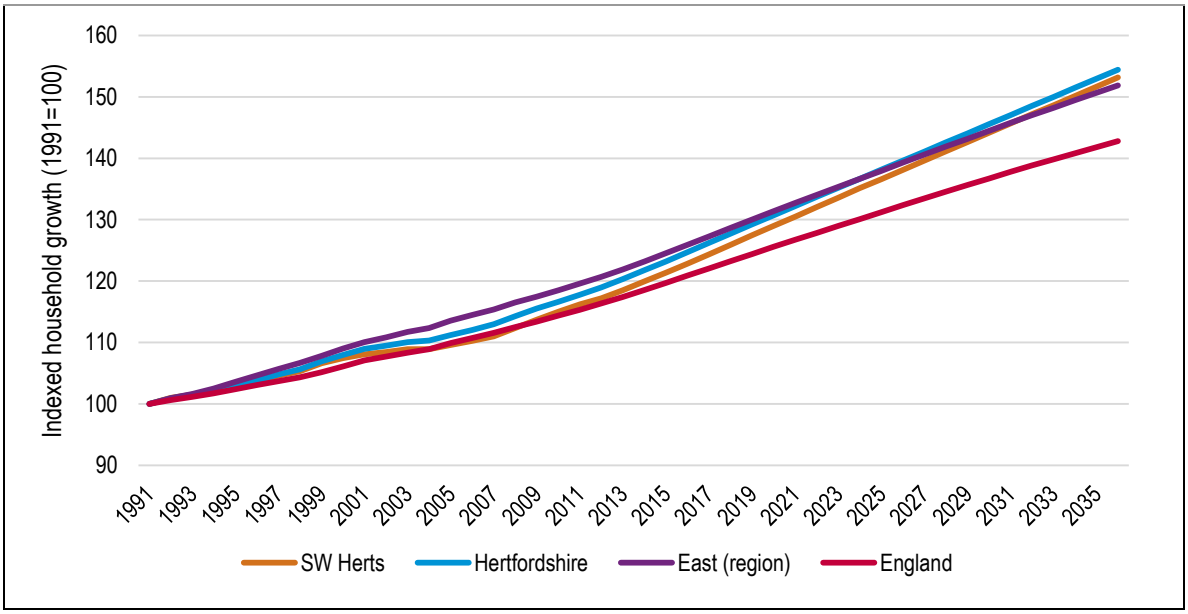
Table 8: Projected household growth (2013-2036)

	Households 2013	Households 2036	Change in households	% change from 2013
Dacorum	61,458	77,653	16,196	26.4%
Hertsmere	40,404	53,629	13,224	32.7%
St. Albans	57,158	72,242	15,084	26.4%
Three Rivers	35,999	47,132	11,132	30.9%
Watford	38,004	50,534	12,530	33.0%
HMA	233,023	301,190	68,167	29.3%
Hertfordshire	465,123	596,943	131,820	28.3%
East of England	2,476,840	3,085,856	609,016	24.6%
England	22,499,536	27,363,402	4,863,866	21.6%

Source: ONS

4.35 Figure 19 below shows household growth back to 1991 and projected forward to 2036. The analysis shows that South West Herts saw more moderate growth in the period to about 2007. Since then growth has been stronger and in the future growth is expected to be stronger than in all other areas studied. This is influenced by the population growth projected. By 2036, long-term household growth is expected to have been in-line with the County and regional average but some way above the figures for England. In all areas there is some evidence of a slight acceleration in growth rates from about 2012 onwards – this is consistent with the view that the new projections are taking a more positive view about household formation rates relative to trends seen over the 2001-11 period.

Figure 19: Indexed Household Growth (1991-2036)

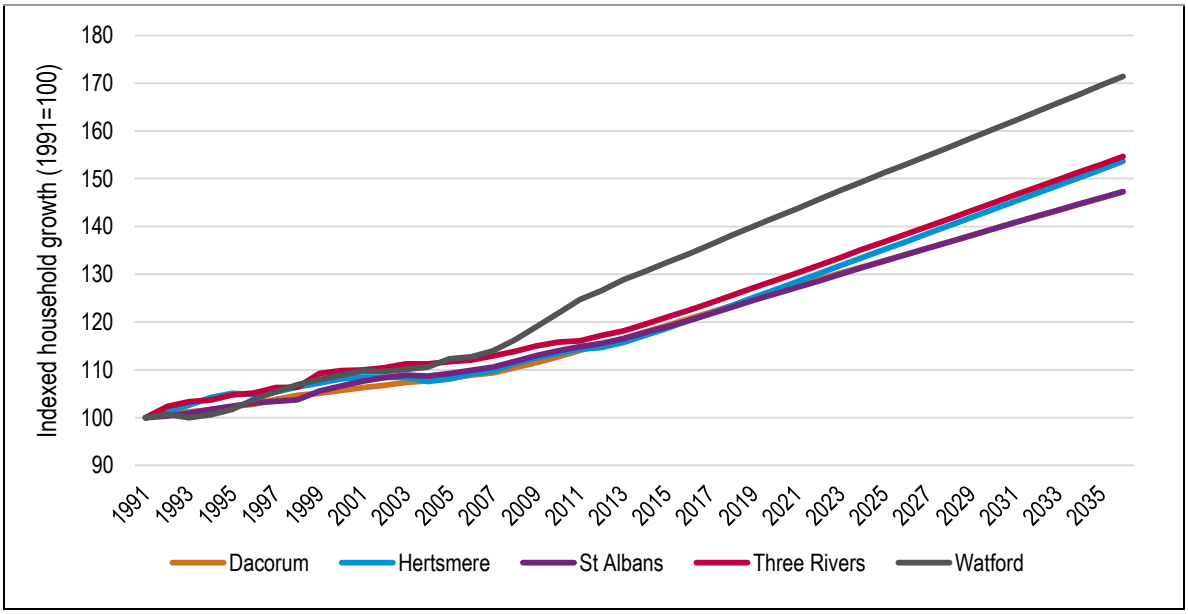


Source: ONS

4.36 Figure 20 shows the same information for individual local authority areas. The data shows fairly moderate growth in all locations up until about 2007. From this date Watford shows a notable increase in households, with the other areas broadly continuing on their long-term trends. From about 2012 all areas (with the exception of Watford) show an upturn in expected household growth – this as noted above is likely to be due to the more positive position with regards to household formation being assumed in the 2012-based CLG Household Projections (relative to recent trends). The projections for household formation apply different weights to short and long-term trends for different age groups.[12] In Watford, there is also strong household growth post 2012, however this is moderate in comparison with estimates of the growth from about 2007 to 2011/12.

[12] More detail is set out in the Methodology Guide which accompanies the CLG 2012-based Household Projections

Figure 20: Indexed Household Growth (1991-2036) – by District



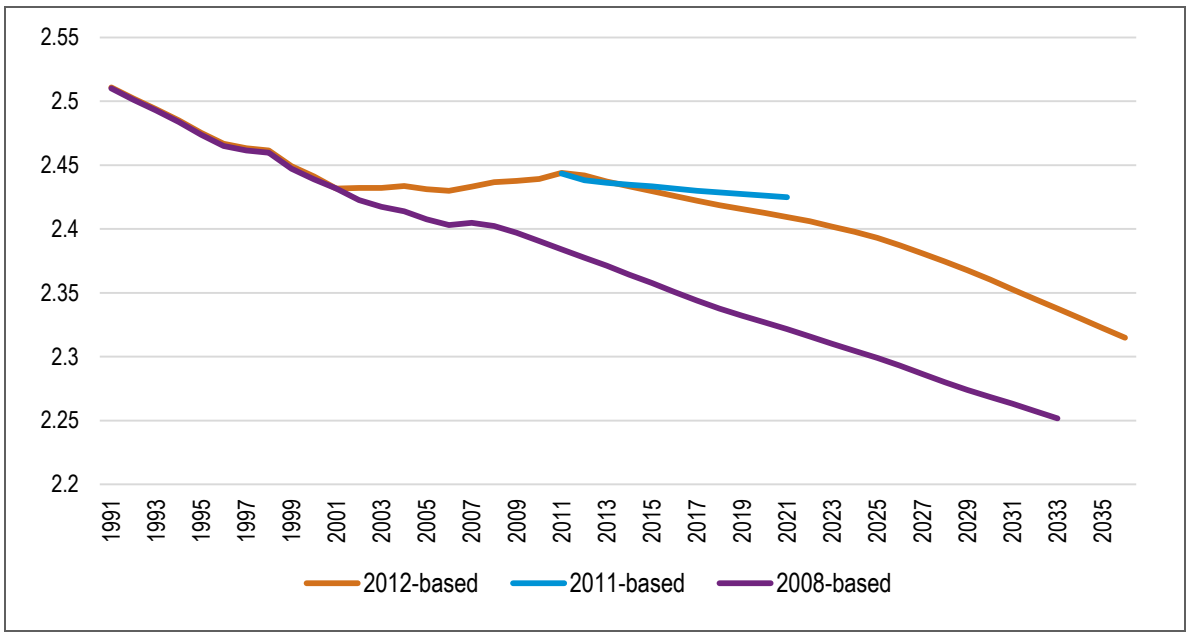
Source: ONS

4.37 To provide a headline assessment of the impact of the 2012-based household projections we can make a comparison of average household sizes. Figure 21 shows this based on each of 2012-, 2011- and 2008-based CLG household projection data. The data does show the 2012-based figures being slightly more positive than the 2011-based version. This can be seen by the newer projections expecting a greater decrease in average household sizes over time.

4.38 The data also shows a slight increase in household sizes from 2001 to 2011 – this is a period where it is considered that there was some suppression of household formation linked to undersupply/ affordability issues within the HMA. Moving forwards, average household size is expected to fall at a rate which is slightly faster than the past trends might suggest – if for example we look at the 1991-2011 period which includes both a period of relative buoyancy in the housing market and a period of constraint.

4.39 Data from the 2008-based projections has also been included. This shows that average household sizes are above what might have been expected from this earlier release of data. However, looking at the period from 2012 the data suggests that the future trajectory in the 2012-based version is not much different. Hence at face value it does look as if the new projections are returning rates of change to those experienced in the longer-term (as shown by the gradients of the lines in Figure 21). Some caution should be exercised in the comparisons below as each are based on different population estimates – the size and structure of the population can have an impact on average household sizes, even if the same age specific rates were assumed. Despite this caveat, the analysis does broadly show a comparison between the sources.

Figure 21: Past and projected trends in Average Household Size – South West Herts



Source: Derived from ONS and CLG data

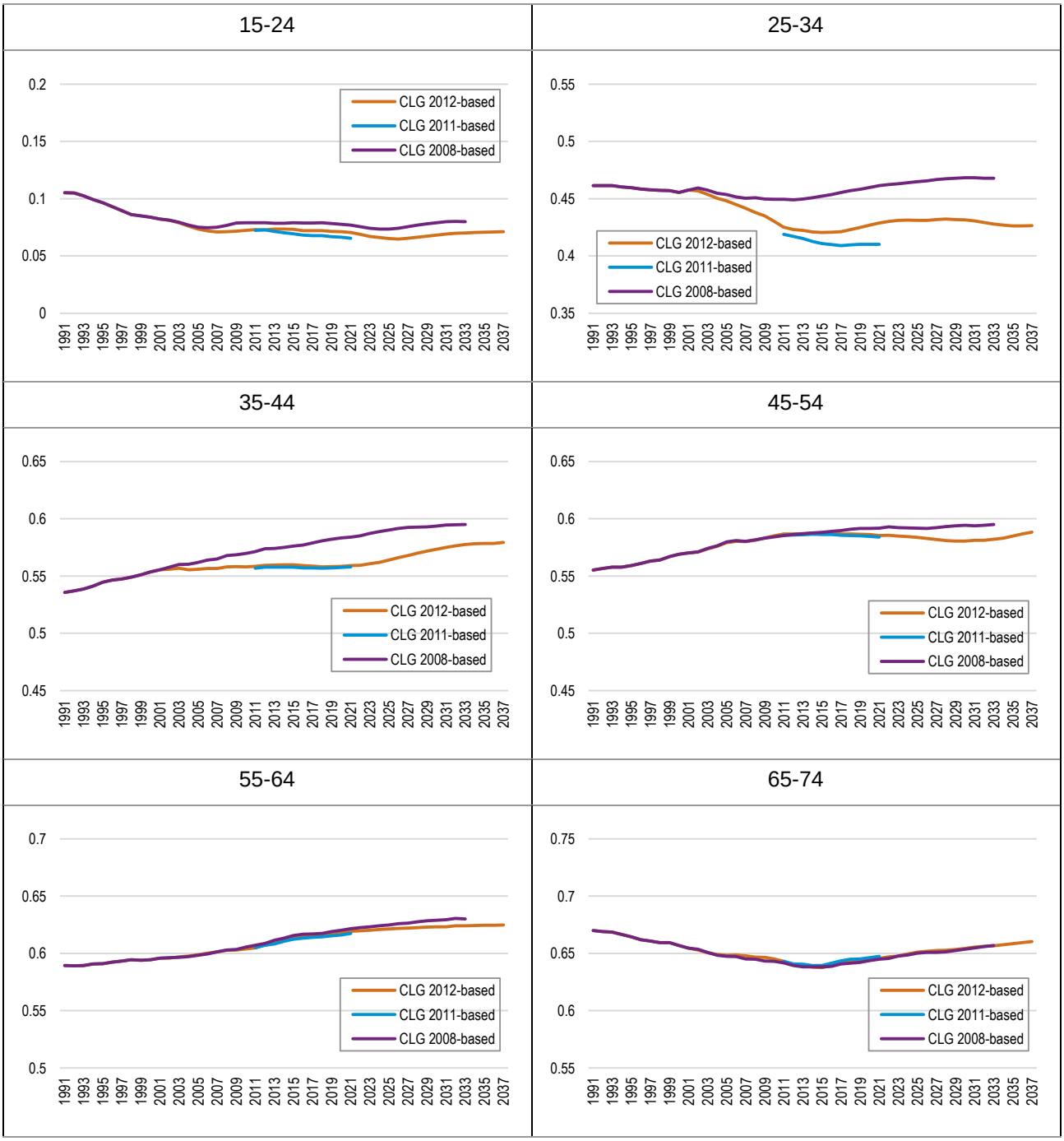
4.40 It is also useful to understand how the different CLG projections impact on assumptions for different age groups. Projections for household growth in this report are not based on applying average household sizes – they take account of age-specific household formation rates and how these are expected to change over time.

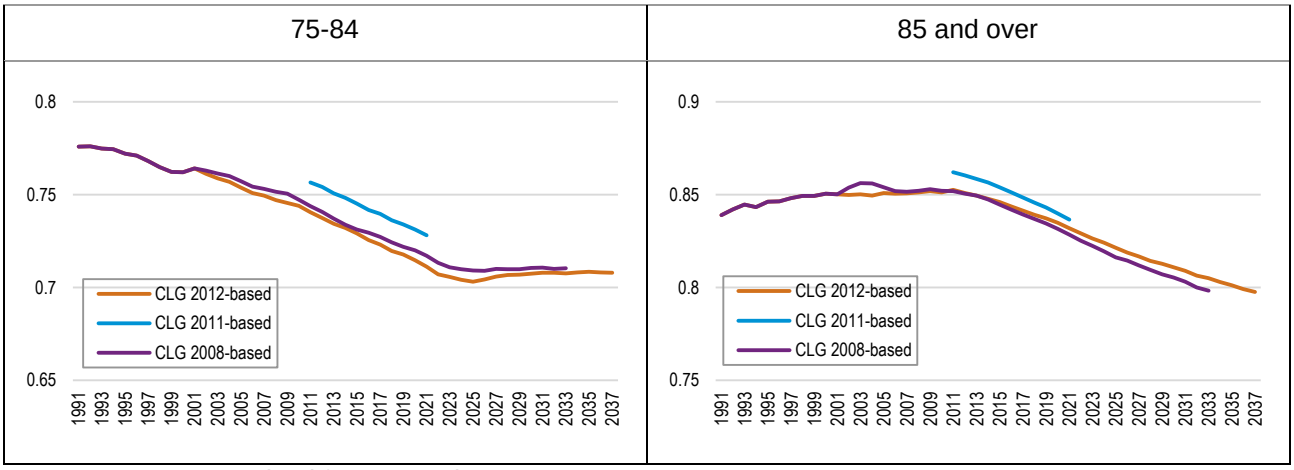
4.41 Figure 22 shows the headship rates used in each of the projections. Overall the 2012-based projections look fairly sound with levels and rates of change being not dissimilar to those in the earlier (pre-recession) 2008-based projections. Information on headship rate changes by age group in each of the Districts can be found in Appendix C.

4.42 The one age group of potential concern is people aged 25-34 where the latest projections show quite a movement away from the figures in the 2008-based projections. Particularly in the 2001-11 period the 2012-based projections do appear to be indicating some degree of supressed household formation. This isn't projected forwards, with a moderate improvement expected in household formation rates post-2012. This means that it isn't appropriate to include a 'demographic adjustment' to the projections to deal with suppression issues. However, it still leaves the rate some way below figures in the older projections.

4.43 We return in Section 6 to consider what impact an improvement in affordability might have on demographic trends, if planned for.

Figure 22: Projected Household Formation Rates by Age of Head of Household – South West Herts





Source: Derived from CLG data

4.44 Table 9 brings together outputs in terms of household growth and housing need using the 2012-based headship rates and our core projection linked to the 2012-based SNPP. To convert households into dwellings the data includes an uplift to take account of vacant and second homes. Analysis of 2011 Census data about unoccupied household spaces provides the following vacancy rate figures which have been used in the analysis herein:

- Dacorum – 3.4%
- Hertsmere – 3.2%
- St. Albans – 3.3%
- Three Rivers – 3.0%
- Watford – 2.4%

4.45 Typically a level of vacant space is a functioning property market is necessary to allow homes to be repaired or extended; and to support transactions.

4.46 The analysis shows an overall housing need for 3,056 dwellings per annum across the HMA. This figure would be considered as the "starting point" for assessing housing need following the approach in the PPG. It takes account of the most recent population and household projections.

Table 9: Projected Household Growth 2013-36 – 2012-based SNPP (adjusted) and 2012-based Headship Rates

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	HMA
Households 2013	61,458	40,404	57,158	35,999	38,004	233,023
Households 2036	77,653	53,629	72,242	47,132	50,534	301,190
Change in households	16,196	13,224	15,084	11,132	12,530	68,167
Per annum	704	575	656	484	545	2,964
Dwellings (per annum)	728	593	678	499	558	3,056

Sensitivity Analysis

4.47 Trend-based demographic projections are particularly sensitive to assumptions made regarding migration. Although we consider the 2012-based SNPP to be a reasonable demographic projection when taking account of past trends in population growth (from a technical perspective), we have also developed two alternative projections to provide a sensitivity analysis. These can be summarised as:

- 10-year migration trends – this projection looks at the level of population and household/housing growth we might expect if migration levels in the future are the same as seen over the past decade. Migration is projected forwards on a linear basis.

- UPC adjustment – as noted earlier there is a notable level of Unattributable Population Change in the ONS data for 2001-11 in the South West Herts area. In this instance UPC is positive, this suggests that the components of change feeding into the SNPP may slightly underestimate migration and population growth. The SNPP is based on projecting forward internal migration trends from 2007-12 and international migration from 2006-12. This scenario attributes UPC to migration for modelling purposes, and adjusts migration in the 2012-based SNPP to take account of UPC over the 2006-11 period.

4.48 The two tables overleaf show the outputs of the two alternative demographic projections developed. In the case of 10-year migration trends the analysis suggests a lower level of need than when using the 2012-based SNPP (from 2,516 dwellings rather than 3,056). With an adjustment for UPC the need goes in the opposite direction – seeing an increase to 3,486 dwellings per annum.

4.49 For individual authorities the data shows a lower level of need in all areas when using the 10-year migration trends. With the UPC adjustment the projections are higher in all areas with the exception of Three Rivers.

Table 10: Projected Household Growth 2013-36 – 10-year Migration Trends and 2012-based Headship Rates

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	Sub-region
Households 2013	61,458	40,404	57,158	35,999	38,004	233,023
Households 2036	74,001	50,843	69,976	44,988	49,348	289,156
Change in households	12,544	10,439	12,817	8,988	11,344	56,132
Per annum	545	454	557	391	493	2,441
Dwellings (per annum)	564	468	576	403	505	2,516

Table 11: Projected Household Growth 2013-36 – 2012-based SNPP with UPC Adjustment and 2012-based Headship Rates

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	HMA
Households 2013	61,458	40,404	57,158	35,999	38,004	233,023
Households 2036	79,420	53,699	74,650	45,510	57,557	310,836
Change in households	17,963	13,295	17,491	9,510	19,553	77,812
Per annum	781	578	760	413	850	3,383
Dwellings (per annum)	807	596	786	426	871	3,486

4.50 A consideration of longer-term trends is suggested as an alternative scenario in the Planning Advisory Service's Advice Note on *Objectively-Assessed Need and Housing Targets.* It has also been suggested as a sensitivity analysis by the Greater London Authority as part of consultation on this Report, recognising that out-migration from London to some other areas within the Greater South East fell during the last recession.

4.51 Linear projections of average migration trends over 10 years are not as technically robust as the SNPP, as they do not take account of changes to the age structure over time and the impact this might have on migration levels. The SNPP are "dynamic" projections which take account of how the population in different areas is expected to change over time, and how this might impact on migration flows (given the propensity of households in different age groups to move). There is a clear relationship between South West Hertfordshire and London; and London's population is growing (and has been growing more strongly in recent years). The SNPP captures this; and the impact which this can be expected to have on population growth and housing need in South West Hertfordshire. It is thus a more advanced and robust projection than those based on 10-year migration trends.

4.52 ONS seek to rationalise demographic data on the release of Census results, drawing together their information on births and deaths, and estimates of migration in the inter-Censal period (the latest being 2001-11) with information from the 2001 and 2011 Census results. In some cases the change in population between 2001 and 2011 differs from that shown by the Mid-Year Population Estimates. ONS relate some of the differences to an 'Unattributable Population Change' category.

4.53 Figures for "Unattributable Population Change" (UPC) within the ONS Components of Change demographic data for the 2001-11 period could relate to either inaccuracy in the recording of population in the 2001 or 2011 Census, or to the estimates of population change in the inter-Census period. It is "unattributable" as it is unclear to which of these potential factors it can be associated (or what proportion to which). The sensitivity analysis (as shown in Table 11) considers the implications if UPC was entirely related to migration, and how the errors with previous estimates impacted on future projections for migration. In this scenario, the housing need shown is higher –

for 3,486 dwellings across the HMA. This could mean that migration to the HMA at some point between 2001-11 was under-estimated.

4.54 However, UPC could be related (at least in part) to the inaccuracy of 2001 Census data recording, with improvements in recording the 2011 Census data leading to UPC. Equally, if UPC is related to migration flows, the evidence would suggest that it is more likely to be related to the 2001-6 period, than the latter years of the inter-censual decade (2006-11) which feed into the SNPP. This reflects the impacts of ONS's Migration Statistics Improvement Programme which should have resulted in better estimation of migration. More recent migration data has benefitted from the improvements made by ONS to its process for estimating migration trends, including use of data from the Higher Education Statistics Agency to record student moves.

4.55 Under either scenario, the UPC most likely highlights inaccuracies over the earlier part of the inter-census period rather than the latter. On this basis, it is considered that the UPC scenario should be treated as providing a sensitivity analysis to the projections, rather than an equally robust alternative projection.

4.56 Given that UPC (if it is related to migration) is likely to be concentrated in the earlier part of the 2001-11 decade there would potentially be merit in considering both UPC and longer-term trends together. Such a scenario has not been modelled in this report although on the basis of the outputs from each of a 10-year trend and a UPC adjusted projection it would be reasonable to expect such a scenario to broadly show the same level of need as the SNPP (across the HMA). This is because the average of the two scenarios above is not dissimilar to the outputs when modelled against the SNPP (albeit it should be noted that the UPC adjustment has been applied to the SNPP, which is based on short-term trends).

Drawing Conclusions on Demographic-led Projections

4.57 It is necessary at this stage to consider what demographic scenario is most robust to take forward in drawing conclusions in the SHMA. We have developed three main scenarios: a) based on the SNPP, b) using 10-year migration trends and c) with an adjustment (to the SNPP) for UPC.

4.58 As a general principle we would consider that the SNPP should be the preferred projection unless there is clear evidence that it is substantially wrong or unrealistic (when set against past trends). Planning Practice Guidance emphasises use of the latest official population/ household projections, stating [2a-015] that '*household projections published by [CLG] should provide the starting point estimate of overall housing need*'; the CLG projections are directly linked to the SNPP. Further emphasis is put on the CLG projections in 2a-017 where it is noted that '*the household projections… are statistically robust and are based on nationally consistent assumptions*.' The PPG

emphasises the use of the latest official demographic projections, unless there is in effect clear evidence that these are not robust.

4.59 In South West Hertfordshire it is clear that the trend period from which the SNPP has been developed is one in which migration and population growth was typically stronger than had been seen in the longer-term (e.g. over the previous 10-years). However this needs to be set against evidence that international migration assumptions in the SNPP were constrained to a level (nationally) which has been below recent trends (and the latest 2014-based National Population Projections.

4.60 Furthermore some of the past trend ONS data may have underestimated levels of migration and population growth in the HMA (seen through the positive UPC). On this basis it would be difficult to conclude that use of an alternative projection is more robust than the SNPP. Issues with UPC are more likely to have affected earlier years within the 2001-11 period, but the potential under-recording becomes relevant in considering projections based on longer-term migration trends.

4.61 We would note that the SNPP (in methodological terms) is a sound projection, which takes account of how population dynamics impact on migration and population growth in the future. It is not possible to robustly study these impacts if looking at a different reference period (e.g. the 10-year trends) and so from a technical perspective the alternatives developed are less robust.

4.62 Additionally, although the projections in this report were developed ahead of the mid-2014 population estimates (MYE) being published, it is notable that this more recent evidence (albeit only for one year) shows a continuation of higher than long-term migration levels. Across the whole HMA, the 2014 MYE shows net migration of 3,500 people in the 2013-14 period. This is substantially higher than the 10-year trend (of just 1,300 on average) and the level projected by the SNPP for the same period (2,500). Hence more recent data supports the higher levels of migration – relative to longer-term trends - as being reasonable.

4.63 It is worth noting that inclusion of the 2013-14 MYE data within a 10-year trend would increase the projected level of net migration quite substantially (partly due to the relatively high level of net migration in 2013-14 but also due to the net out-migration in 2003-4 which would drop out of the analysis). Hence the 10-year trend projection presented in this report can on the basis of new data be considered as being likely to be too low.

4.64 It is important that a consistent approach is taken to drawing conclusions on population trends at an HMA level – a ‘mix and match approach’ to adopting different assumptions for different local authorities is inappropriate. Overall, it is recognised due to the short reference period being used in the SNPP that questions about its validity are reasonable to be raised. However, there is nothing in

the analysis carried out to suggest that such a projection is unsound. There are a range of sensitivities which can be carried out and these show that estimates of the level of population growth could reasonably be higher or lower than the SNPP; the analysis does not all go in one direction. On the balance of evidence available it is considered that the SNPP is sound and can be used to provide a view about how the population of the area will develop and hence to enable calculation about the level of housing needed to meet this growth.

Summary

4.65 The 2012-based subnational population projections (SNPP) look to be a sound demographic projection. Population growth sits in-line with short-term trends and some way above long-term growth. Future levels of migration are slightly above past trends (based on short-term trends).

4.66 Alternative projections using 10-year migration levels and a unattributable population change (UPC) adjustment show population growth (and hence housing need) which is either above (UPC adjustment) or below (10-year trends) the SNPP – reinforcing the SNPP as being broadly reasonable. The most recent data from Mid-Year Population Estimates, set against longer-term trends, reinforces that the 2012-based SNPP is a broadly sound projection of population growth.

4.67 The 2012-based CLG Household Projections also look to be reasonably sound when considering age specific household formation rates. Household formation amongst younger age groups has fallen, but the projections do not build in any suppression of household formation into the future.

4.68 The 2012-based population and household projections suggest a need for about 3,056 dwellings per annum to be provided. This takes account of 2013 midyear population data. This provides, following the PPG approach, the “starting point” for assessing housing need.

5 ECONOMIC-DRIVEN PROJECTIONS

5.1 As well as looking at demographic trends in considering housing needs, the Planning Practice Guidance advised that consideration should be given to employment trends or forecasts. The PPG sets out that:

> *"Plan makers should make an assessment of the likely growth in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population.*
>
> *Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help to address these problems."*

5.2 Paragraph 158 within the NPPF also emphasises the alignment of strategies for housing and employment within local plans. Balancing growth in jobs and homes across the relevant functional area also represents good spatial planning.

5.3 The South West Hertfordshire Economy Study has been prepared alongside the SHMA, by Regeneris Consulting and GL Hearn, and considers potential future economic performance. In this section we do not seek to repeat the detailed analysis undertaken to consider economic growth potential, but summarise the findings of the Economy Study and consider the implications of this on housing need.

Findings from the South West Herts Economy Study

5.4 The South West Hertfordshire Economy Study has considered economic dynamics and growth potential within South West Hertfordshire. It identifies that the South West Hertfordshire economy benefits from a strong location and economic attributes, which include:

- A strong labour force and skill levels, with high economic participation, low unemployment and 35% of residents qualified to degree level (compared to 27% nationally);
- An economic base which shows strong representation of private-sector businesses, and one which has been growing with above average levels of business start-ups per capita (7.9 compared to 5.7 nationally) over the last 10 years;
- Concentrations of employment in business and professional services, wholesale and retail trade, information and communications, construction and real estate;
- A strength in professional, scientific and technical activities – reflecting the presence of assets such as the Building Research Establishment (BRE) and Rothamsted and the area's skills base – as well as in the film and television studios at Elstree and Leavesden.

5.5 The Economy Study has considered the dynamics of the sub-regional economy and its growth potential. This has included interrogation of econometric forecasts from Cambridge Econometrics (CE) and forecasts from Oxford Economics East of England Forecast Model (EEFM). The Study

has drawn together a range of evidence to draw conclusions on the economic growth potential of the sub-regional economy, and of its constituent local authorities. This includes analysis of economic structure and performance trends, labour market characteristics, commercial property market dynamics, engagement with a range of stakeholders, including the Hertfordshire Local Enterprise Partnership and key businesses, and triangulation of economic forecasts.

5.6 Of the scenarios considered, the Economy Study concludes that the "employment-led" scenario provides the most realistic assessment of economic growth potential. The scenario sees employment growth at a forecast rate of 0.8% per annum – a strong forecast rate of growth, which is above the UK average (0.5% pa) over the period to 2036. This scenario is:

- Consistent with the NPPF emphasis on planning positively for economic growth;
- Roughly in line with past trends, with a 15 year average growth rate of 0.7% pa; and
- Aligns with local economic strategies with strong growth in highly skilled, service-based sectors.

5.7 The Employment Study concludes that 0.8% pa growth would be a realistic assessment of the growth potential of the sub-regional economy, in accordance with forecasts from the East of England Forecasting Model (EEFM). It notes difficulties (including a potentially higher error margin) in accurately predicting future performance at a local authority level.

5.8 We have not sought to repeat the detailed work set out in the Economy Study herein. The focus of this section is to consider the implications on housing need of this level of housing provision, and to consider if an upwards adjustment to housing provision in the HMA might be necessary to support economic performance and sustainable commuting patterns.

5.9 Table 12 shows the increase in the number of jobs expected from 2013 to 2036 using the preferred Employment-led Growth Scenario. Over the 23-year period being used in the projections an increase of around 60,700 jobs is expected. Growth rates are relatively similar across the area, with the exception of Dacorum where employment is expected to grow modestly slower.

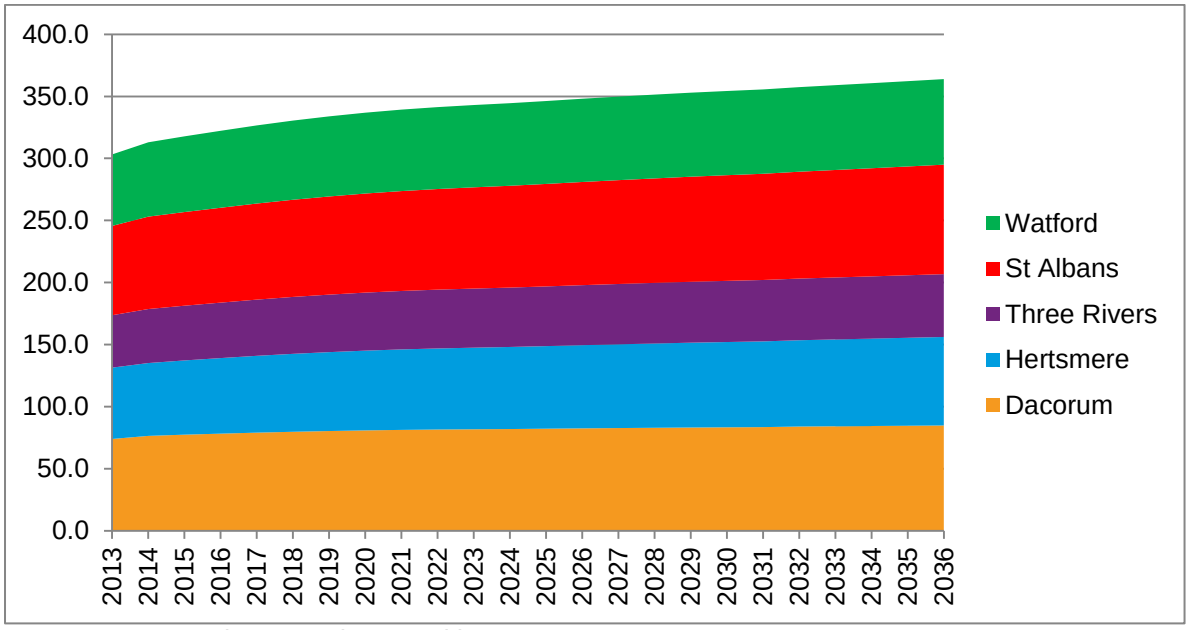
Table 12: Expected Employment Increase (2013-36)

	Employment Change, 2013-36 ('000s)	% Annual Growth
Dacorum	10.9	0.6%
Hertsmere	13.8	0.9%
Three Rivers	8.4	0.8%
St. Albans	16.2	0.9%
Watford	11.3	0.8%
SW Herts	60.7	0.8%

Source: EEFM, Regeneris Consulting

5.10 Figure 23 shows how these forecasts are expecting to see the change in jobs over time. The rate of change over the first few years is stronger but does slow down marginally over time.

Figure 23: Projected Employment Growth – South West Herts



Source: EEFM and Regeneris Consulting

5.11 To convert jobs into housing is not a simple process and the analysis takes account of:

- Commuting patterns;
- Double jobbing (i.e. the number of people with more than one job);
- Changes to employment rates (e.g. as a result of reducing unemployment or people working longer).

Commuting Patterns

5.12 Table 13 shows summary data about commuting to and from South West Herts and individual local authorities from the 2011 Census. The data shows that the HMA generally sees a level of out-commuting for work. Out-commuting is particularly high in Three Rivers and also positive in Dacorum, Hertsmere and St. Albans. The only area to see net in-commuting is Watford where there are about 3,900 more people working in the local authority area than live there (and are working).

Table 13: Commuting Patterns in South West Herts (2011)

	Daco-rum	Herts-mere	St. Albans	Three Rivers	Watford	HMA
Live and work in LA	27,003	10,378	20,475	7,297	14,428	79,581
Home workers	9,021	6,292	9,411	5,540	4,093	34,357
No fixed workplace	6,852	4,907	5,303	4,245	4,411	25,718
Out-commute	31,045	28,356	36,629	27,251	24,903	148,184
In-commute	23,852	25,276	26,862	18,636	28,814	123,440
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

5.13 In translating the commuting pattern data into growth in the labour-force, it is assumed that the commuting ratio remains at the same level as shown by the 2011 Census (i.e. assumes that 9% (net) of additional resident workers will out-commute). This essentially means that there would be expected to be a greater increase in working residents for a given number of jobs. The figures have been applied on a local authority by local authority basis using data as shown in the table above.

Double Jobbing

5.14 As well as commuting patterns we can also consider that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in each District divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) suggests that around 4.2% of workers have a second job (data averaged from data for the 2004-14 period to recognise relatively high error margins associated with data for individual years). This gives a double jobbing ratio of 0.958 (i.e. the number of jobs can be discounted by 4.2% to estimate the required change in the workforce). Again data has been used on an individual local authority basis with the double jobbing percentages for each area being:

- Dacorum – 3.3%
- Hertsmere – 3.9%
- St. Albans – 4.8%
- Three Rivers – 5.1%
- Watford – 4.2%

5.15 To work out the change in the resident workforce required to match the forecast number of jobs, we can multiply the commuting ratio by the amount of double jobbing and in turn multiply this by the number of jobs – this is shown in the table below.

5.16 Overall, the EEFM expects an increase of 60,656 jobs. If commuting patterns and levels of double jobbing remain the same, then this would require a slightly higher level of growth in the resident

workforce (of about 63,608 people). For individual areas however the findings are quite different; with uplifts to the number of jobs being seen in four areas and the opposite in Watford.

Table 14: Jobs Growth and Change in Resident Workforce (2013-36)

	Change in jobs	Adjustment factor	Change in resident workforce
Dacorum	10,876	1.07	11,638
Hertsmere	13,829	1.03	14,244
St. Albans	16,216	1.1	17,838
Three Rivers	8,408	1.18	9,921
Watford	11,326	0.88	9,967
South West Herts	60,656	-	63,608

Source: EEFM, NOMIS and 2011 Census

Changes to Employment Rates

5.17 As well as studying commuting levels and double jobbing the analysis needs to consider how economic participation and employment rates will change in the future. The proportion of people who are economically active has been increasing in recent years (particularly for females and people aged over 50). In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages) and have modelled for there to be some increase in employment rates as we move through to 2036.

5.18 Table 15 shows the age/sex specific rates assumed in the analysis. These take account of past trends (as shown for instance through analysis of economic participation changes between the 2001 and 2011 Census), which point to a growing number of older people and women in the workforce. They also take account of planned changes to state pension age; and have been informed by interrogation of the assumptions made within econometric models about future changes in economic participation.

5.19 It should be stressed that these figure reflect what we would consider to be a reasonable set of assumptions although there would be a case for alternatives (both in an upwards and downwards direction). The figures have been benchmarked against national economic growth forecasts. There is broad alignment between these suggesting the assumptions used herein are reasonable.

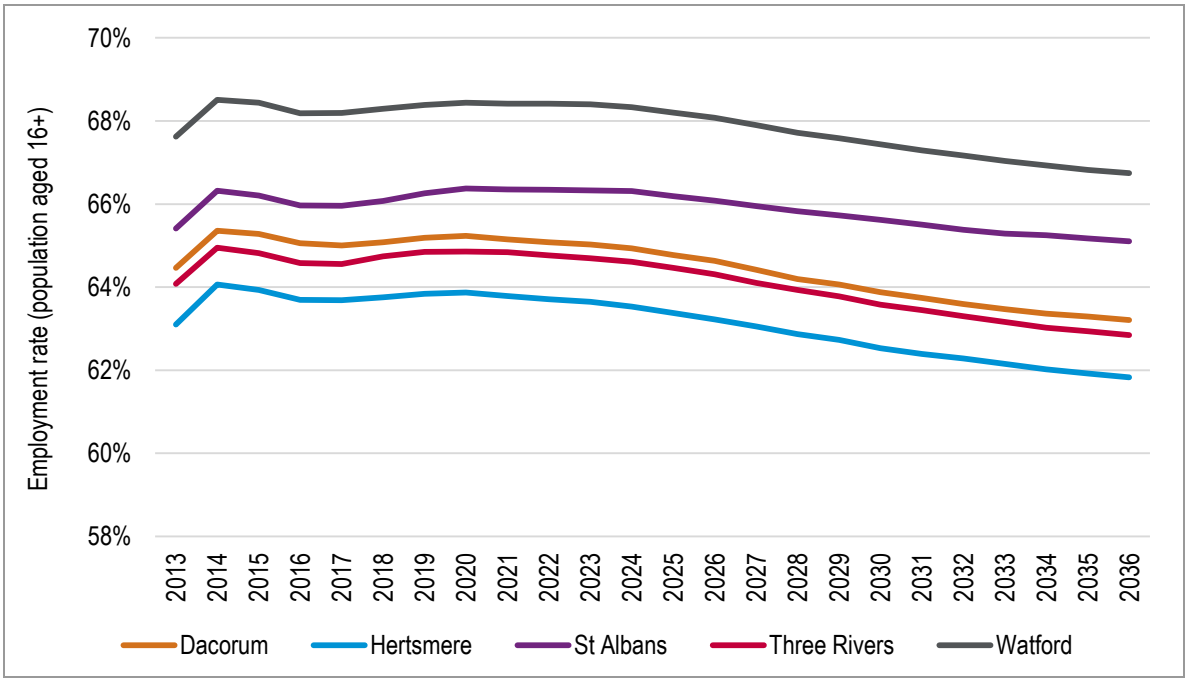
Table 15: Employment Rates by Age and Sex – South West Herts

	Sex	Year	Aged 16 to 24	Aged 25 to 34	Aged 35 to 49	Aged 50 to 64	Aged 65 and over
Dacorum	Male	2013	58.2%	88.4%	90.3%	79.8%	17.6%
		2036	58.2%	88.6%	91.3%	84.3%	20.0%
	Female	2013	60.3%	78.9%	80.4%	69.2%	9.9%
		2036	60.3%	84.5%	85.8%	78.7%	12.4%
Hertsmere	Male	2013	50.7%	88.3%	90.2%	81.0%	24.1%
		2036	50.7%	88.6%	91.2%	85.4%	25.3%
	Female	2013	49.3%	76.6%	78.7%	69.6%	13.8%
		2036	49.3%	82.3%	84.1%	79.0%	15.5%
St. Albans	Male	2013	55.1%	91.4%	93.1%	80.9%	18.1%
		2036	55.1%	91.6%	94.1%	85.3%	20.8%
	Female	2013	55.8%	82.6%	78.7%	70.5%	10.8%
		2036	55.8%	88.2%	84.1%	80.0%	13.1%
Three Rivers	Male	2013	54.9%	90.3%	92.4%	81.6%	19.3%
		2036	54.9%	90.5%	93.4%	86.0%	21.6%
	Female	2013	54.8%	80.5%	80.4%	70.0%	11.1%
		2036	54.8%	86.1%	85.8%	79.4%	13.1%
Watford	Male	2013	57.0%	89.7%	90.0%	78.7%	17.5%
		2036	57.0%	90.0%	91.0%	83.1%	20.8%
	Female	2013	57.8%	79.6%	79.3%	70.0%	9.5%
		2036	57.8%	85.2%	84.8%	79.4%	12.3%

5.20 Figure 24 shows how the overall employment rate in each local authority is expected to change over time. The employment rate is based on the number of people in employment divided by the population aged 16 and over. The analysis shows in all areas there is expected to be a small increase in this rate to about 2021, with a small decline thereafter. The period to 2021 reflects expectations of some improvements (particularly around reducing unemployment in the 2013-14 period) with the decline in the rate thereafter being strongly linked to the demographic profile of the population (i.e. ageing).

5.21 The rates shown in Figure 24 are derived from the 2012-based SNPP and it should be noted that these change very slightly with different assumptions about population growth for other scenarios.

Figure 24: Projected Change in Employment Rates – South West Herts (2013-2036)



Source: Derived from Annual Population Survey, Labour Force Survey, CE forecasts and demographic projections

5.22 To assess what level of overall population growth might be required so that the number of jobs balances with the resident labour force, adjustments are made to migration within the demographic modelling so that the change in working residents matches that necessary to support the identified level of employment growth, taking account of commuting and double jobbing.

5.23 The changes to migration have been applied (on a proportionate basis) to each of the individual local authorities. The methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration. Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). Once the labour-force matches the job growth forecast, the population (and its age structure) is modelled against CLG headship rates to assess what level of housing provision that might imply.

5.24 The outputs from the Employment-led Growth Scenario show that across the HMA 2,996 dwellings per year would be needed to support the forecast employment growth. The economic-led need figure is shown in the table below. Individual local authority level conclusions should be treated with caution, given the potential in particular for changes in commuting dynamics between areas over the 23 year period shown in the modelling.

Table 16: Housing to Support Expected Employment Growth (with 2012-based CLG Headship Rates)

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	HMA
Households 2013	61,458	40,404	57,158	35,999	38,004	233,023
Households 2036	75,416	55,343	73,723	46,841	48,530	299,854
Change in households	13,959	14,939	16,565	10,842	10,527	66,830
Per annum	607	650	720	471	458	2,906
Dwellings (per annum)	627	670	744	485	469	2,996

5.25 At the HMA level, the level of housing need shown in this projection is lower than the 3,056 dwellings per annum projected in the main demographic-led projections (linked to the 2012-based SNPP and Household Projections). This suggests that, at the HMA level the demographic-led figure would be sufficient to support economic growth.

5.26 There are clearly a range of influences on the likely scale and distribution of economic growth within the HMA, including land supply constraints/ opportunities. If the economy did grow exactly as has been modelled, projected job growth might exceed modelled growth in labour supply based on demographic trends in Hertsmere and St. Albans; but would fall short of projected growth in labour supply in Dacorum, Watford and Three Rivers.

5.27 The PPG sets out that:

> *"where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems."*

5.28 It is reasonable to expect that commuting dynamics between local authorities within the HMA can flex over time. Indeed, many economic forecasting models make assumptions that commuting dynamics can change, taking account of trends in labour supply and demand. There are strong public transport links, both rail and bus, between the authorities in the South West Hertfordshire HMA; and considerable opportunities for sustainable travel between them.

5.29 We would note comments in the PAS Technical Advice Note in this respect, which outlines that:

> *"in aligning jobs and housing it is advisable to focus on HMA and functional economic areas – which as discussed earlier should ideally be co-terminous – rather than individual districts. Many people travel to work across administrative boundaries, so planning for each district in isolation will not produce the most efficient and sustainable relationships between the locations of housing and jobs" (Paragraph 8.13).*

5.30 The PAS Report sets out that it may be reasonable to assume that commuting patterns can change, provided that the planning authorities concerned are in agreement and the resulting travel is sustainable. On this basis, we do not consider that there is a robust evidential basis for seeking to adjust assessed housing need for individual authorities within the HMA to take account of economic factors. This approach has been discussed and agreed collectively by the commissioning authorities.

5.31 There are policy decisions to be made regarding the future distribution of both employment and housing development within the HMA. Land availability, environmental and policy constraints will inevitably impact on the distribution of employment growth, which may, as a result, differ from that shown in the forecasting work undertaken. It will therefore be important that issues of jobs-homes balance continue to be considered through the plan-making process, at a local and HMA level, taking account of opportunities for sustainable travel and planned infrastructure investment, including the delivery of the Croxley Rail Link (i.e. Metropolitan Line Extension from Croxley Green to Watford).

Summary

5.32 The expected level of future employment growth has been considered in the Economy Study. This concludes by identifying a preferred scenario for employment growth, which forecasts 0.8% per annum growth in employment. Taking account of commuting patterns, double jobbing and changes to employment rates the analysis suggests that to achieve the labour-force growth in the preferred employment-led scenario, provision of 2,996 homes would be needed across the HMA. This falls 2% below the level of housing need shown in the demographic-led projections (for 3,056 homes per annum), leaving aside supply-side constraints. There is thus no clear need, based on the evidence, to adjust upwards the assessment of housing need to support employment growth.

5.33 There are a range of influences and potential policy decisions to be made regarding the future distribution of both employment and housing development within the HMA. It will therefore be important that issues of jobs-homes balance continue to be considered through the plan-making process.

6 HOUSING MARKET DYNAMICS AND MARKET SIGNALS

6.1 The NPPF is clear that plans should take account of market signals, such as land prices and housing affordability (Paragraphs 17 and 158). The Planning Practice Guidance clarifies this setting out that:

> *"The housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/local average may well indicate particular market undersupply relative to demand."*

6.2 It sets out that relevant signals may include the following[13]:

- Land Prices;
- House Prices;
- Rents;
- Affordability;
- Rates of Development; and
- Overcrowding.

6.3 The PPG sets out that appropriate comparisons should be made (in terms of absolute levels and rates of change) with trends in the HMA, similar areas and nationally. It sets out that:

> *"A worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on household projections."*

6.4 In this section we consider the market signals which are set out in the Planning Practice Guidance, together with sales trends which provide an indication of effective demand for market housing. We also consider how the tenure profile of housing has changed, as affordability issues affect the ability of younger buyers in particular to buy housing.

6.5 Planning Practice Guidance sets out that where market signals point in effect to a relatively stronger decline in the affordability of market housing, housing supply should be increased. Following on from the analysis of market signals, we therefore consider to what degree it might be necessary to increase housing supply in order to improve the affordability of housing.

Land Values

6.6 As the PPG sets out, land values are determined by the demand for land in particular uses, relative to the supply of land in those uses. Price premiums provide direct information on the shortage of land in any locality for any particular use.

[13] Reference ID: 2a-019-20140306

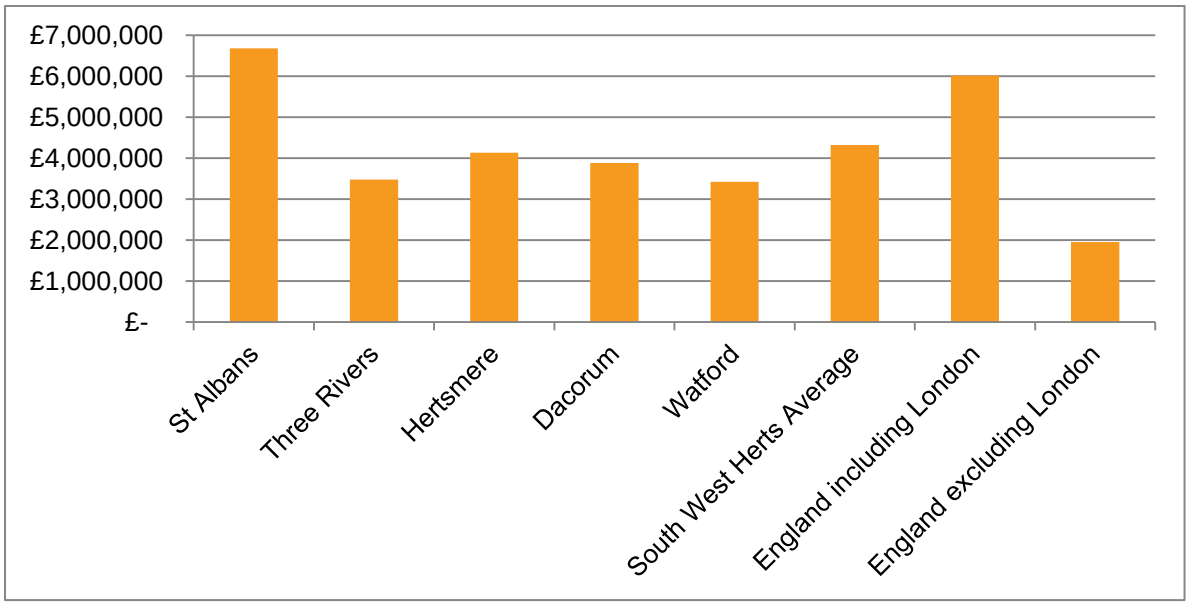
6.7 We have drawn on data on land values from the DCLG publication *"Land value estimates for policy appraisal"* (DCLG, Feb 2015), which provides estimated values per hectare for a typical residential site as at 1st January 2014, drawing on valuations undertaken by the Valuation Office Agency.

6.8 The data shows that in South West Hertfordshire the highest residential land values are in St. Albans at £6.7 million per hectare. This is above the England average including London (£6.0 million per ha); and indeed land values in St Albans are the highest of local authorities in the East of England Region.

6.9 Land values in the remaining South West Hertfordshire authorities are below this level, ranging from £4.1 million per ha in Hertsmere to £3.4 million per ha in Watford. Values for all South West Hertfordshire authorities are higher than the average for England excluding London which is just under £2 million per ha, as we would expect for areas close to the Capital.

6.10 Residential land values are however notably below those shown in adjoining London Boroughs, which for instance stand at £14.9 million in Harrow; and £15.7 million in Barnet using the same dataset.

Figure 25: Residential Land Value Estimates per Hectare (2014)



Source: DCLG

House Prices and Sales

6.11 Across the South West Hertfordshire HMA, the average (mean) house price (2013 – 2014) was £380,880 whilst the median was £300,000. Of the five local authority areas within the HMA. the most expensive median house prices were in St. Albans (£380,000), while the cheapest median

price was in Watford (£248,000). It should be noted that average house prices are influenced by the mix of properties sold.

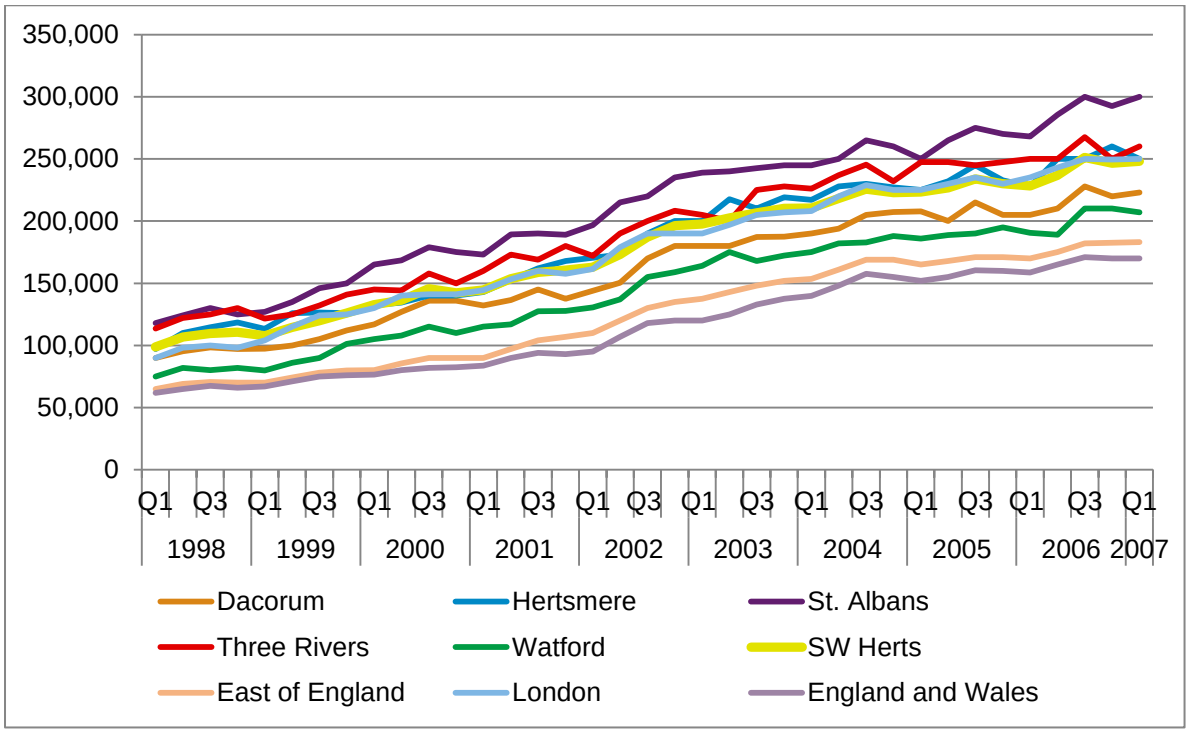
Table 17: Average House Prices in South West Hertfordshire (2013-2014)

	Median	Mean
St. Albans	£380,000	£460,280
Three Rivers	£342,500	£438,028
Hertsmere	£326,000	£415,795
Dacorum	£263,000	£332,950
Watford	£248,000	£285,516
South West Hertfordshire	£300,000	£380,880

Source: Land Registry Price Paid Data

6.12 Figure 26 profiles house prices trends in South West Hertfordshire, the East of England and London regions, and nationally from 1998 to 2007 (i.e. the pre-recession decade). This shows a nationwide steady upward trend over this period.

Figure 26: Median House Price Trends, 1998-2007



Source: DCLG Live Tables: Land Registry Data

6.13 Over the decade, median prices in South West Hertfordshire rose from £98,700 to £267,700 – an increase of £169,000 (171%). Within the HMA, St. Albans saw an increase in median house prices of £205,250 (173%); Hertsmere saw an increase of £171,000 (176%); Three Rivers saw an increase of £161,500 (142%); Dacorum saw an increase of £156,050 (173%); and Watford saw an increase of £151,500 (202%) which was the smallest absolute increase, but largest percentagewise.

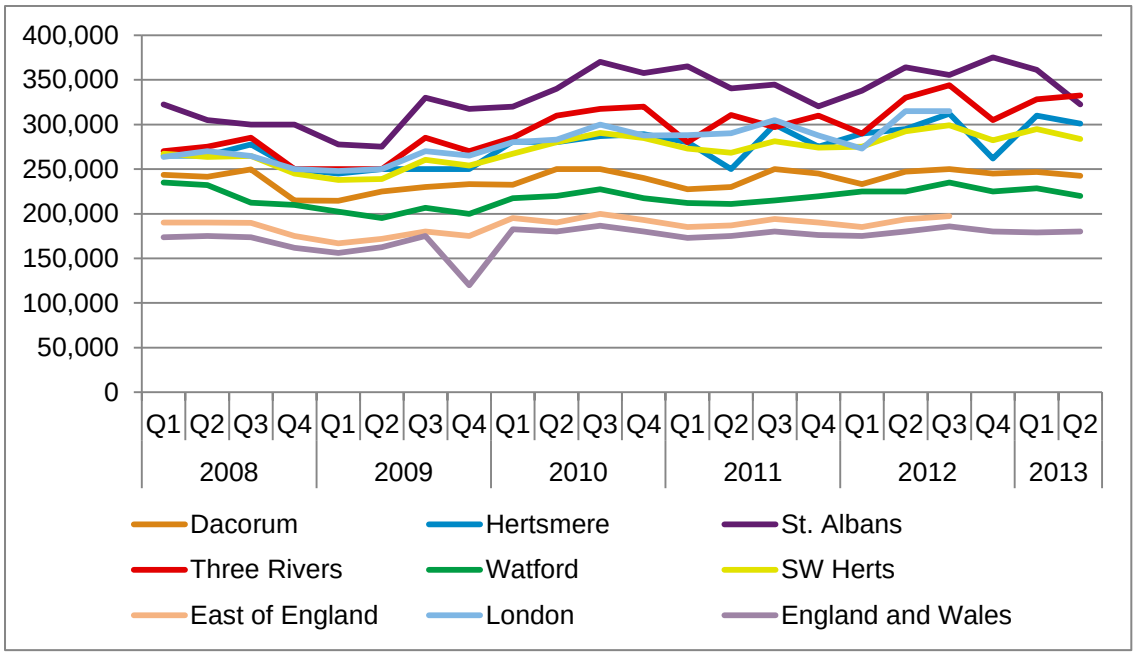
6.14 Over this period, median prices across East of England rose by £130,000 (200%), across London by £180,000 (200%), and across England and Wales by £118,000 (190%). The result has been a widening of the gap in house prices between these areas during this period.

6.15 In proportional terms, the increase in house prices over this "pre-recession decade" was consistent with regional and national averages in Watford, and below average in the other South West Hertfordshire authorities. The sub-region is however a higher value market than other areas within the East of England region, influenced by its proximity and relationship to London; and this is reflected in higher absolute growth in house prices. In absolute terms, growth in house prices over this decade was below the London average in all of the South West Hertfordshire authorities besides St. Albans.

6.16 At a national level, and locally, house price growth was particularly strong between 2002 – 2004 (inclusive). This was particularly a reflection of macro-economic factors such as economic stability and growth, low interest rates and an increasing range and availability of mortgage products.

6.17 Since 2007, trends in house prices have been very different - reflecting the economic backdrop and highlighting the influence of macro-economic dynamics on house price trends. South West Hertfordshire posted notable price falls in late 2007 (in some cases) and throughout 2008. Prices begun to rise again in 2009 and in Q2 2010 surpassed the pre-recession high. Prices have since plateaued and as of Q2 2013 were a modest £5,000 (2%) higher than the pre-recession peak.

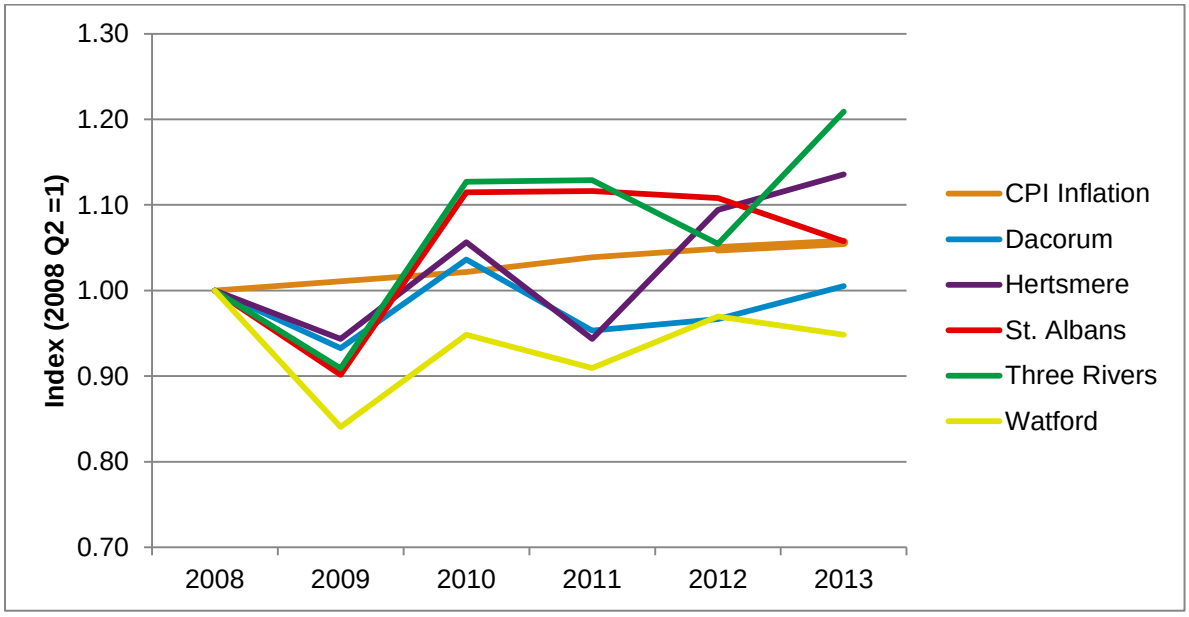
Figure 27: Median House Price Trends, 2008-13



Source: DCLG Live Tables: Land Registry Data

6.18 House price growth over the period since 2008 has been more modest, and in some cases we have seen a fall in house prices in 'real terms' once account is taken of inflation. As Figure 28 shows, house prices have fallen in real terms in Dacorum and Watford; remained broadly stable in St. Albans; with the only increase in prices adjusting for inflation being in Hertsmere and Three Rivers. Hertsmere and Three Rivers are smaller local authorities, and it is for this reason that we see greater year-on-year variance in housing costs – it is notable that for Three Rivers price growth between 2008-12 was consistent with inflation suggesting no increase in 'real terms' over this period.

Figure 28: Inflation-adjusted House Price Index



Source: GLH Analysis of CLG Live Tables/ HM Land Registry Data

6.19 The influences on house prices are various – and include macro-economic factors such as overall economic growth, interest rates, and availability of mortgage finance (on the demand-side); coupled with housing supply. At a more local level, house price dynamics can be influenced by economic performance, as well as transport investment which influences the relative accessibility of places.

6.20 Moving forwards, house prices and affordability issues within the Housing Market Area could be potentially influenced by a range of factors. Future house price trends can be influenced by a range of factors from macro-economic performance, through to local demand drivers. The performance of the local economy can clearly influence housing demand; as can economic growth within London and other adjoining areas. Transport investments can influence commuting dynamics (in both directions).

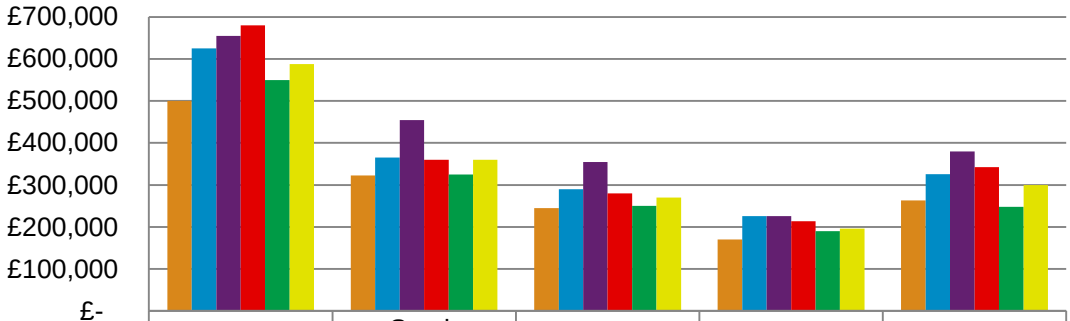
6.21 The potential influence of economic growth in areas beyond the HMA, including for instance growth at Luton Airport and within North / North West London (e.g.at Brent Cross and Old Oak Common),

on South West Hertfordshire will be affected by the supply/demand balance for housing in adjoining Housing Market Areas.

6.22 Commuting patterns could be influenced by the delivery of the Croxley Rail Link, and potentially in the longer-term if Crossrail services are provided to Tring; but it is not clear these will necessarily increase housing demand – they may simply result in closer labour market integration with surrounding areas; and may affect commuting patterns in both directions. The Croxley Rail Link may for instance make Watford more accessible from areas in North West London, enhancing commuting to Watford, as well as resulting in some movement from Watford to other areas.

6.23 The above analysis has considered average house prices; but 'averages' are affected by the housing mix in different areas; and the mix of properties sold. We have therefore next sought to consider how house price differentials by type within South West Hertfordshire, through analysis data on individual sales recorded in 2013 and 2014. This provides arguably a better assessment of how house prices in individual authorities compare to the HMA average.

Figure 29: Median House Prices, Jan 2013 – Dec 2014



	Detached	Semi-Detached	Terrace	Flats	Overall
Dacorum	£499,995	£322,500	£245,000	£170,000	£263,000
Hertsmere	£625,000	£365,000	£289,950	£226,250	£326,000
St Albans	£655,000	£454,500	£355,000	£226,000	£380,000
Three Rivers	£680,000	£360,000	£280,000	£213,748	£342,500
Watford	£550,000	£325,000	£250,000	£189,950	£248,000
SW Herts	£587,500	£360,000	£270,000	£196,000	£300,000

Source: GLH Analysis: Land Registry Price Paid Data

6.24 The analysis in Figure 30 highlights the influence of the mix of properties sold on overall median house prices. It shows a greater variance in housing costs for detached properties within the HMA, relative to other types of homes.

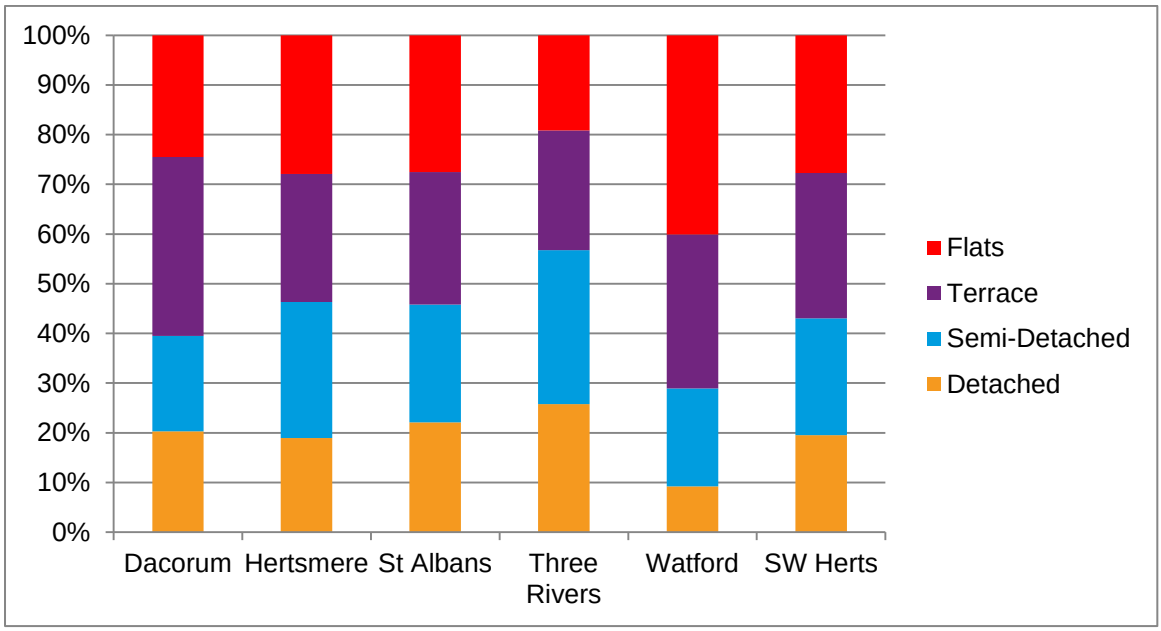
6.25 Comparing like for like, we can see that the median prices for detached houses are most expensive in Three Rivers, slightly ahead of St. Albans and Hertsmere.

6.26 Dacorum and Watford command lower relative house prices across house types, with Dacorum the most affordable location (at a local authority level) within the HMA. Median prices in Dacorum and Watford are uniformly below the HMA averages for the respective types.

6.27 Semi-detached and terrace houses are noticeably more expensive in St. Albans, while prices for flats are more even across the local authorities. Median prices for all property types in Hertsmere, St. Albans and Three Rivers are above the HMA average for the respective types.

6.28 Median house prices are influenced by the proportion of each dwelling type being sold which reflects the housing stock in each area. Figure 30 shows that sales in Watford comprised far more flats and terrace properties and comparatively few detached and semi-detached houses. This helps to explain why Watford has the lowest median house prices overall; while like for like sales in Dacorum are actually lower. These sales figures are influenced by the profile of housing stock in different authorities.

Figure 30: Sales by Dwelling Type, Jan 2013 – Dec 2014



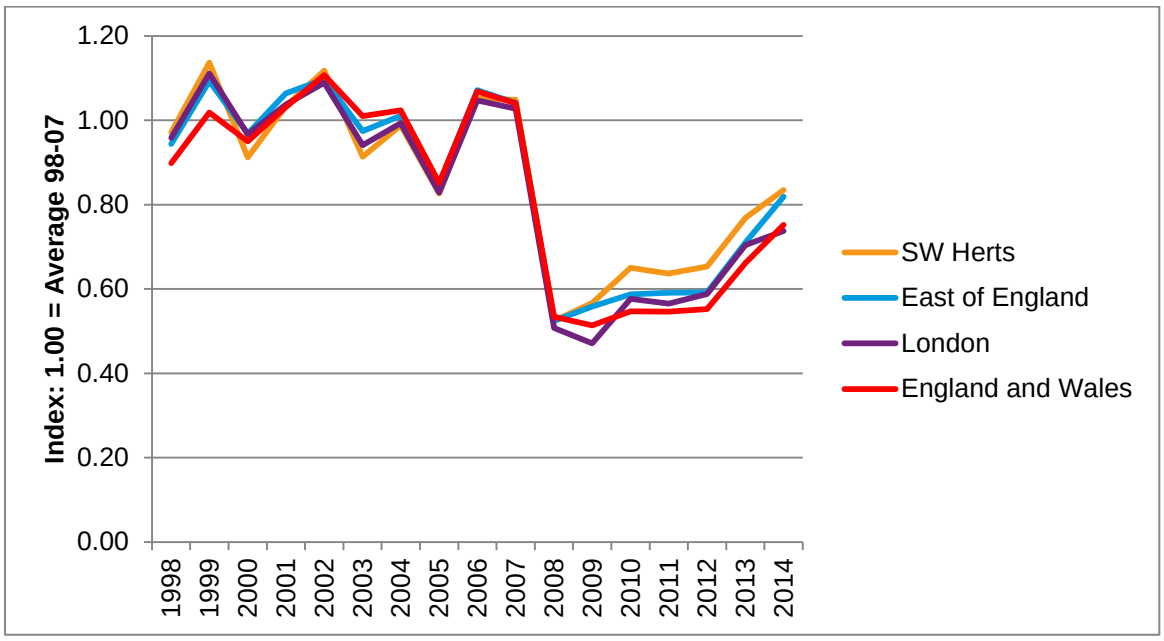
Source: GLH Analysis: Land Registry Price Paid Data

Sales Volumes and Effective Demand

6.29 Sales volumes are an important indicator of "effective demand" for market housing and provide an indication of housing market buoyancy. We have benchmarked sales performance against long-term trends to assess relative demand for market homes for sale. Figure 31 benchmarks annual sales over the period 1998 to 2014. It uses an index where 1 is the average annual sales over the pre-recession decade, 1998-2007.

6.30 Sales volumes nationally experienced a significant drop between 2007 and 2008. Between 2008-12 the recovery in sales volumes was very modest. Sales volumes have picked up in 2013 and 2014, but remain well below the pre-recession levels. In South West Hertfordshire in 2014, sales volumes had reached 83% of the pre-recession average. This general trend has been seen regionally and nationally. The recovery in sales volumes in South West Hertfordshire has however been slightly stronger than that seen nationally, but similar to that seen across the East of England Region. However, they remained 17% below pre-recession levels in 2014 – testament to wider market conditions, and indicating that effective demand for market housing has not recovered to pre-recession/ long-term trend levels. The analysis does not point to stronger relative market demand / conditions compared to the wider region.

Figure 31: Indexed Analysis of Sales Trends, 1998 – 2014



Source: DCLG Live Tables

Rental Trends

6.31 The average[14] rental value across South West Hertfordshire (as of September 2014) is £936 per calendar month (pcm). This is above the East of England median of £625 pcm (as we would expect for areas close to London) but below the London median of £1,300 pcm.

6.32 Within the HMA, the highest median rental value is in Hertsmere (£997 pcm) and St. Albans (£995 pcm). The lowest median rental value is in Dacorum (£825 pcm). The price geography is similar to that for house sales.

[14] Average of the five SW Herts local authority median values.

Table 18: Median Rental Prices (September 2014)

Area	Rent (pcm)
London	£1,300
Hertsmere	£997
St. Albans	£995
Three Rivers	£963
SW Herts Average	£936
Watford	£900
Dacorum	£825
East of England	£625
England	£595

Source: Valuation Office Agency (VOA) Private Rental Data

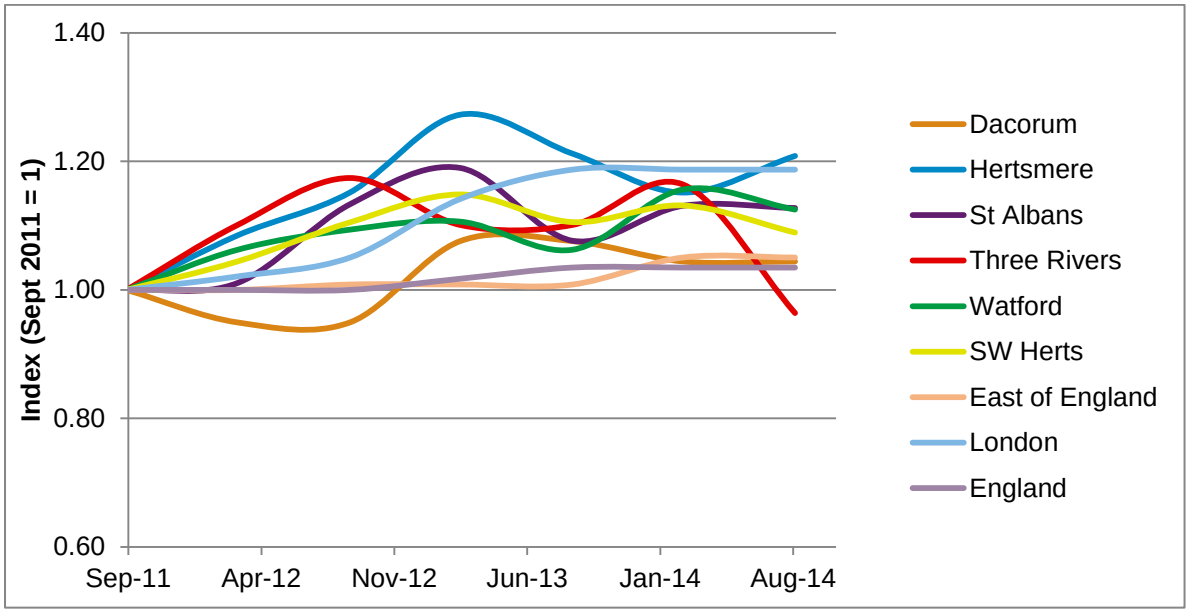
6.33 Over the last 3 years[15] average rental values in South West Hertfordshire have grown by 9% from £859 pcm in September 2011 to £936 pcm by September 2014. This compares to an average 5% growth across the East of England, a 19% growth in London, and a 3% growth across England.

6.34 Inflation alone (based on the Consumer Prices Index) would have resulted in rental growth of 6.2% over the 2011-14 period. The analysis suggests that there has been a modest real term growth in rents across the period analysed (which is the longest period for which consistent data is available).

6.35 Within the HMA there are greater fluctuations, which is to be expected from smaller populations, but there is a general upward trend in all areas. The exception to this is Three Rivers which saw considerable price fall in the latest data released. The strongest growth was in Hertsmere with 21% rental growth shown.

[15] This is the longest period for which trend data is available at a local authority level

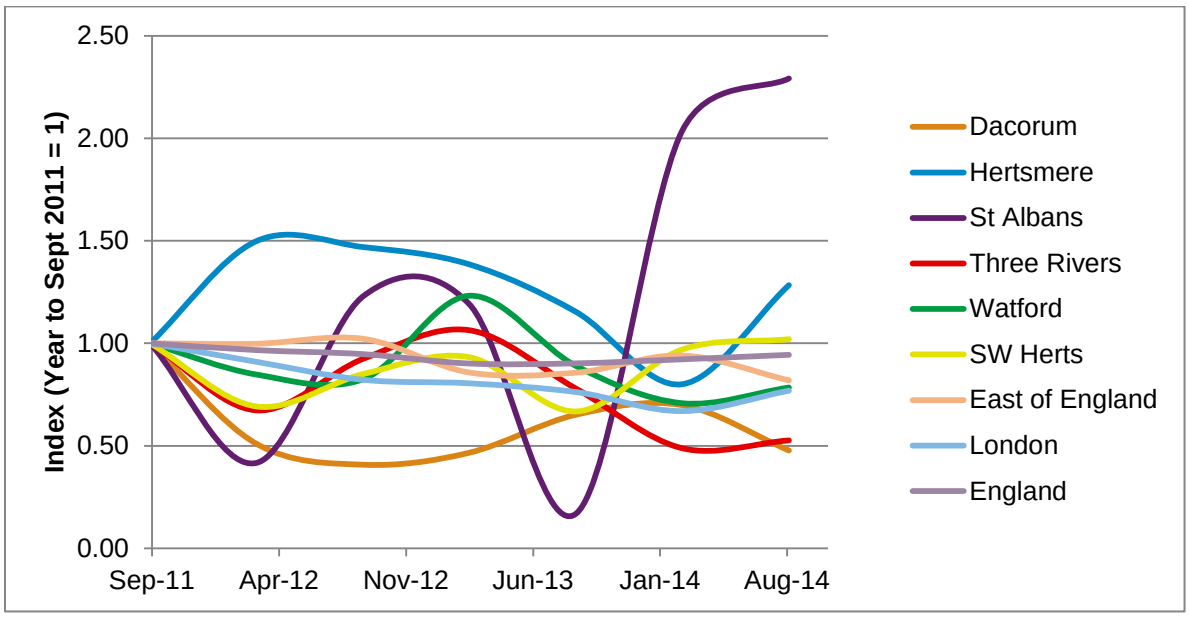
Figure 32: Benchmarked Trend in Average Private Rents, 2011-2014



Source: VOA Private Rental Data

6.36 Figure 33 shows trends in the number of private rents recorded by the VOA, indexed against September 2011 figures. This shows a general slight downward trend in the count of rents, which is in line with the trend nationally. The exception to this is St. Albans where the number of private rental transactions has fluctuated considerably, from 75 counted in September 2013 to 1,013 12 months later.

Figure 33: Trend in Private Rental Transactions, September 2011 to June 2014



Source: VOA Private Rental Data

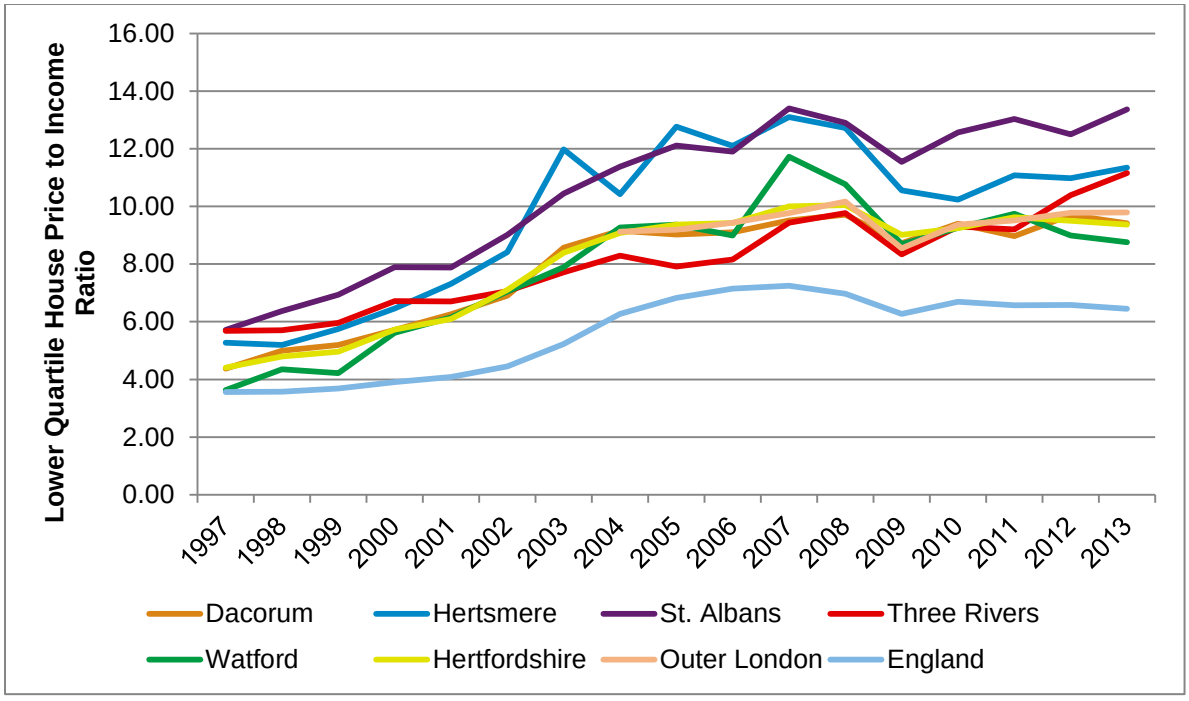
Affordability of Market Housing

6.37 In line with the Planning Practice Guidance, we have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and incomes. This is a relatively crude measure of affordability, as it does not take account of the cost of servicing mortgage debt, but is a useful basic measure for benchmarking affordability changes over time.

6.38 Using this indicator, the affordability of market housing for sale has worsened quite markedly over the past 15 years, but much of the growth in the ratio of lower quartile house prices to earnings occurred in the period prior to 2005, which is now over a decade ago. Affordability pressures however remain more acute in the East of England relative to England as a whole; and more acute still in South West Hertfordshire. This pattern is consistent with other areas which are close to London.

6.39 Within the HMA the most recent published figures (2013) show that lower quartile affordability is worst in St. Albans where the lower quartile house price is 13.4 times lower quartile earnings. The figure in Hertsmere is 11.3; in Three Rivers is 11.2. The ratio is lower in Dacorum at 9.4; whilst Watford is the most affordable at 8.8. This gives a HMA average lower quartile affordability ratio of 10.8, which is high and points to notable relative affordability issues within the HMA. By comparison, the average of Outer London authorities is 9.8, and the Hertfordshire average is 9.4. The England average is 6.5.

Figure 34: Lower Quartile Affordability Trend, 1997-2013



Source: DCLG Live Tables: Land Registry Data

6.40 The chart below considers how affordability ratios have changed over the last decade (since 2005). It shows that across Hertfordshire the affordability ratio has increased relatively modestly (by 0.6). The trend in Outer London has been similar. However the ratio has increased quite notably by 2.3 points in St Albans and by 2.9 points in Three Rivers.

Table 19: Change in Affordability Ratio, 2005-13

	2005	2013	Change
Dacorum	8.1	8.7	0.6
Hertsmere	10.2	10.9	0.7
St. Albans	11.0	13.3	2.3
Three Rivers	7.5	10.4	2.9
Watford	7.3	7.6	0.3
Hertfordshire	8.1	8.8	0.6
Outer London	8.4	9.1	0.7
England	6.8	6.7	-0.1

Source: CLG/ GL Hearn

6.41 We have also considered and compared this to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. Again, St. Albans has the highest median affordability ratio in the HMA and Watford has the lowest. The median affordability ratio of each authority is shown in the table below which compares the median affordability ratio to the lower quartile ratio.

6.42 In all of the South West Hertfordshire authorities the lower quartile ratio is higher than the median ratio. This indicates that affordability pressures are more acute at the lower end of the market. This is particularly the case in Watford where the difference is particularly high. A similar phenomenon is seen across Hertfordshire and Outer London; however, the opposite is true across the UK as a whole.

Table 20: Affordability Ratios, 2013

	Lower Quartile Ratio	Median Ratio	Difference
Dacorum	9.4	8.7	0.7
Hertsmere	11.3	10.9	0.4
St. Albans	13.4	13.3	0.1
Three Rivers	11.2	10.4	0.7
Watford	8.8	7.6	1.1
Hertfordshire	9.4	8.8	0.6
Outer London	9.8	9.1	0.7
England	6.5	6.7	-0.3

Source: DCLG Live Tables: Land Registry Data

6.43 As well as reflecting house prices, the affordability ratios reflect residents' earnings. We consider these below. Figure 35 shows the median annual earnings (gross) of residents living in each area taken from the Annual Survey of Hours and Earnings (ASHE). This is broken down by full time male workers, full time female workers, and all full time workers. This shows that median earnings (for all full time workers) in the South West Hertfordshire authorities are above England and East of England averages and generally slightly below the London average. St. Albans is the exception with median earnings of £39,400. well above the London median. Of the available authorities' data, Dacorum has the lowest median annual earnings within the HMA with £31,071. This is still comfortably above the East of England region and England values.

Figure 35: Median Residents' Annual Earnings (Gross), 2014[16]

	Dacorum	Herts mere	St Albans	Three Rivers	Watford	East of England	London	England
Male FT Workers	£34,123	£34,059	£41,659	£37,886	£34,996	£31,281	£35,275	£29,836
Female FT Workers	£27,252	£23,695	£34,654	£26,699	£27,667	£24,536	£30,179	£24,024
All FT Workers	£31,071	£27,831	£39,389	£32,277	£32,183	£28,735	£32,781	£27,500

Source: ASHE, 2015

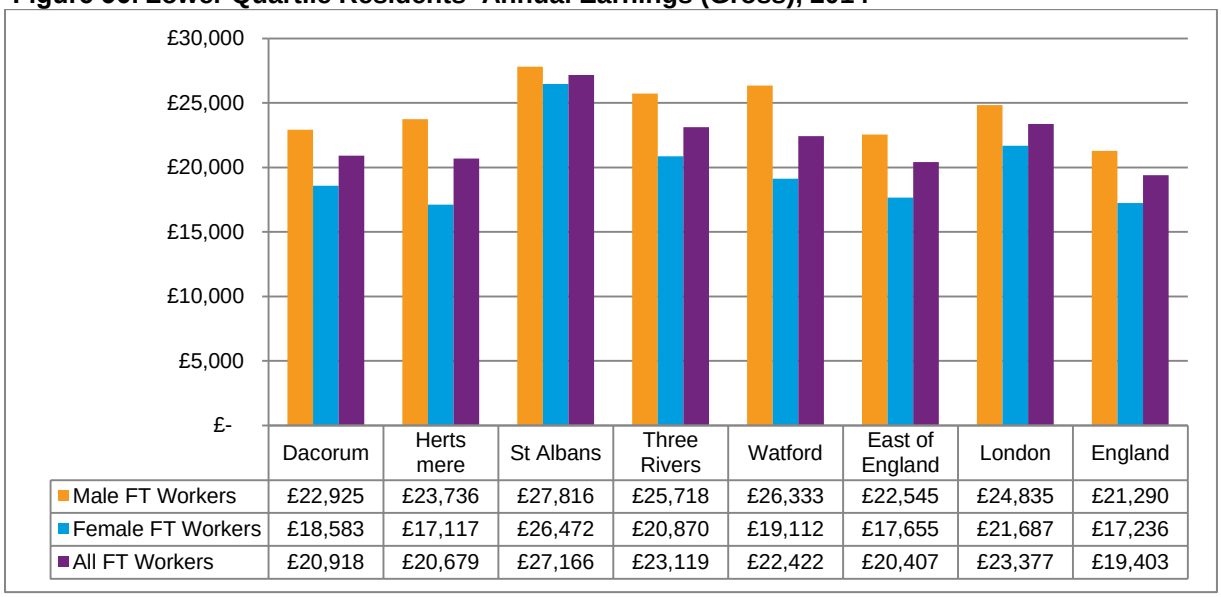
6.44 Figure 36 overleaf shows the lower quartile annual residents' earnings. Again, St. Albans has the highest full time workers' earnings – comfortably above the London rate. The other HMA authorities rank between the London and the East of England rates, which are above the national average.

6.45 These earnings figures confirm that the high affordability ratios seen across South West Hertfordshire are due to disproportionately high property prices rather than disproportionately low residents' earnings. This is particularly the case in St. Albans which is both the least affordable authority whilst simultaneously having the highest average earnings. Hertsmere on the other hand is the second least affordable area, but this can be attributed, in part, to lower earnings. This

[16] Male FT and All FT data for Hertsmere is unavailable for 2014. Figures from 2013 have been used.

notwithstanding, earnings in all areas are above national and East of England averages and yet all areas are experiencing above average affordability ratios.

Figure 36: Lower Quartile Residents' Annual Earnings (Gross), 2014[17]



	Dacorum	Herts mere	St Albans	Three Rivers	Watford	East of England	London	England
Male FT Workers	£22,925	£23,736	£27,816	£25,718	£26,333	£22,545	£24,835	£21,290
Female FT Workers	£18,583	£17,117	£26,472	£20,870	£19,112	£17,655	£21,687	£17,236
All FT Workers	£20,918	£20,679	£27,166	£23,119	£22,422	£20,407	£23,377	£19,403

Source: ASHE, 2015

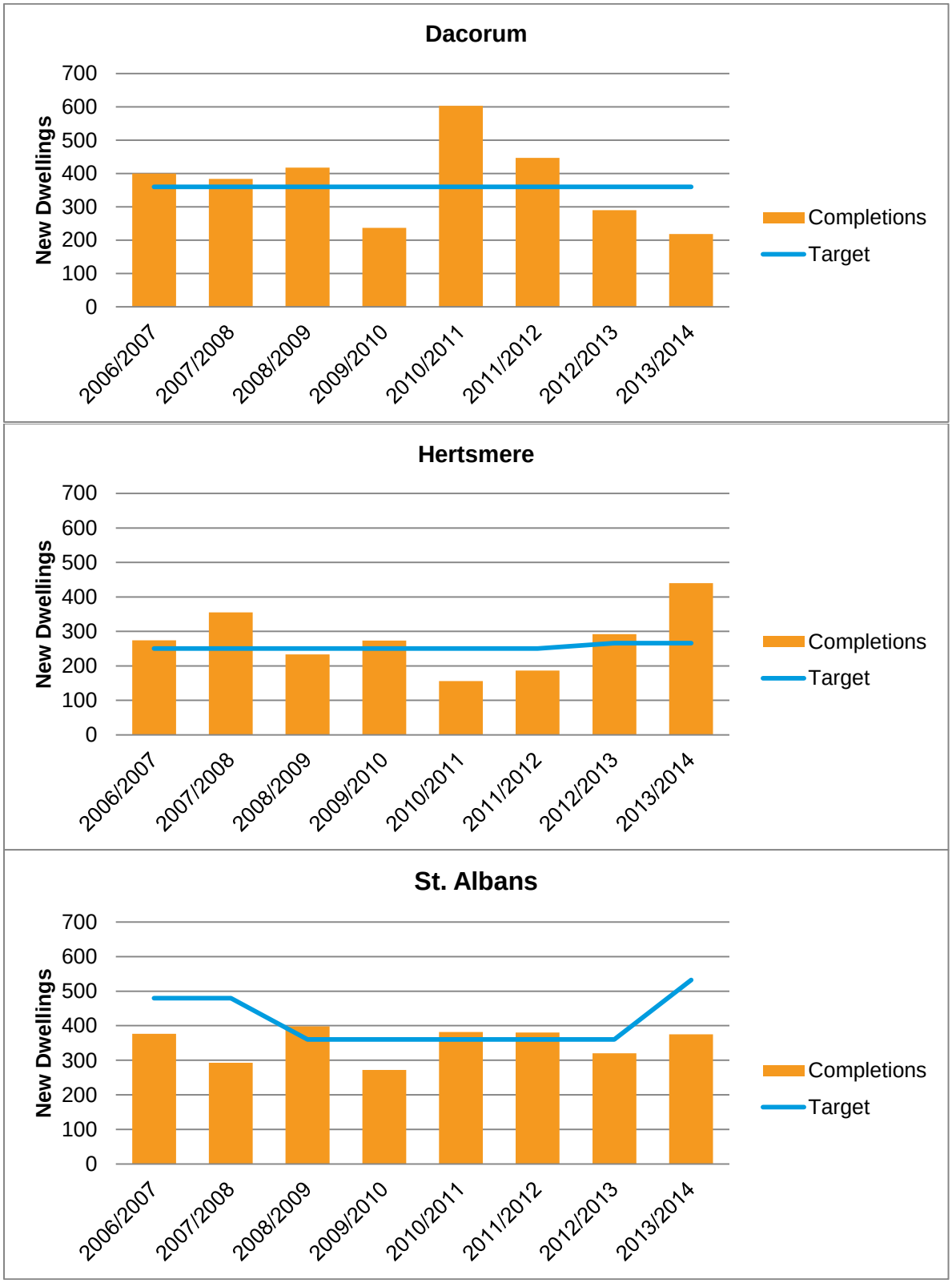
Housing Supply Trends

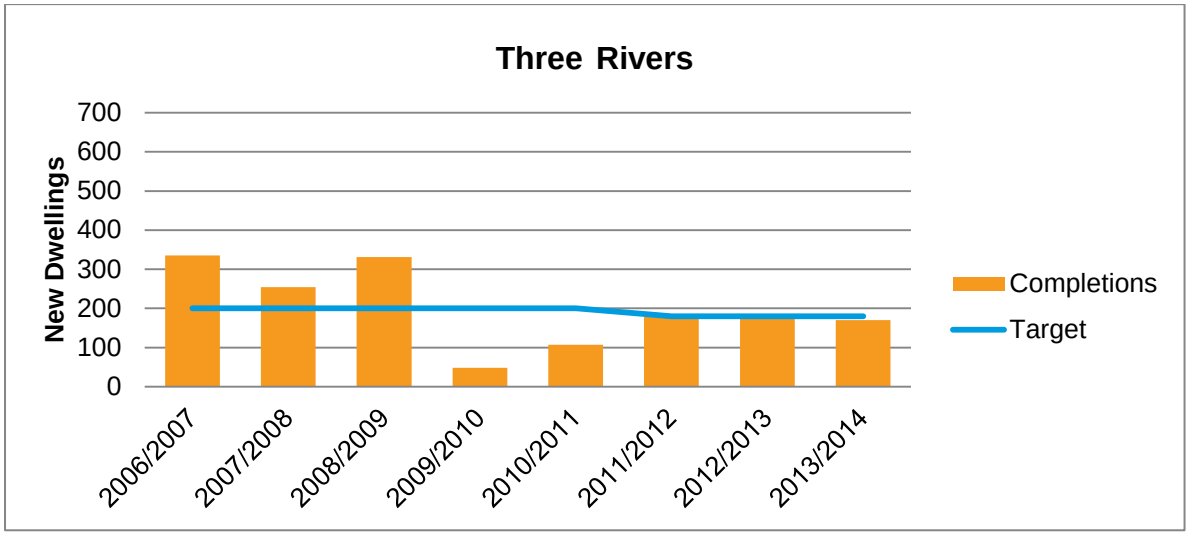
6.46 Planning Practice Guidance sets out that housing supply should be assessed; and where the historic rate of development shows that the actual supply falls below the planned supply; future supply should be increased.

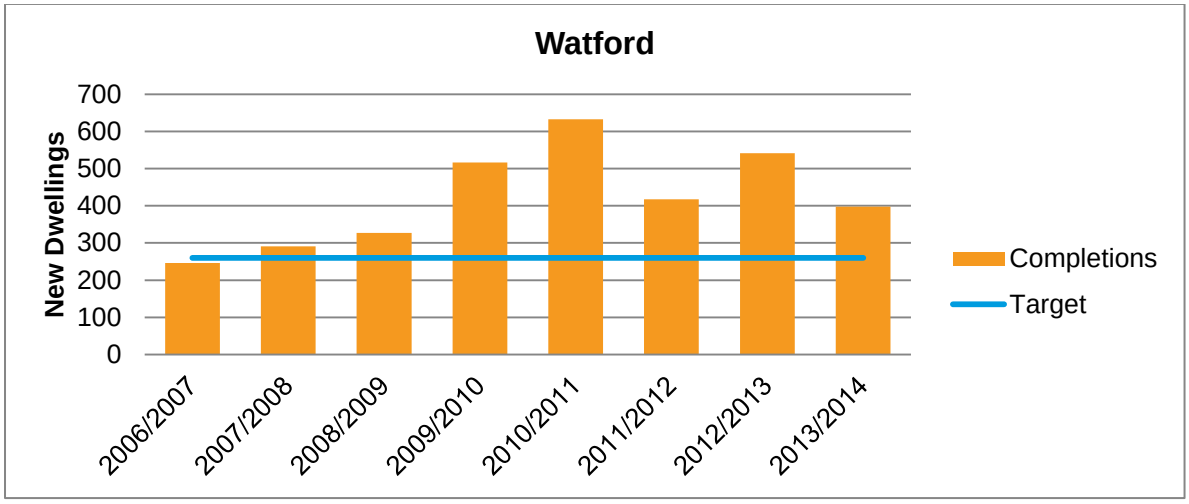
6.47 Data from annual Authority Monitoring Reports (AMRs) has been used to provide an assessment of the historic housing delivery relative to housing targets in each of the local authorities. Housing delivery has been assessed against the housing target in place at the relevant time.

[17] Male FT data for Hertsmere and Female FT data for Three Rivers is unavailable for 2014. Figures from 2013 have been used.

Figure 37: Comparing Housing Completions against Targets, 2006/07 – 2013/14







Source: Authority Monitoring Reports

6.48 The sources of the housing targets used are as follows:

Table 21: Relevant Housing Targets Operational

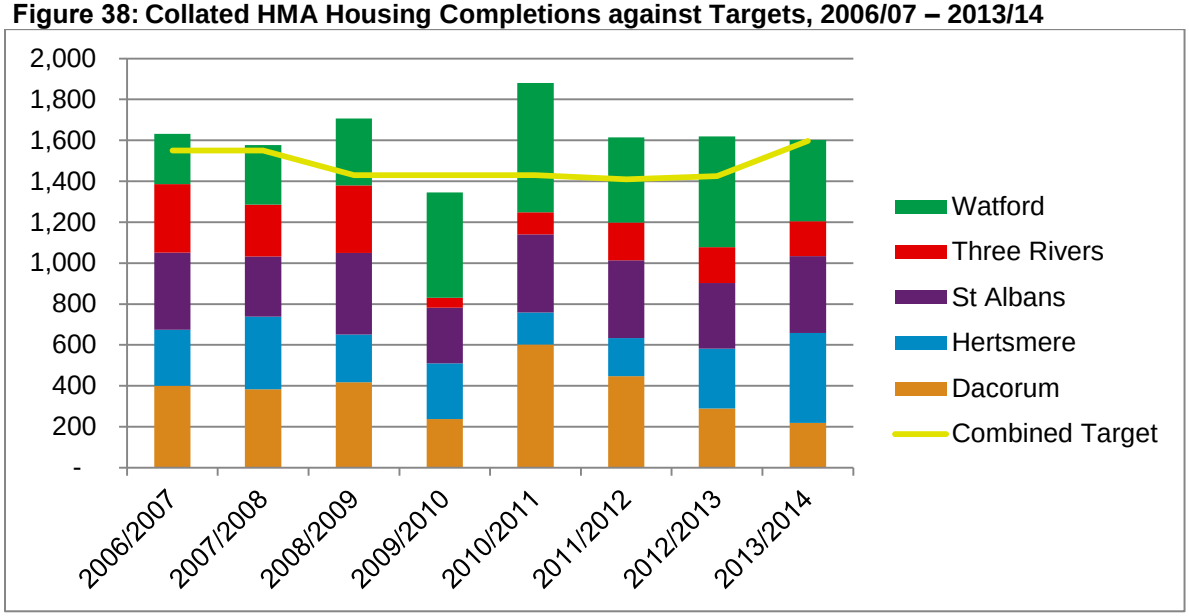
Local authority	Housing target(s) operational during 2006-2014 period	Source
Dacorum	2006-2014: 360 p.a.	Dacorum Borough Local Plan 1991-2011 (adopted 2004)
Hertsmere	2006-2013: 250 p.a. 2013-2014: 266 p.a.	Hertsmere Local Plan (2003) Hertsmere Core Strategy (2013)
St. Albans	2006-2008: 480 p.a. 2008 – 2013: 360 p.a. 2013-2014: 532 p.a.	St. Albans District Local Plan Review (1994) East of England Plan (adopted 2008, revoked 2013) Interim 2011-based CLG Household Projections
Three Rivers	2006-2011: 200 p.a. 2011-14: 180 p.a.	Three Rivers Local Plan 1996-2011 Three Rivers Core Strategy 2011-26 (2011)
Watford	2006-2014: 260 p.a.	Watford Core Strategy (2013)

6.49 Housing supply trends in the HMA, as is the case for almost any area, vary year-on-year; and are potentially influenced by broader economic circumstances (such as the last economic recession). Generally, levels of housing delivery, compared to targets, across each of the HMAs have been fairly good. As the preceding analysis in this section has shown, effective demand for market demand fell notably following the economic downturn in 2007. Nationally this has seen a reduction in the levels of house building and delivery of new homes. There is a close correlation between these. This can be evidenced to some extent in the completions data above with delivery in 2009/10 being notably low in Dacorum, St. Albans, and Three Rivers. However, the completions data does not suggest that the recession has impacted too greatly on housing delivery in the HMA. This however should be interepreted in context, bearing in mind that targets set out in previous plans do not necessarily correlate with evidence of housing need.

6.50 **Over the eight-year period studied, each of the commissioning local authorities has seen housing delivery exceed planned provision**. Watford has delivered a substantial 162% of the relevant housing target; whilst Hertsmere has delivered 125%. Delivery in Three Rivers exceeded targets by 4%. Delivery however fell short of planned provision in St. Albans.

6.51 Figure 38 shows collated housing target and completions data for all of the HMA authorities. It shows that across the HMA annual housing delivery has exceeded the annual target in most years.

Figure 38: Collated HMA Housing Completions against Targets, 2006/07 – 2013/14



Source: Authority Monitoring Reports

6.52 To contextualise the housing supply trends data, it is noted that the above section, in line with Planning Practice Guidance, compares housing completions data to adopted housing targets. However, adopted housing targets do not necessarily equate with housing need at a local authority level – they take account of development constraints and policy influences. Development constraints, including areas designed as Green Belt or falling within the Chilterns Area of Outstanding Natural Beauty, have influence past housing targets.

6.53 Past planning policies at a regional level identified areas where housing delivery was to be constrained – including areas within South West Hertfordshire; as well as "growth areas" which have delivered higher housing growth, meeting more than local needs. This includes adjoining areas within the London-Stansted-Cambridge-Peterborough Corridor; and Milton Keynes-South Midlands Growth Areas. Against this context it is simply not possible to accurately quantify to what extent housing delivery may have below or above the notional 'need' at an HMA or local level. It is however reasonable to conclude that supply has fallen below demand across the Greater South East over the last decade.

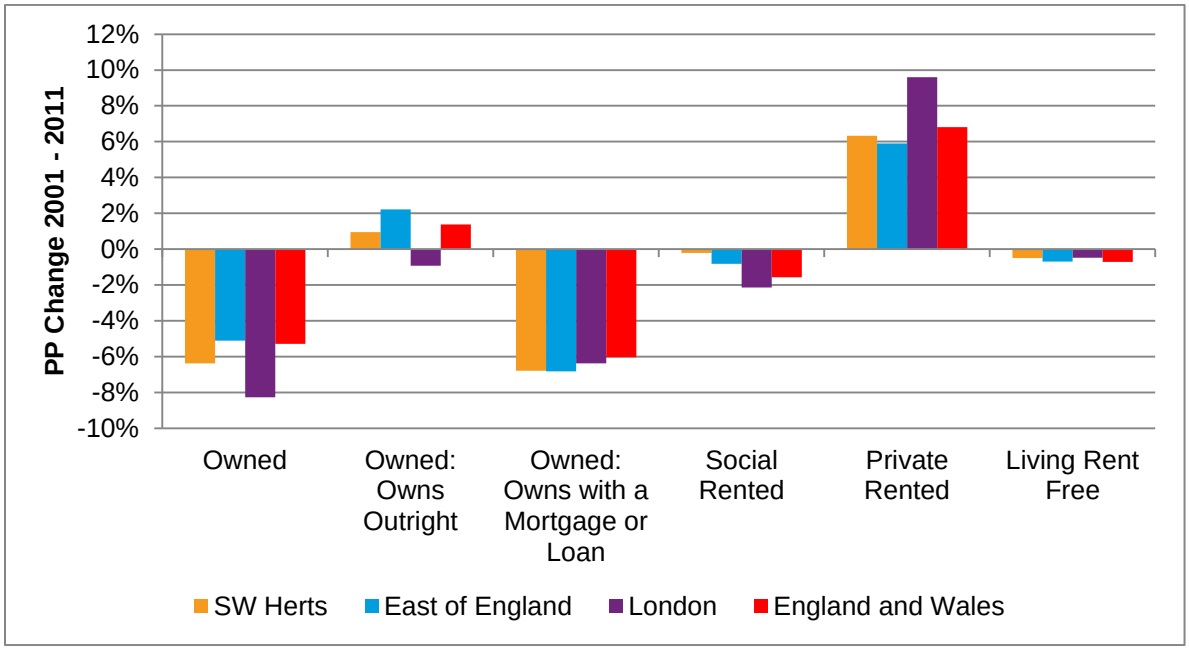
Tenure Changes

6.54 In assessing market signals, we are trying to consider whether there is evidence of a supply-demand imbalance for housing (and in particular market housing). Our research at a national level shows that the declining affordability of market housing over the 2001-11 period has influenced particularly the ability of younger households to buy a home, and to form new households. These are real impacts of increases in housing costs; and therefore important to consider alongside market indicators in drawing conclusions on housing need.

6.55 A combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the Private Rented Sector as households as households are renting homes for longer.

6.56 As illustrated in Figure 39, owner occupation fell by 6 percentage points in South West Hertfordshire between 2001 and 2011. Over this period there has been a substantial growth in the Private Rented Sector. This trend was seen regionally and nationally.

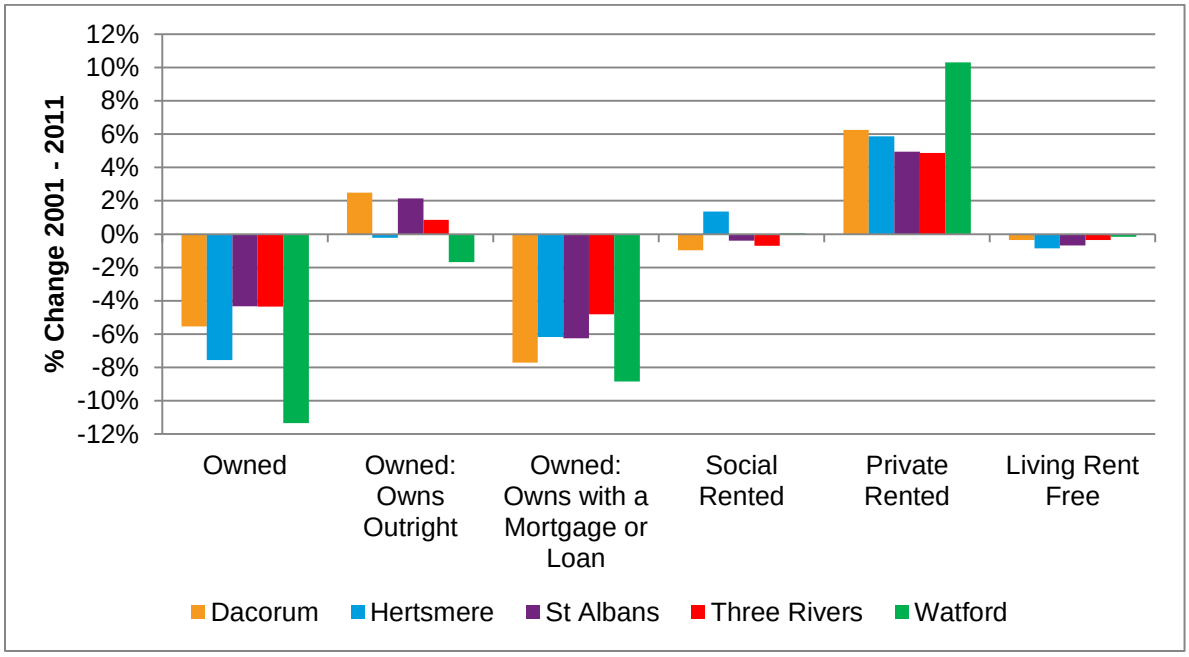
Figure 39: Change in Households by Tenure, 2001-11



Source: Census 2001 & 2011

6.57 This trend is seen in all of the districts in South West Hertfordshire. Watford has seen a particularly large tenure swing from homeownership to the Private Rented Sector with an 11 percentage point reduction in homeownership and similar rise in private rentals. This is well above the levels seen in the other HMA authorities and across wider regional and national geographies.

Figure 40: Change in Households by Tenure, 2001-11



Source: Census 2001 & 2011

Overcrowded and Shared Housing

6.58 A symptom of the affordability pressures identified above and restrictions on access to mortgage finance (which are related to one another) has been an increase in overcrowded households, in shared housing, as well as young people living with their parents for longer.

6.59 Across South West Hertfordshire we have seen the proportion of residents living in over-occupied properties[18] increase from 6.0% in 2001 to 8.0% 2011. Across the HMA the increase in the proportion of people living in shared houses grew from 4.2% to 4.9% over this period.

6.60 Levels of over occupation are particularly high in Watford. 14% of households in Watford live in over occupied dwellings. This is twice the level seen across the rest of the HMA. There was a particularly significant growth in overcrowding in Watford over the 2001 to 2011 period where the proportion of over occupied properties rose from 9.7% in 2001 to 14.0% in 2011 (a percentage point increase of 4.3%). This increase is well above the levels seen in the rest of the HMA and is in line with London rates.

[18] Data does not allow changes in overcrowding to be assessed between the 2001 and 2011 Censuses. However, a comparison is possible between households which are "over-occupied" based on the room based occupancy of occupancy. This is a more simplistic measure of overcrowding that considered the number of persons and rooms, rather than the structure of the household. It is likely to over-estimate changes in "overcrowded households" as measured against the "Bedroom Standard."

6.61 Hertsmere also has higher than the HMA average proportion of households living in over occupied homes with 8.2%. In all other authorities within the HMA, the proportion of people living in over-occupied homes falls below the regional and national average.

6.62 With the exception of Watford, the levels of over occupied households and households living in shared houses in South West Hertfordshire are below the national average, slightly above the East of England regional average, and well below London levels.

Table 22: Changes in Over Occupation and Households in Shared Houses (2001-2011)[19]

	Over Occupied			HMOs		
	2001	2011	Growth	2001	2011	Growth
Dacorum	4.7%	6.3%	1.5%	3.4%	4.1%	0.7%
Hertsmere	6.2%	8.2%	2.1%	4.1%	5.2%	1.1%
St. Albans	5.6%	6.7%	1.1%	4.4%	4.6%	0.2%
Three Rivers	5.2%	6.3%	1.1%	3.8%	4.3%	0.5%
Watford	9.7%	14.0%	4.3%	6.1%	6.9%	0.8%
SW Herts	6.0%	8.0%	1.9%	4.2%	4.9%	0.6%
East of England	5.2%	6.5%	1.3%	3.5%	4.7%	1.2%
London	17.3%	21.7%	4.3%	9.5%	11.9%	2.4%
England and Wales	7.0%	8.5%	1.6%	4.5%	5.7%	1.2%

Source: 2001 & 2011 Censuses

Summary of Market Signals Evidence

6.63 There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability. Housing market conditions have remained relatively stable and house prices have remained fairly constant during the pre-recession period. The last 18 months has seen confidence start to return to the market with an increase in house prices and sales volumes.

House Prices and Land Values

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

6.65 Across the South West Hertfordshire Housing Market Area house prices are highest in St. Albans district, followed by Three Rivers and Hertsmere, and are considerably lower in Dacorum, and Watford. This to some extent reflects the nature of these boroughs which contain the larger built up areas (Hemel Hempstead and Watford) in the HMA, and reflects the dwelling stock of these areas with Dacorum's larger proportion of terrace houses and Watford's larger proportion of flats. Watford

[19] HMOs estimated based on 'Other: Other' households recorded by 2011 Census.

in particular has a very small proportion of larger detached and semi-detached properties. The large terraced housing stock in Dacorum reflects post-war new town housebuilding in Hemel Hempstead.

6.66 The Planning Advisory Service note that in assessing market signals, "proportional price change is generally a better indicator than absolute price" recognising that this tells us more about the supply/demand balance. House prices within the HMA, and constituent districts, rose over the pre-recession decade; as was the case for most areas nationally. However in considering whether we make adjustments to the assessed housing need, more recent trends in this economic cycle are more relevant.

6.67 The data assessed shows that prices have fallen in real terms (adjusting for inflation) in Dacorum and Watford since 2008. They have been stable in St Albans. Only in Hertsmere has there been any recent growth in house prices in real terms.

6.68 Considering house prices by type, we find however a premium associated with housing in St Albans District. This is reflected in land values, where there is a particular premium for land in St Albans (which are the highest in the East of England Region); with land values in other areas falling below those in adjoining London Boroughs. This would point to a shortage of residential land in St Albans.

Sales Volumes

6.69 Sales volumes provide an indication of the effective demand for market housing. Across the HMA they show that effective demand remained in 2014 17% below pre-recession levels. Whilst sales volumes are recovering, the evidence does not suggest that demand is as strong as during the pre-recession decade.

Rental Prices

6.70 Rental prices in South West Hertfordshire are higher than the national average and again reflect the HMA's location with rental prices sitting between between East of England and London regional averages. The variance in rental values across the local authorities broadly matches that of sales prices; with the highest rents in Hertsmere and St Albans. St Albans, Watford and Hertsmere have seen an increase in rents in real terms (taking account of inflation) since 2011.

Affordability

6.71 Affordability pressures across the HMA are significant. The affordability of market housing worsened over the pre-recession decade as growth in house prices outstripped growth in earnings. Following the economic downturn in 2007 affordability has however generally not worsened further; and indeed looking back over the last decade to 2005 affordability ratios in some authorities have remained similar.

6.72 Our analysis shows that across Hertfordshire the affordability ratio has increased relatively modestly (by 0.6). The trend in Outer London has been similar. However the ratio has increased quite notably by 2.3 points in St Albans and by 2.9 points in Three Rivers.

6.73 Affordability is worst in St. Albans where, on average, house prices are over 13 times earnings. The most affordable borough in the HMA is Watford with a lower quartile affordability ratio of 8.8. The resident earnings figures are above average across the HMA suggesting that the high affordability ratios are due to disproportionately high property prices rather than disproportionately low residents' earnings.

Housing Delivery

6.74 The completions data shows that that housing delivery in South West Hertfordshire has been good with housing delivery exceeding targets in all authorities. However it is recognised that past targets have been influenced by policy and development constraints.

Evidence of Impacts of Affordability Pressures

6.75 The impact of declining affordability in the housing market coupled with access to mortgage restrictions brought on by tighter regulation is likely to have resulted in constrained household formation rates, resulting in an increase in overcrowded households and people living in shared housing and young people living with their parents for longer, as well as contributing to the current need for affordable housing.

6.76 The evidence set out shows some of the consequences of this. Over the 2001-11 period, South West Hertfordshire has seen a large shift in the tenure profile - with a notable reduction in the number of homeowners; and a similarly large growth in the Private Rented Sector. Watford has seen the biggest such changes in tenure but it is a trend seen across all of the HMA authorities. We have also seen increased levels of people living in shared and overcrowded households; with a particular growth in Watford (influenced by its younger age structure). However, except in Watford, the levels of over occupation and households living in shared houses in South West Hertfordshire are below the national average and London levels, but slightly above the East of England average.

Implications – Adjustments to Improve Affordability

6.77 Overall the analysis indicates that the HMA is a less affordable place to live relative to other parts of the East of England region, or relative to national benchmarks. This is common to other areas which are close to, and within a commuting distance of London.

6.78 It is appropriate, in line with the approach outlined in the Practice Guidance, to consider an upward adjustment to the overall assessment of housing need in order to reflect the housing market signals.

6.79 The Planning Practice Guidance sets out that:

> *"In areas where an upward adjustment [to the assessment of housing need] is required, plan makers should set this adjustment at a level that is reasonable. The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be."*

6.80 In considering this, it is relevant to assess how the conclusions on housing need drawn thus far compare to past housing delivery. Delivery of the identified demographic need would represent an increase of 107% on past housing delivery across the HMA (with individual local authority figures varying from a 33% increase in Watford to 149% increase in Three Rivers). **Meeting the demographic need would therefore significantly boost housing delivery.**

Table 23: Comparing Demographic Need against Past Completions

	Annual Completions 2006-14	Annual Demographic Need	% Increase in Delivery
Dacorum	375	728	94%
Hertsmere	276	593	115%
St Albans	350	678	94%
Three Rivers	201	499	149%
Watford	421	558	33%
Combined	1478	3056	107%

6.81 There is no single agreed approach to identifying what scale of additional adjustment might be appropriate to address market signals, and improve affordability. The PPG paragraph 20 (ID: 2a-020-20140306) does not however set out how such an adjustment should be quantified. It simply sets out that it should be 'reasonable.'

6.82 Over the last year or so different inspectors have taken a range of views on this matter, including.

- Mendip (October 2014) – *'these findings indicate that trends in Mendip sit fairly comfortably alongside county, regional and national trends and do not, therefore, justify an upward adjustment of the housing numbers that came out of the housing projection'*
- Eastleigh (November 2014) – *'It is very difficult to judge the appropriate scale of such an uplift. I consider a cautious approach is reasonable bearing in mind that any practical benefit is likely to be very limited because Eastleigh is only a part of a much larger HMA. Exploration of an uplift of, say, 10% would be compatible with the "modest" pressure of market signals recognised in the SHMA itself'*.
- Uttlesford (December 2014) – *'While evidence on some of these topics is patchy. Taking them in the round and without discussing them in detail here, I consider that an uplift of at least 10% would be a reasonable and proportionate increase in the circumstances of Uttlesford'*
- Stratford-on-Avon (March 2015) – Despite the area show strong evidence of strong affordability pressures the inspector concluded that *'On balance I conclude, despite the SHMA's finding that*

there is a case for an uplift, that an upward adjustment in housing numbers has not been justified in terms of market signals in the District'.

- Crawley (May 2015) – Despite the Council themselves seeking to make a market signals adjustment (of 10%) the inspector concluded that he was *'not convinced that the market signals uplift is justified by the evidence, for the various indicators reveal a situation in Crawley which is not as severe as in other North West Sussex authorities, and one that has not worsened in recent years'*.
- Cornwall (June 2015) – The same Inspector as the Eastleigh Local Plan inquiry suggested that *'National guidance is that a worsening trend in any relevant market signal should result in an uplift. But for the reasons given below I do not consider that I should require such an uplift to be made for Cornwall at this time.'*

6.83 Given the clearly conflicting messages from different Inspectors at examinations, and lack of consistency between different inspectors' reports, we have sought to consider how – on a consistent basis – it might be appropriate to assess how adjustments in response to market signals might be quantified. In doing so, we have sought to consider what the impacts might be. There is no logic in simply adding a random uplift such as 10%.

6.84 The evidence from the analysis of market signals and the demographic analysis indicates that an increase in housing costs, and decline in housing affordability, over the 2001-11 period was manifest in:

- Growing numbers of young people staying with parents or living in shared accommodation;
- Tenure changes, with a growth in particular in the Private Rented Sector;
- Falling ability of younger households aged 25-34 to form.

6.85 The tenure changes affect the ownership of housing – as opposed to the overall stock of housing. The direct impact of a decline in affordability has been a fall in household formation; and an increase in the numbers of young households sharing housing or living with parents. This is manifest in the market signals analysis; and in the analysis of household formation rates (as set out in Section 3).

6.86 Affordability issues are particularly pertinent to younger people/ households, as for older age groups home ownership levels are greater (and rising prices have contributed to growth in wealth for existing owner occupiers). National research undertaken for the RTPI by Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

6.87 The evidence base dealing with South West Hertfordshire herein clearly points to a key impact of a decline in affordability being reduced household formation amongst younger households, particularly those in their late 20s/ early 30s. In contrast there has not been a substantive change in

household formation/ headship rates amongst those aged 35-44. Headship rates for those aged under 24 are influenced by growth in the proportions of students in these age groups.

6.88 The evidence would suggest that an improvement in the affordability of housing would therefore be manifest in a recovery over time in household formation amongst younger households aged 25-34. We can use the demographic modelling to quantify, on this basis, what scale of increase in housing provision might be necessary to support growth in access to housing for young people locally in each of the local authorities within the HMA. Using this approach key issues affecting the scale of the uplift necessary to improve affordability include:

- Base assumptions within 2012-based headship rates, which for some areas expect household formation for younger age groups to fall, whilst in others they are projected to be stable/ increase. For many areas the projections already 'build in' improvements in affordability through assumptions that household formation rates will increase;
- The population structure, with a higher proportional adjustment to housing need being necessary to improve affordability in areas where there are a higher proportion of younger people/ households within the population.

6.89 The demographic analysis indicates that in South West Hertfordshire levels of household formation, particularly for younger households, have fallen. When we consider age-specific data it is notable that those aged 25-34 have lower headship rates than was expected in the 2008-based projections and that the rates have dropped considerably from 2001 to 2011, indicating that the lack of affordability of housing in South West Herts is impacting this age group in particular.

6.90 We have therefore modelled an adjustment for market signals which quantifies the uplift of housing required in order to return the household formation rates of the 25-34 age group back to 2001 levels (i.e. before the rate started to decrease) by 2025. If achieved, the effect would be to reduce the proportions of shared households and persons within this age group living with parents. The modelling does not assume a change to migration patterns – as this would draw more people from another area (reducing housing need therein), and thus would have 'duty to cooperate' implications.

6.91 This sensitivity in effect seeks to consider a scenario in which affordability and access to housing for younger households improves, and quantifies what level of housing provision might be required to facilitate this, all other factors being equal. Clearly in reality, other factors such as real growth in disposable income (allowing people to save), the availability of and access to mortgage finance, interest rates and economic confidence will all influence trends in household formation. There is a complex set of factors at play, and it is difficult to predict how these factors might interact in the future and the impact on household formation rates (in the absence of any supply-side constraints). Furthermore, part of the changes in household formation rates for this age group may have been due to international migration.

6.92 Our approach to a market signals uplift has recently been accepted by the Planning Framework inspector in Horsham (report dated October 2015). In para 37 of his report he states:

'The Council have included a modest upwards adjustment in their OAN figure …to account for affordability pressure in the 25-34 age group, evidenced by substantial growth in private rented sector accommodation and the number of persons in HMOs, even though these indicators are again in line with HMA and national trends. I consider there is no strong case for a significant uplift to account for market signals in Horsham district, which are very similar to those elsewhere across virtually all of the south east. The Council's modest increase appears appropriate therefore'.

6.93 The approach has also been endorsed in other areas, such as part of the evidence base underpinning local plans in Herefordshire and Chichester which were found sound in 2016.

6.94 The sensitivity analysis indicates that, all other things being equal, an uplift of around 95 homes per annum across the HMA would support the necessary improvement amongst younger households, in response to the market signals. It represents a 3% uplift on the base demographic need. The uplift for each authority area is shown in the table below.

Table 24: Projected Household Growth 2013-36 – 2012-Based SNPP (Adjusted) with Affordability Adjustment

	2012-Headship Rates	With Affordability Adjustment	% Uplift on Base Demographic Need
Dacorum	728	756	4%
Hertsmere	593	599	1%
St. Albans	678	705	3%
Three Rivers	499	513	3%
Watford	558	578	4%
HMA	3,056	3,151	3%

6.95 To provide a comparative assessment of what scale of adjustment is "built in" to these revised projections to improve affordability amongst younger households we can benchmark the resultant housing need against a scenario where household formation rates for those aged under 45 are held constant. This is referred to as a potential modelling approach considering household formation in research for the Town and Country Planning Association by Ludi Simpson and Neil McDonald[20].

6.96 The highest adjustment in proportional terms, at 6.1%, is made to the assessed housing need in Watford. This is influenced by Watford's younger population (which means that a greater supply response would be needed to improve affordability amongst younger households). The lowest increase is in Dacorum, consistent with the market signals pointing to lower affordability pressures in comparative terms.

[20] Simpson & McDonald (2015) *Making sense of the new english household projections*

Table 25: Impact of Assumed Improvements in Affordability for Younger Households, Housing Need 2013-36

	Housing need with constant headship (aged under 45)	Housing need with uplift to headship (for the 25-34 population)	Difference	% uplift
Dacorum	725	756	31	4.3%
Hertsmere	572	599	26	4.5%
St. Albans	667	705	38	5.7%
Three Rivers	487	513	26	5.3%
Watford	545	578	33	6.1%
South West Herts	2,996	3,151	154	5.1%

6.97 The proposed affordability adjustment addresses bullet points 1-4 in the PPG (see paragraph 6.2 above), which relate to different aspects of prices/affordability. Based on the analysis above, it is considered that there is no need for a market signals uplift in respect of bullet points 5 and 6 in the PPG. This is because:

- Bullet 5: rates of development in South West Hertfordshire have exceeded housing targets (see paragraph 6.50);
- Bullet 6: the levels of over occupied households and households living in shared houses in South West Hertfordshire are relatively low (see paragraph 6.62).

7 AFFORDABLE HOUSING NEED

Introduction

7.1 In this section we discuss levels of need arising from households who require financial support to access suitable housing in the South West Herts HMA. The analysis is intended to assess need arising from "*those households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market*" as the Planning Practice Guidance sets out. Such households will be eligible for affordable housing. Affordable housing is defined as:

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

7.2 The Practice Guidance sets out a standard approach for assessing affordable housing need - consistent with the methodology advocated in the 2007 SHMA Guidance - which we adopt for this study. This is known as the Basic Needs Assessment Model.

7.3 The analysis is based on secondary data sources. It draws on a number of sources of information including 2011 Census data, demographic projections, house prices/rents and income information.

7.4 The affordable housing needs model is influenced strongly by housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing (through relets of current stock) which can be used to meet affordable housing need. Key definitions used are set out in Appendix D.

7.5 Estimates of affordable housing need are provided in this section for the twenty-three-year period between 2013 and 2036.

Local Prices & Rents

7.6 An important part of the SHMA is to establish the entry-level costs of housing to buy and rent – this data is then used in the assessment of the need for affordable housing. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need.'

7.7 In this section we establish the entry-level costs of housing to both buy and rent across the study area. Our approach has been to analyse Land Registry and Valuation Office Agency (VOA) data to

establish lower quartile prices and rents. For the purposes of analysis (and to be consistent with the PPG) we have taken lower quartile prices and rents to reflect the entry-level point into the market.

7.8 Table 26 below shows estimated lower quartile property prices by dwelling type. The data shows that entry-level costs to buy are estimated to start from about £142,000 for a flat in Dacorum and rising to over £500,000 for a detached home in Hertsmere, St. Albans and Three Rivers. Prices for all types of accommodation are lowest in Dacorum although the lowest all dwelling average is actually slightly lower in Watford (this is due to a different mix of properties sold over the period studied). Prices for all dwelling types (other than flats) are highest in St. Albans – this area also has the highest all dwelling average. Looking at the lower quartile price across all dwelling types the analysis shows a figure of £205,900 in Watford, rising to £285,000 in St. Albans.

Table 26: Lower Quartile Sales Prices by Type (2014 (to October))

Dwelling type	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Flat	£142,200	£190,400	£190,000	£175,000	£165,000
Terraced	£230,900	£275,000	£314,300	£256,900	£250,000
Semi-detached	£281,600	£342,900	£400,000	£314,300	£309,500
Detached	£405,200	£515,800	£525,000	£501,800	£437,000
All dwellings	£212,100	£270,000	£285,000	£265,500	£205,900

Source: Land Registry (2014)

7.9 A similar analysis has been carried out for private rents using Valuation Office Agency (VOA) data – this covers a 12-month period to September 2014. For the rental data information about dwelling sizes is provided (rather than types); the analysis shows an average lower quartile cost (across all dwelling sizes) varying from £625 per month in Dacorum up to about £825 per month in St. Albans.

7.10 It should be noted that the all dwellings figure for Three Rivers was only £637 pcm which looked to be influenced by a relatively high number of room only lets. This has been adjusted upwards in Table 27 (and for subsequent affordability analysis) to £775 pcm. This figure reflects the average for the past 18 months – the overall lower quartile rent in the 12 months to March 2014 was £900 pcm (higher than in any other area).

Table 27: Lower quartile private rents by size and location (year to September 2014) – per month

Dwelling size	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
Room only	£347	£400	£380	£400	-
Studio	-	£650	£525	-	£500
1 bedroom	£600	£775	£695	£750	£698
2 bedrooms	£750	£950	£850	£950	£900
3 bedrooms	£995	£1,195	£1,150	£1,250	£995
4+ bedrooms	£1,550	£1,500	£1,695	£1,600	£1,595
All dwellings	£625	£800	£825	£775	£725

Source: Valuation Office Agency

7.11 In addition to rental costs from our internet survey we have looked at the maximum amount of Local Housing Allowance (LHA) payable on different sized properties within the area. Maximum LHA payments are based on estimates of rents at the 30th percentile and should therefore be roughly comparable with our estimates of lower quartile costs.

7.12 The geographical areas used to determine LHA are not however co-terminus with local authority boundaries and so any comparison is not exact. LHA levels are based on Broad Rental Market Areas (BRMA). The BRMA is an area where a person could reasonably be expected to live taking into account access to facilities and services for the purposes of health, education, recreation, personal banking and shopping (as defined by the Rent Office).

7.13 Most of the study area is within the South West Herts BRMA. However, parts of Dacorum are in each of the Aylesbury and Chilterns BRMAs, parts of Hertsmere are within the Outer North London and South East Herts BRMAs and parts of Three Rivers are in the Chilterns and North West London BRMAs. All of Watford is within the South West Herts BRMA as is the whole of St. Albans district. Given that the bulk of the study area is within the South West Herts BRMA this will be the most useful comparator with details presented in Table 28.

7.14 The data suggests some similarity in the LHA rates and our analysis based on VOA data. However, for individual areas there can be some notable differences. In Dacorum the LHA rates are higher than the VOA data for all property sizes other than 4+ bedroom homes (and room only rents). This would suggest that households requiring benefit to afford housing may have a greater level of choice in Dacorum. In all other areas the LHA levels are generally lower than the actual rents recorded and suggests the potential for households to find it difficult to access homes; alternatively, households may need to top-up their rents from income sources other than Housing Benefit.

Table 28: Maximum LHA payments by size – South West Herts BRMA

Size	Rent (pcm)
Room only	£340
1 bedroom	£650
2 bedrooms	£821
3 bedrooms	£1,000
4 bedrooms	£1,495

Source: VOA data (January 2015)

Cost of Affordable Housing

7.15 Traditionally the main type of affordable housing available in an area is social rented housing and the cost of social rented accommodation by dwelling size can be obtained from Continuous Recording (CoRe) – a national information source on social rented lettings. The table below illustrates the rental cost of lettings of social rented properties by size in 2013/14. As can be seen the costs are below those for private rented housing indicating a gap between the social rented and market sectors. This gap increases for larger properties. The figures in Table 29 include service charges.

Table 29: Monthly social rent levels

Size	Dacorum	Hertsmere	St. Albans	Three Rivers	Watford
1 bedroom – average	£364	£427	£380	£410	£436
2 bedrooms – average	£435	£506	£477	£517	£480
3+ bedrooms – average	£529	£542	£513	£538	£534
Lower quartile (all sizes)	£383	£462	£386	£432	£423

Source: CoRe (2014)

7.16 Affordable housing also includes affordable rented housing. This is defined in the NPPF as being *'let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable)'*. Funding through the National Affordable Homes Programme is focused on supporting delivery of affordable rented housing (as opposed to social rented homes) for new-build development.

7.17 Affordable Rented housing can therefore be considered to be similar to social rented housing but at a potentially higher rent. The 80% (maximum) rent is to be based on the open market rental value of the individual property and so it is not possible to say what this will exactly mean in terms of cost (for example the rent for a two-bedroom flat is likely to be significantly different to a two-bedroom detached bungalow). In addition, market rents for new-build homes are likely to be higher than within the existing stock and may well be in excess of 80% of lower quartile rents. However, for the

purposes of analysis we have assumed that the 80% figure can be applied to the lower quartile private rented cost data derived from VOA information.

What is an Appropriate Threshold for Affordability?

7.18 Having undertaken an analysis of the cost of housing, it is useful to think about what might be a reasonable figure to use as an affordability threshold (in terms of the amount of income that could be spent on housing costs) – this is an important aspect of the analysis. There is no guidance on this topic within the PPG although CLG guidance (of 2007) suggested that 25% of gross income is a reasonable start point but also notes that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40% (although this can vary by area). Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics). Hence, initially it is considered that something in the range of 25% to 40% is likely to be appropriate.

7.19 The threshold of income to be spent on housing should be set by asking the question *'what level of income is expected to be required for a household to be able to access market housing without the need for a subsidy (e.g. through Housing Benefit)?'* The choice of an appropriate threshold will to some degree be arbitrary and will be linked to the cost of housing rather than income. Income levels are only relevant in determining the number (or proportion) of households who fail to meet the threshold. It would be feasible to find an area with very low incomes and therefore conclude that no households can afford housing, alternatively an area with very high incomes might show the opposite output. The key here is that local income levels are not setting the threshold, but are simply being used to assess how many can or can't afford market housing.

7.20 It is therefore useful to look at housing costs in the five local authorities and contrast this with other areas. The analysis in this section has shown a lower quartile rent (across all dwelling sizes) of between £625 and £825 per month. This rent level can be compared with other areas nationally; the average (median) rent for the whole of England is £475 per month with a higher figure (of £525 per month) being seen in the East of England region. It is clear from this that the local authorities all have average rent levels which are above the regional and national figure.

7.21 However, the key point when looking at thresholds and housing costs is one of 'residual income' – i.e. the amount of money a household has after housing costs are paid for. Using the East of England example, if a household spent 25% of gross income on housing then their residual income would be £1,575 per month, the same threshold in St. Albans would show a residual income of £2,475 – if the threshold in St. Albans were increased to 40% then the residual income would be around £1,240. Hence it could be concluded that a 40% threshold in St. Albans is too high. However, this analysis is not conclusive given that such an analysis would need to be predicated on

a) an assumption that 25% in the East of England is an appropriate benchmark; b) that living costs (other than housing) are equal across areas and c) to note that the analysis is based on gross income (households with higher gross incomes would be expected to be paying more tax). It does however serve to show why the cost of housing is the key input into understanding a reasonable threshold for affordability.

7.22 Returning to the question for the South West Herts local authorities, an indicative analysis can look at this residual income method by considering housing costs both nationally and within the East of England region. The analysis below takes the average rent in each of these areas as a 25% benchmark and shows what proportion of income would be appropriate for a household to have the same level of residual income.

7.23 If England is taken as a 25% benchmark (i.e. the average nationally being households will spend 25% of gross income on housing costs), then the income multiple to achieve the same residual income would be between 30% and 37% in South West Hertfordshire. If the East of England is taken as the 25% benchmark then this percentage drops to 28% to 34% in South West Hertfordshire. Estimates of relevant income thresholds are shown in the table below.

Table 30: Estimated Affordability Thresholds Using a Residual Income Method and Comparing with Regional and National Benchmarks

	Benchmark – England	Benchmark – East of England
Dacorum	30%	28%
Hertsmere	36%	34%
St. Albans	37%	34%
Three Rivers	35%	33%
Watford	34%	32%

Source: Derived from VOA data

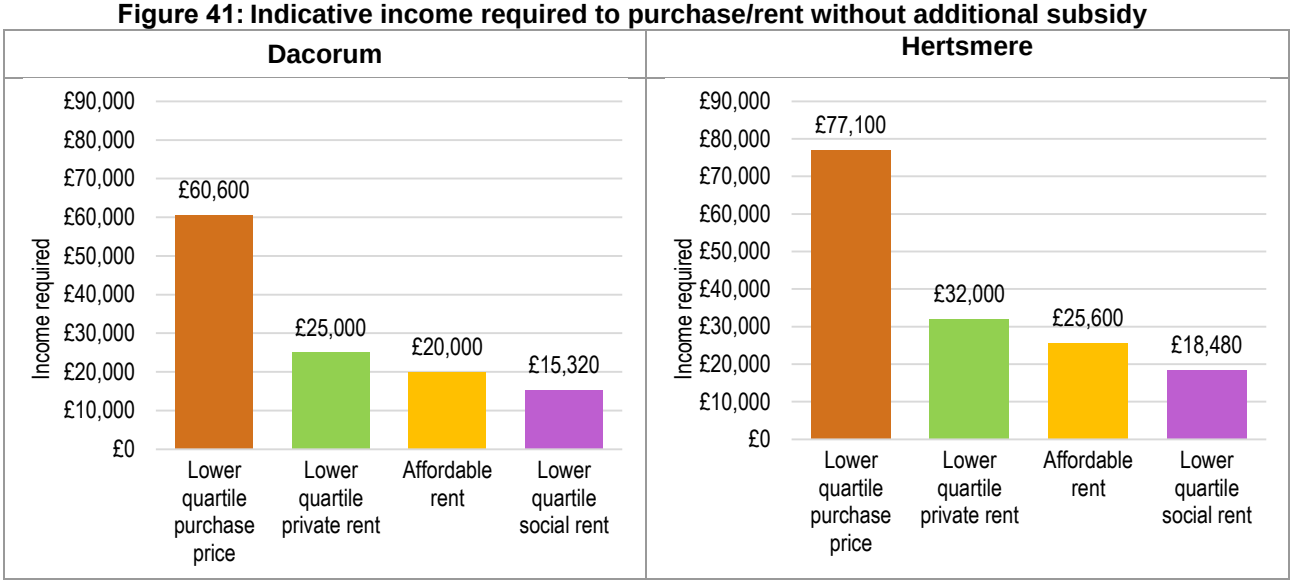
7.24 Overall, this analysis does not definitively show what income multiple is most suitable in the five local authorities – indeed it confirms that no such 'single' figure exists. However, for the purpose of analysis it is suggested on the basis of the range set out above that something in the region of 30% of gross income to be spent on housing costs would be a reasonable benchmark. This recognises that some of those who in theory might be able to afford higher multiples, may actually fall within higher tax brackets.

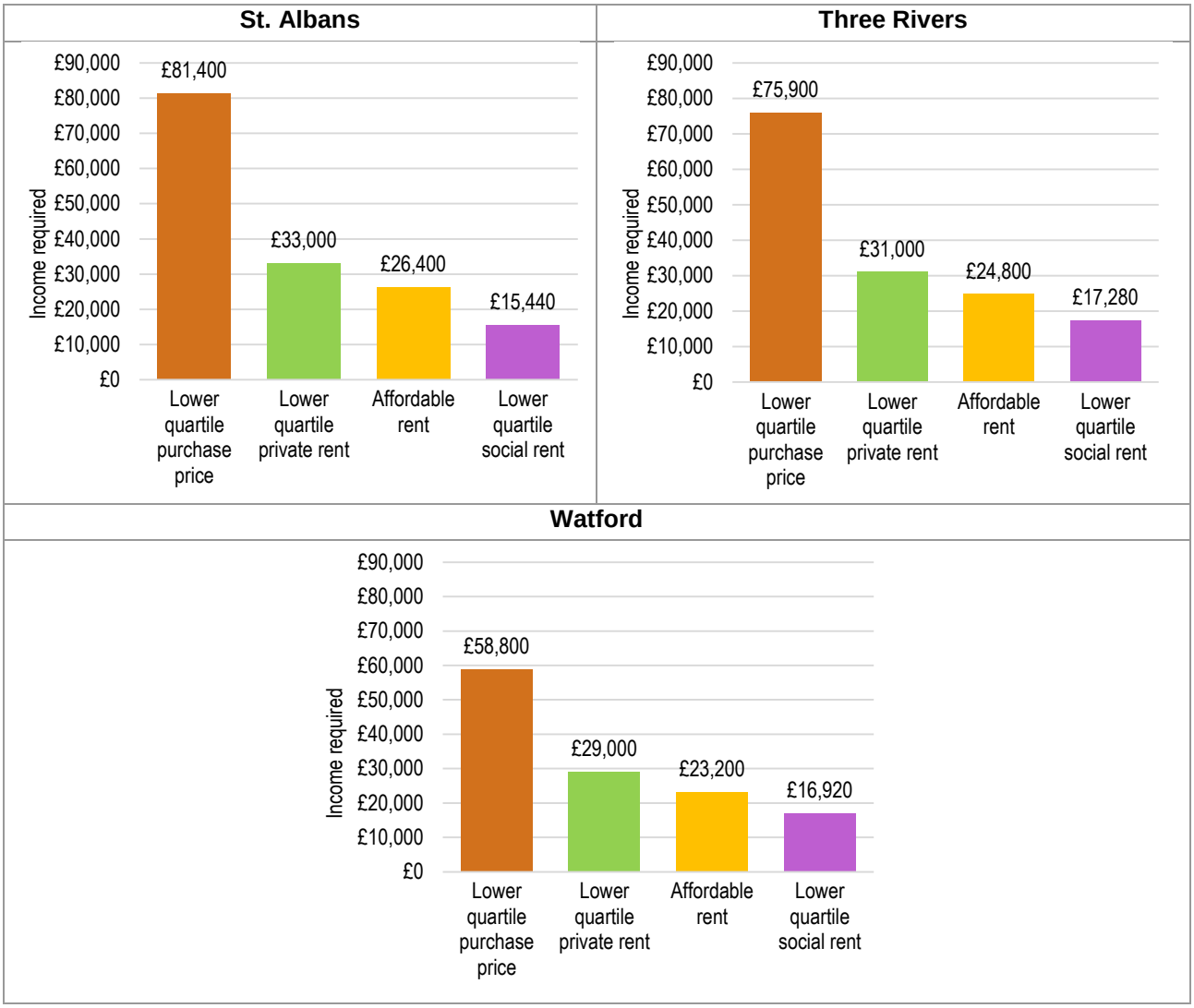
7.25 It is therefore concluded in seeking to establish the need for affordable housing that the outputs should be based on a 30% affordability threshold. A sensitivity analysis is also provided in paragraphs 7.60 and 7.61 to show what the outputs would be with a full range of potential thresholds (25%, 30%, 35% and 40%).

Gaps in the Housing Market

7.26 Figure 41 below estimates how current prices and rents in the four local authorities might equate to income levels required to afford such housing. The figures are based on the figures derived in the analysis above and include four different tenures (buying, private rent, affordable rent and social rent) and are taken as the lower quartile price/rent across the whole stock of housing available (i.e. including all property sizes). For illustrative purposes the calculations are based on 3.5 times household income for house purchase and 30% of income to be spent on housing for rented properties. The figures for house purchase are based on a 100% mortgage for the purposes of comparing the different types of housing. While this is unlikely there is limited data available regarding the levels of deposits placed by mortgage applicants and even less regarding where the deposit is sourced (e.g. borrowed from parents/savings etc. This is fairly academic as the affordable housing calculations are based on entry level into market housing and in all local authorities this is via the Private Rental Sector as the lower of the market tenure costs.

Figure 41: Indicative income required to purchase/rent without additional subsidy





Source: Land Registry, VOA and CoRe. Additional subsidies include housing benefit, or parental contribution

Impact of Welfare Reforms

7.27 A number of changes have been made by the Government (and the previous coalition) to the benefit system. The Welfare Reform Act of 2012 introduced a range of changes that will have an impact on households in both the social/affordable rented and private rented sector. Most of the changes only affect people of working age although people of retirement age who are still working may see some changes as a result of Universal Credit.

7.28 Arguably, the impact of the welfare reforms are yet to be fully seen although many Registered Providers comment that the under-occupancy criteria (spare room subsidy/bedroom tax) along with the introduction of Universal Credit will impact on the ability of tenants to pay rent. This in turn may lead to an increase in rent arrears and an increase in the cost of recovering unpaid rent.

7.29 Also, in the Private Rented Sector the full extent of housing benefit reforms and the introduction of Universal Credit is unclear. However, it is possible that private landlords will limit access to their properties to those tenants who are less likely to default on payments which may reduce the availability of homes to particular household groups (notably more vulnerable households). This in turn could put more pressure on the need and demand for affordable housing owned by local authorities and Registered Providers.

7.30 Further welfare reforms had been proposed by the Government (including to Working Tax Credits and Child Tax Credits). These would have potentially reduced the incomes of particular household groups (for example low income families with children). These proposals were however abandoned in the 2015 Autumn Statement, although a commitment to £12bn of welfare cuts was retained.

7.31 Overall, it is clear that welfare reforms are likely to have a profound impact on the incomes and access to housing for many groups. The Councils will need to continue to work closely with affordable housing providers to monitor and better understand the impact of welfare reforms so that any negative consequences can be mitigated.

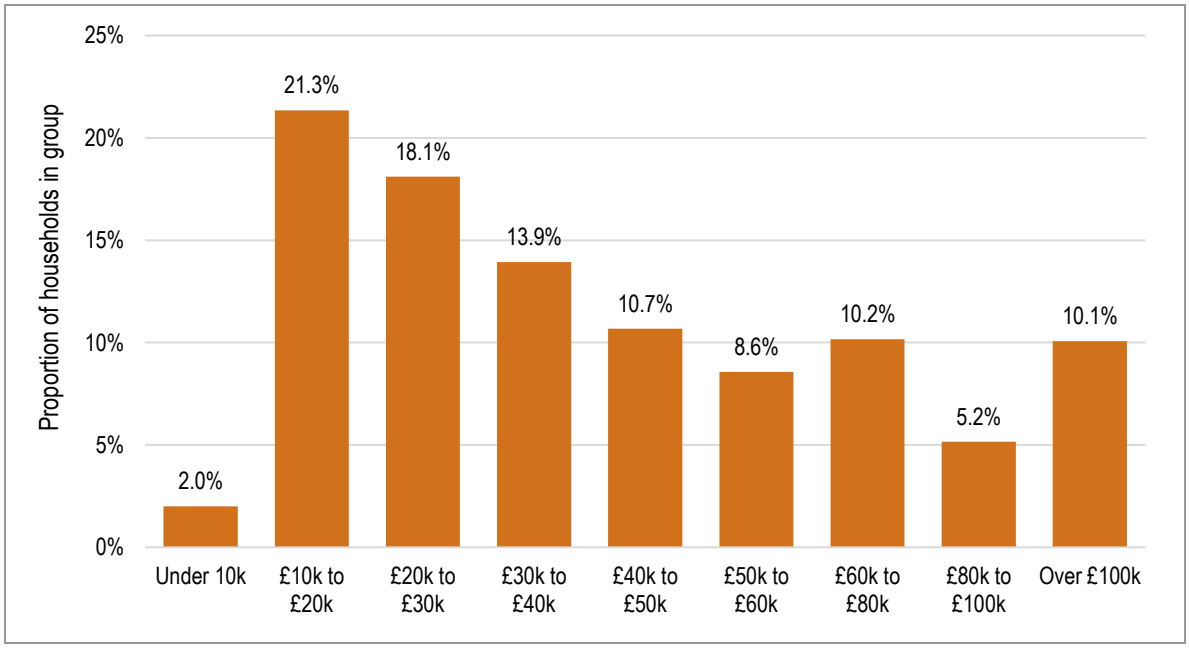
Income levels and affordability

7.32 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability and also provide an indication of the potential for intermediate housing to meet needs. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area. The key sources of data include:

- CACI from *Wealth of the Nation 2012* – to provide an overall national average income figure for benchmarking
- English Housing Survey (EHS) – to provide information about the distribution of incomes (taking account of variation by tenure in particular)
- Annual Survey of Hours and Earnings (ASHE) – to assist in looking at how incomes have changed from 2012 to 2014 (a 1.4% increase per annum was identified from this source for the East region)
- ONS modelled income estimates – to assist in providing more localised income estimates (i.e. for each of the local authority areas)

7.33 Drawing all of this data together we have therefore been able to construct an income distribution for the whole of the study area for a 2013 base. The data shows that around a quarter (23%) of households have an income below £20,000 with a further third in the range of £20,000 to £40,000. The overall average (median) income of all households in the study area was estimated to be around £35,800 with a mean income of £47,400.

Figure 42: Distribution of Household Income in South West Herts



Source: Derived from ASHE, EHS, CACI and ONS data

7.34 Table 31 shows how household income levels vary for each of the five local authorities. Incomes were found to be highest in St. Albans and lowest in Watford.

Table 31: Household Income Levels by Local Authority

	Mean income	Median income
Dacorum	£44,310	£33,701
Hertsmere	£45,081	£34,288
St. Albans	£54,834	£41,706
Three Rivers	£48,775	£37,098
Watford	£42,375	£32,229
South West Herts	£47,399	£35,807

Source: Derived from ASHE, EHS, CACI and ONS data

7.35 To assess affordability, we have looked at households' ability to afford either home ownership or private rented housing (whichever is the cheapest), without financial support. The distribution of household incomes is then used to estimate the likely proportion of households who are unable to afford to meet their needs in the private sector without support, on the basis of existing incomes. This analysis brings together the data on household incomes with the estimated incomes required to access private sector housing.

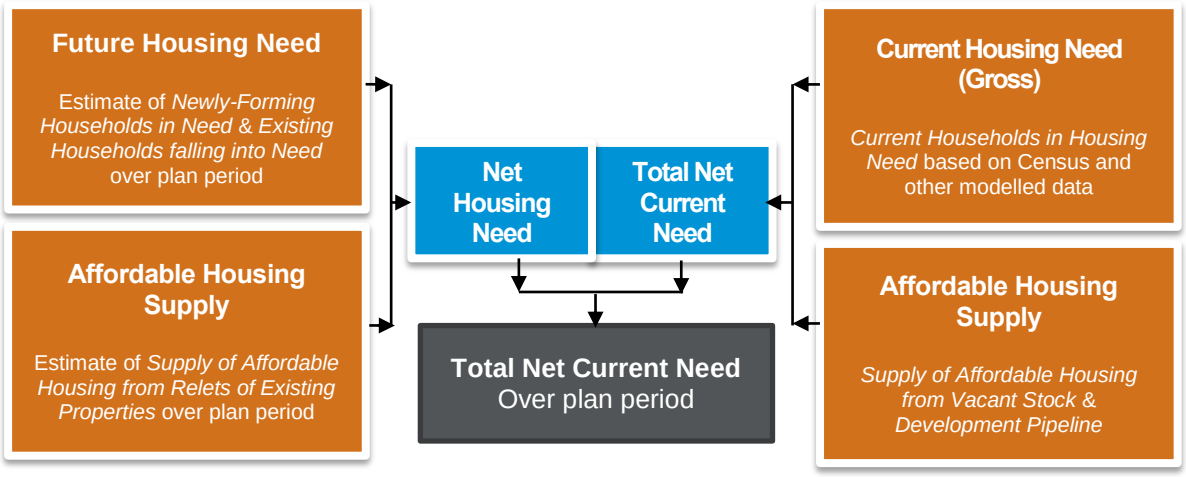
7.36 Different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower

incomes than existing households). Assumptions about income levels are discussed for relevant analyses where relevant in the analysis that follows.

Affordable Housing Needs Assessment

7.37 Affordable housing need has been assessed using the Basic Needs Assessment Model, in accordance with the CLG Practice Guidance. This model is summarised in the chart below.

Figure 43: Overview of the Affordable Housing Needs Assessment Model



7.38 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of 2011 Census data. The modelling undertaken provides an assessment of affordable housing need for a 23-year period (which is then annualised). Each of the stages of the affordable housing needs model calculation are discussed in more detail below.

Current Affordable Housing Need

7.39 In line with PPG, the current need for affordable housing need has been based on estimating the number of households living in unsuitable housing along with consideration of their current tenure and affordability. Unsuitability is based on the number of households shown to be overcrowded in the 2011 Census (updated to a 2013 base) along with an estimate of other needs which have been modelled by comparing the tenure profile in each area with information from previous surveys about households in need. Although the modelling itself does not specifically define these other needs, the analysis it is built up from has considered a range of issues, the main ones being in relation to insecure tenancies and issues with housing costs; these additional/other needs tend to be focussed in the private rented sector.

7.40 Additionally, the analysis of current need does not specifically identify homeless households (although the modelling works on the assumption that such households will be picked up in the

'other' needs category). In South West Herts, it is estimated that there are currently (March 2015) 188 homeless households living in B&B or hostel accommodation (the vast majority (121) being in Watford). Whilst this is not an insignificant number, it is relatively small in the context of the overall needs assessment (as will be seen from analysis to follow). Not specifically including this group will therefore not unduly impact on the outputs of the modelling; particularly where the need is looked at over the period to 2036. It should however be recognised that homeless households will be part of the modelled housing need (both the current need and as part of the projection) but not separately identified. Hence inclusion of a separate 'homeless' category could potentially introduce a degree of double-counting.

7.41 Overall, the analysis suggests some 9,716 overcrowded households (using the bedroom standard)[21] along with an estimated 5,632 households with other needs. In total it is therefore estimated that around 15,348 households are currently living in unsuitable accommodation – this represents 6.6% of the estimated number of households in the study area in 2013.

7.42 In taking this estimate forward, the data modelling estimates housing unsuitability by tenure. From the overall number in unsuitable housing (15,348) 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 analysis also excludes all outright owners under the assumption (which is supported by analysis of survey data) that they will have sufficient equity to move and 90% of owners with a mortgage. Again analysis of a range of recent surveys indicates that the vast majority of owners with a mortgage are able to afford housing once savings and equity are taken into account. A final adjustment (which mainly impacts on Hertsmere due to it having the highest proportion of full-time students in its population) is to slightly reduce the unsuitability figures to take account of student-only households due to the fact that such households could technically be overcrowded/living in unsuitable housing but would be unlikely to be considered as being in affordable housing need.

7.43 At the time of the assessment there were an estimated 6,432 households living in unsuitable housing (excluding current social tenants and the majority of owner-occupiers) – this represents 2.8% of all households in the study area – this data is shown in the Table 32 which shows a particularly high level of unsuitability in Watford relative to other areas – this looks to be driven by both a higher level of overcrowding and also a larger private rented sector.

[21] This measures overcrowding taking account of household structure and family relationships. It is defined in the Housing (Overcrowding) Bill 2003

Table 32: Estimated number of households in unsuitable housing

Area	In unsuitable housing	Total number of households	% in unsuitable housing
Dacorum	1,280	61,458	2.1%
Hertsmere	1,228	40,404	3.0%
St. Albans	1,351	57,158	2.4%
Three Rivers	658	35,999	1.8%
Watford	1,916	38,004	5.0%
South West Herts	6,432	233,023	2.8%

Source: Census (2011) and data modelling

7.44 Our estimated level of current need is therefore 6,432. We can however additionally consider that a number of these households might be able to afford market housing without the need for subsidy. For an affordability test we have used the income data and adjusted the distribution to reflect a lower average income amongst households living in unsuitable housing – for the purposes of the modelling an income estimate of 69% of the figure for all households has been used. Overall, around 60% of households with a current need are estimated to be likely to have insufficient income to afford market housing and so our estimate of the total current need is reduced to 3,843 households[22]. This figure has been based on a consideration of typical income levels of households who are in unsuitable housing (and excluding social tenants and the majority of owners) along with typical income levels of households accessing social rented housing (for those without accommodation). This is considered to be a best estimate, and likely to approximately reflect the differing income levels of different groups with a current housing problem.

Table 33: Estimated Current Need

Area	In unsuitable housing	% Unable to Afford	Revised Gross Need (including Affordability)
Dacorum	1,280	53.7%	688
Hertsmere	1,228	64.6%	793
St. Albans	1,351	57.0%	770
Three Rivers	658	59.4%	391
Watford	1,916	62.8%	1,202
South West Herts	6,432	59.7%	3,843

Source: Census (2011), data modelling and income analysis

7.45 The PPG also suggests that the housing register can be used to estimate levels of affordable housing need. Our experience working across the Country is that housing registers can be highly variable in the way allocation policies and pointing systems work. This means that in many areas it is difficult to have confidence that the register is able to define an underlying need. Many housing

[22] Based on triangulation of data from the Census and survey information including from Survey of English Housing

registers include households who might not have a need whilst there will be households in need who do not register (possibly due to being aware that they have little chance of being housed). For these reasons, the method linked to Census and other modelled data is preferred.

Newly-Arising Need

7.46 To estimate newly-arising (projected future) need we have looked at two key groups of households based on the CLGs SHMA Guidance. These are:

- Newly forming households; and
- Existing households falling into need.

Newly-Forming Households

7.47 For newly-forming households we have estimated (through our demographic modelling) the number of new households likely to form per annum over the 2013-36 period and then applied an affordability test. 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. This differs from numbers presented in the demographic projections which are for net household growth. The number of newly-forming households are limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates 'plateau'. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.

7.48 The estimates of gross new household formation have been based on outputs from our core demographic projection. In looking at the likely affordability of newly-forming households we have drawn on data from previous surveys. This establishes that the average income of newly-forming households is around 84% of the figure for all households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).

7.49 We have 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 we are able to calculate the proportion of households unable to afford market housing without any form of subsidy (such as LHA/HB). Our assessment suggests that overall around half of newly-forming households will be unable to afford market housing and that a total of 2,760 new households will have a need on average in each year to 2036.

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

Area	Number of new households	% unable to afford	Total in need
Dacorum	1,388	43.8%	609
Hertsmere	937	55.4%	519
St. Albans	1,413	47.0%	663
Three Rivers	843	49.7%	419
Watford	1,025	53.6%	549
South West Herts	5,605	49.2%	2,760

Source: Projection Modelling/Income analysis

Existing Households falling into Affordable Housing Need

7.50 The second element of newly arising need is existing households falling into need. To assess this, we have used information from CoRe. We have looked at households who have been housed over the past two years – this group will represent the flow of households onto the Housing Register over this period. From this we have discounted any newly forming households (e.g. those currently living with family) as well as households who have transferred from another social rented property. An affordability test has also been applied, although relatively few households are estimated to have sufficient income to afford market housing.

7.51 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)'*.

7.52 Following the analysis through suggests a need arising from 1,014 existing households each year (ranging from 110 in Three Rivers to 308 in Dacorum) – this is about 0.4% of all households living in the HMA (in 2013).

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

Area	Number of Existing Households falling into Need	% of Need
Dacorum	308	30.4%
Hertsmere	181	17.9%
St. Albans	161	15.9%
Three Rivers	110	10.8%
Watford	254	25.0%
South West Herts	1,014	100.0%

Source: CoRe/affordability analysis

Supply of Affordable Housing

7.53 The future supply of affordable housing is the flow of affordable housing arising from the existing stock that is available to meet future need. It is split between the annual supply of social/affordable rent relets and the annual supply of relets/sales within the intermediate sector.

7.54 The Planning Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. We have used information from the Continuous Recording system (CoRe) to establish past patterns of social housing turnover. Our figures include general needs and supported lettings but exclude lettings of new properties plus 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. Additionally, an estimate of the number of 'temporary' supported lettings have been removed from the figures (the proportion shown in CoRe as being lettings in direct access hostels or foyer schemes (of which there were very few in the study area)).

7.55 On the basis of past trend data is has been estimated that 1,508 units of social/affordable rented housing are likely to become available each year moving forward, with a notably higher proportion of these being in Dacorum.

Table 36: Analysis of past social/affordable rented housing supply (per annum 2012/13 – 2013/14)

	Daco-rum	Herts-mere	St. Albans	Three Rivers	Watford	SW Herts
Total lettings	921	494	419	352	521	2,705
% as non-newbuild	94.9%	90.4%	90.4%	93.9%	65.6%	87.6%
Lettings in existing stock	874	447	379	330	342	2,371
% non-transfers	65.8%	66.4%	62.4%	63.0%	68.9%	65.4%
Sub-total	575	296	236	208	235	1,551
% non-temporary housing	98.3%	100.0%	97.1%	89.3%	98.3%	97.2%
Total lettings to new tenants	565	296	229	186	231	1,508

Source: CoRe

7.56 The supply figure is for social/affordable rented housing only and whilst the stock of intermediate housing in South West Herts is not significant compared to the social/affordable rented stock it is likely that some housing does become available each year (e.g. resales of shared ownership). For the purposes of this assessment we have again utilised CoRe data about the number of sales of homes that were not newbuild. From this it is estimated that around 42 additional properties might become available per annum. The total supply of affordable housing is therefore estimated to be 1,550 per annum.

Table 37: Supply of Affordable Housing

Area	Social/affordable rented relets	Intermediate housing 'relets'	Total supply (per annum)
Dacorum	565	16	581
Hertsmere	296	5	301
St. Albans	229	12	241
Three Rivers	186	4	189
Watford	231	6	237
South West Herts	1,508	42	1,550

Source: CoRe

Net Affordable Housing Need

7.57 Table 38 shows our overall calculation of affordable housing need. This excludes supply arising from sites with planning consent (the 'development pipeline'). The analysis has been based on meeting affordable housing need over the 23-year period from 2013 to 2036. Whilst most of the data in the model are annual figures the current need has been divided by 23 to make an equivalent annual figure.

7.58 The data shows an overall need for affordable housing of 54,997 units over the next 23-years (2,391 per annum). The net need is calculated as follows:

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

Table 38: Estimated level of Affordable Housing Need (2013-36)

	Per annum	23-years
Current need	167	3,843
Newly forming households	2,760	63,469
Existing households falling into need	1,014	23,326
Total Gross Need	3,941	90,637
Supply	1,550	35,640
Net Need	2,391	54,997

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

7.59 The table below shows the annualised information for each local authority. The analysis shows a need for additional affordable housing in all areas with notably higher figures being seen in St. Albans and Watford (both 617 per annum) when compared with other areas.

Table 39: Estimated level of Affordable Housing Need per annum – by location

Area	Current need	Newly forming households	Existing households falling into need	Total Need	Supply	Net Need
Dacorum	30	609	308	947	581	366
Hertsmere	34	519	181	735	301	434
St. Albans	33	663	161	858	241	617
Three Rivers	17	419	110	546	189	357
Watford	52	549	254	855	237	617
South West Herts	167	2,760	1,014	3,941	1,550	2,391

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

Sensitivity to Income Thresholds

7.60 Whilst a 25% is the threshold in respect of the proportion of gross income spent on housing costs is suggested by 2007 SHMA Guidance, it is recognised that what is considered affordable can vary and that local circumstances may justify an alternative figure. Given the socio-economic profile of the South West Herts population, particularly with respect to earnings and the cost of housing, in practice, many households locally will choose (and be reasonably able) to spend a greater proportion of their income on housing.

7.61 A 30% threshold has been used in the main modelling for consistency with general practice nationally although it is worthwhile considering the implications of alternative thresholds. To understand the implications of the income threshold, we sensitivity tested affordable housing need assuming variant levels of income spent on housing costs. Table 40 below summarises the findings. In particular, we can see that with an assumption of households spending 40% gross income on housing costs then need falls to 1,449 households per annum (down from 2,391 using a 30% threshold).

Table 40: Estimated level of Affordable Housing Need (per annum) at Variant Income Thresholds

	@ 25%	@ 30%	@ 35%	@ 40%
Current Need	191	167	146	128
Newly forming households	3,261	2,760	2,345	2,009
Existing households falling into need	1,080	1,014	939	862
Total Need	4,533	3,941	3,430	2,998
Supply	1,550	1,550	1,550	1,550
Net Need	2,984	2,391	1,881	1,449
Dacorum	523	366	237	126
Hertsmere	527	434	346	272
St. Albans	764	617	497	398
Three Rivers	442	357	284	223
Watford	727	617	517	429

Source: 2011 Census/CoRe/Projection Modelling and affordability analysis

Understanding the Link between Assessed Affordable Need and OAN

7.62 The Planning Advisory Service has provided a Technical Advice Note on *Objectively-Assessed Need and Housing Targets* (Second Edition, July 2015). This comments on the relationship between the need for affordable housing and overall housing need.

7.63 The PAS Report outlines that the affordable housing needs model, as set out in the PPG and taken from the CLG 2007 Strategic Housing Market Assessment Guidance *"is fundamentally different to the calculation of overall need set out earlier in the PPG."* As the PAS Report sets out, the OAN relates to net new dwellings; whilst much of the assessed affordable housing need "*relates to existing households that are or will be entitled to affordable housing*." The latter includes households which might require a different type of home – such as overcrowded households seeking larger properties, or households who are in housing but where a tenancy is due to end; but who, by moving, would release their current home for another household.

Meeting the Affordable Housing Need

7.64 The analysis above indicates a significant need for affordable housing in the HMA and individual districts. Using a baseline demographic need (for all tenures) linked to the 2012-based SNPP and household projections (a need for 3,056 dwellings per annum) the analysis is suggesting that some 78% of the need is for affordable housing (based on a 30% affordability threshold).

7.65 The PPG sets out that:

> *"the total affordable housing need should 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 local plan should be considered where it could help deliver the required number of affordable homes."

7.66 In Section 1 we analysed the current affordable housing targets in each local authority. Assuming the target is delivered, the following levels of overall housing provision would be needed in theory if the affordable housing need was delivered just through mixed-tenure development schemes:

Table 41: Comparing the Affordable Housing Need and Demographic Projections

Need per Annum, 2013-36	Affordable Need	Affordable Housing Target	Provision needed to support deliver full Affordable Housing Need	Uplift on SNPP
Dacorum	366	35%	1,046	44%
Hertsmere	434	35-40%	1,157	95%
St. Albans	617	40%	1,543	128%
Three Rivers	357	45%	793	59%
Watford	617	35%	1,763	216%
HMA	2,391	-	6,302	106%

7.67 This theoretical exercise indicates that housing provision of almost double that projected in the SNPP would be needed to deliver the full affordable housing need. GL Hearn would consider that this is neither feasible, in respect of the market and industry capacity to deliver this scale of housing provision, nor necessary. In particular, the affordable housing needs model does not suggest that there are this many additional households who require accommodation.

7.68 There are a wider range of issues which warrant consideration in assessing how affordable housing need can be met, and the implications for overall housing provision.

1. Other Mechanisms for Delivering Affordable Housing

7.69 Delivery of affordable housing through market-led development schemes (for instance as secured through Section 106 Agreements) shouldn't be considered in isolation. There are a range of other mechanisms which deliver affordable housing, including:

- Schemes brought forward by Registered Providers – including those funded through the Homes and Communities Agency's (HCA's) Affordable Housing Programme;
- Building Council Homes – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing;
- Rural Exception Site Development – where the empasis is on delivering affordable housing to meet local needs.

7.70 Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Government in December 2014 also announced a *Starter Homes Initiative* providing support for first-time buyers to get onto the housing market.

7.71 Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties.

2. Role of the Private Rented Sector

7.72 Whilst the Private Rented Sector (PRS) does not fall within the definition of "affordable housing," it does evidently play a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

7.73 It is important to examine the extent to which the PRS (through the Local Housing Allowance (LHA) system) is meeting the needs of households in the area. Whilst the role of the PRS is not specifically mentioned in the NPPF or PPG is has been recognised through previous SHMA guidance. The 2007 guide states that:

> *"some households in need may choose to live in the private rented sector (possibly with the use of housing benefit) or housing that would be classified as unsuitable, even though they are eligible for affordable housing". [p49]. The same page continues by posing a 'research question' of 'how is the private rented sector used to accommodate housing need?'*

7.74 We have used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of November 2014 it is estimated that there were 8,272 benefit claimants in the private rented sector; this is virtually the same as was observed three-years earlier (in November 2011).

7.75 What this information does not tell us is how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. From the English Housing Survey, we estimate that the proportion of households within the private sector who are "new lettings" each year (i.e. stripping out the effect of households moving from one private rented property to another) is around 13%. Applying this to the number of LHA claimants in the private rented sector gives us an estimate of 1,075 private sector lettings per annum to new LHA claimants in the study area. This figure is derived from claimants rather than households and it is possible that there are a number of multiple LHA claimant households (i.e. in the HMO sector). The table below summarises key data.

Table 42: LHA Claimants in the Private Rented Sector

	Claimants (November 2011)	Claimants (November 2014)	Change 2009-2014	% change from 2009	Estimated lettings (per annum)
Dacorum	1,917	1,866	-51	-2.7%	243
Hertsmere	1,532	1,612	80	5.2%	210
St. Albans	1,410	1,414	4	0.3%	184
Three Rivers	1,116	1,032	-84	-7.5%	134
Watford	2,242	2,348	106	4.7%	305
South West Herts	8,217	8,272	55	0.7%	1,075

Source: DWP

7.76 The overall estimated number of lettings in the LHA part of the PRS can therefore be seen to be 45% of the total net need derived through the affordable housing needs analysis. This indicates that in reality the PRS is making a significant contribution to supply, in meeting needs of households who require some form of support. Furthermore, if this 'supply' were netted off from the overall affordable need (of 2,391 per annum) then there would be a net need for 1,316 dwellings (43% of the overall need shown through demographic modelling).

7.77 However, national planning policy does not specifically seek to meet the needs identified through the Basic Needs Assessment Model through the Private Rented Sector. There are wider factors which need to be considered in relying on this as a source of supply; including that there is no guarantee that landlords will relet properties to households on LHA. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

3. The Nature of the Affordable Housing Needs Model

7.78 As the Planning Practice Guidance sets out, the calculation of affordable need involves *"adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable stock."* The affordable housing need does therefore not represent an assessment of what proportion of additional households might require affordable housing. Instead the model considers:

- What need can be expected to arise from both existing and newly-forming household who require financial support to access suitable housing;
- This is then compared with the projected supply of affordable housing expected to arise from the turnover of existing stock, and affordable housing in the development pipeline.

7.79 Firstly, we should recognise that the affordable housing model includes supply-side factors. The net need figures derived are influenced by the current stock of affordable housing and turnover of this, together with pipeline supply. This has been influenced by past policies and investment decisions (at both the national and local levels). Funding mechanisms for affordable housing have influenced

past delivery, which in turn influence the need today. This is essentially a key reason why the figures derived from the model are relatively substantive. The projected supply of affordable housing would for instance be greater (and the identified affordable housing need lower) if greater public resources had been devoted to delivering affordable housing and more had been built over the last decade, or no properties lost through right-to-buy sales.

7.80 Secondly, and perhaps more critically, it is important to recognise that the model includes needs arising from both new households and existing households. Part of the needs included are from households who might require an additional home, such as:

- Newly-forming households;
- Those in temporary accommodation;
- Concealed households; and
- Homeless households.

7.81 But the figures also include needs arising from households who will require a different form of home, but who – by moving to another property – would release an existing property for another household. These households do not generate a need for more dwellings overall. They include households who need to move as they are:

- Overcrowded;
- Coming to the end of a tenancy;
- Living in unsuitable housing; and
- Cannot afford to remain in their current home.

7.82 Such households do not generate a net need for additional homes, as by moving they would release a home for other households. On this basis, these elements of the affordable housing need are not directly relevant to considering overall housing need and housing targets (which are typically measured in terms of net dwellings). On this basis the annual delivery to meet full need in Table 43 over-estimates the scale of overall need for market and affordable housing.

7.83 In considering the overall need for housing, only those who are concealed, homeless or in temporary accommodation would result in potentially an additional need for housing.

Implications

7.84 The implications of the above is that an integrated approach to assessing overall housing need should consider whether adjustments to demographic projections should be considered in order to address needs arising from those in temporary accommodation, concealed and homeless households.

7.85 The PAS Technical Advice Note however cautions that it is not simply appropriate to add current levels of such households to demographic projections, as :

> *"The projections already include those new households which, on the basis of past trends, may be expected to come into being through concealed families getting their own homes, or through homeless people moving from temporary institutional accommodation or from the street into conventional homes. To add these new households again would be double-counting."*

7.86 Nonetheless, the affordable housing evidence does suggest an uplift to the demographic-led housing figure is justified. As set out in Section 6, the affordability pressures have impacted most on households aged 25-34. The evidence shows that the household formation rate in this age cohort has fallen considerably which has led to the increase in the number of these households living with family/friends (concealed households) and those who are homeless or in temporary accommodation. The upward adjustments to the demographic projections to improve affordability, as described at the end of Section 6, will support an increase in household formation and reduction in levels of concealed households and those who are homeless or in temporary accommodation. Therefore, we consider that this level of adjustment will improve affordability without the risk of double-counting.

Need for Different Types of Affordable Housing

7.87 Having studied housing costs, incomes and affordable housing need the next step is to make an estimate of the proportion of affordable housing need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social or affordable rented housing will be affordable. There are three main types of affordable housing that can be studied in this analysis:

- Intermediate
- Affordable rent
- Social rent

7.88 Whilst the process of separating households into different income bands for analytical purposes is quite straightforward, this does not necessarily tell us what sort of affordable housing they might be able to afford or occupy.

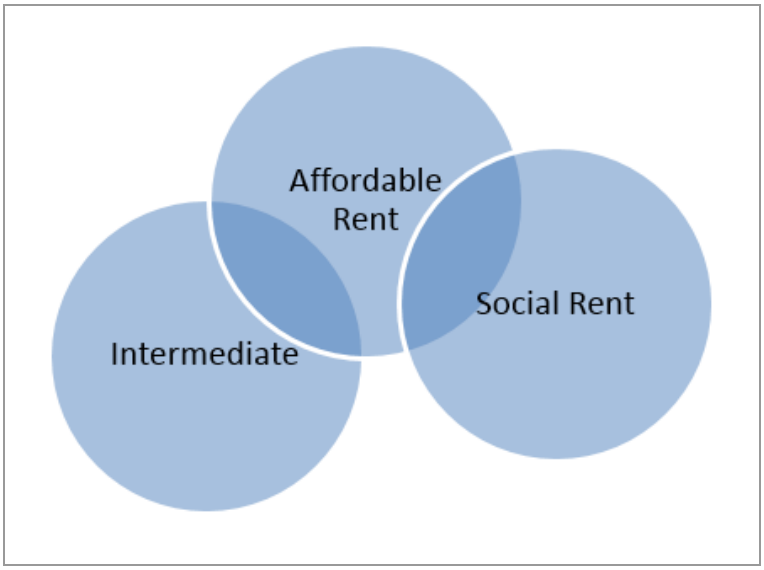
7.89 For example, a household with an income close to being able to afford market housing might be able to afford intermediate or affordable rent but may be prevented from accessing certain intermediate products (such as shared ownership) as they have insufficient savings to cover a deposit. Such a household might therefore be allocated to affordable rented or intermediate rented housing as the most suitable solution. However, we would expect that few Registered Providers would build intermediate rented homes, given that the level of potential occupants for affordable

rented homes is greater (as it includes households who could claim housing benefit to supplement their incomes).

7.90 The distinction between social and affordable rented housing is also complex. Whilst rents for affordable rented housing would be expected to be higher than social rents, this does not necessarily mean that such a product would be reserved for households with a higher income. In reality, as long as the rent to be paid falls at or below LHA limits then it will be accessible to a range of households (many of whom will need to claim housing benefit). Local authorities' tenancy strategies might set policies regarding the types of households which might be allocated affordable rented homes; and many authorities will seek to avoid where possible households having to claim higher levels of housing benefit. This however needs to be set against other factors, including viability and the availability of grant funding. Over the current spending period to 2015 grant funding is primarily available to support delivery of affordable rented homes. A significant level of affordable housing delivery is however through developer contributions (Section 106 Agreements).

7.91 For these reasons it is difficult to exactly pin down what proportion of additional affordable homes should be provided through different affordable tenure categories. In effect there is a degree of overlap between different affordable housing tenures, as the figure overleaf shows.

Figure 44: Overlap between Affordable Housing Tenures



7.92 Given this overlap, for analytical purposes we have defined the following categories:

- Households who can afford 80% or more of market rent levels;
- Households who afford no more than existing social rent levels (or would require housing benefit, or an increased level of housing benefit to do so);
- Households which fall in between these parameters, who would potentially be able to afford more than existing social rent levels but could not afford 80% of market rents.

7.93 The first of these categories would include equity-based intermediate products such as shared ownership and shared equity homes. The latter two categories are both rented housing and in reality can be considered together (both likely to be provided by Registered Providers (or the Council) with some degree of subsidy). Additionally, both affordable rented and social rented housing is likely to be targeted at the same group of households; many of whom will be claiming Housing Benefit. For this reason, the last two categories are considered together for the purposes of drawing conclusions.

7.94 We do not have detailed information on households' savings. We have assumed, based on our experience, that around two-thirds of households with an income which would allow them to afford 80% or more of market rents would represent the potential market for equity-based intermediate products such as shared ownership and shared equity homes with the remainder needing a rented product.

7.95 Taking the gross numbers for affordable housing need and comparing this against the supply from relets of existing stock, the following net need arises within the different categories. Overall the analysis suggests around a fifth of housing could be intermediate with the remaining four-fifths being either social or affordable rented.

Table 43: Estimated level of Affordable Housing Need (per annum) by type of affordable housing

	Intermediate			Social/affordable rented			
	Total need	Supply	Net need	Total need	Supply	Net need	% of Inter-mediate
Dacorum	124	16	108	823	565	258	30%
Hertsmere	85	5	80	650	296	354	18%
St. Albans	114	12	102	744	229	515	17%
Three Rivers	70	4	66	476	186	291	18%
Watford	98	6	92	757	231	526	15%
South West Herts	490	42	448	3,451	1,508	1,943	19%
% of total	19%			81%			

Source: Affordable Housing Needs Analysis

7.96 The SHMA evidence suggests that based on the needs evidence, **policies which seek a mix of affordable housing provision on new developments where 20% is intermediate housing and 80% is social or affordable rented homes would be appropriate for the HMA**.

7.97 **However, it points to a higher potential for intermediate housing in Dacorum, where 30% intermediate housing might be sought; and a lower need for intermediate housing in Watford at 15%.**

7.98 The higher need for intermediate housing in Dacorum reflects the estimated level of supply of affordable housing likely to come forward through relets (which in turn is related to the higher proportion of social rented stock in the area). This means that the modelling sees a greater proportion of the 'rented' need being able to be met and therefore a higher residual need for intermediate housing. There are other differences between areas related to the income profile and its relationship to housing costs; this is why Watford shows the lowest need for intermediate housing. Generally, however, differences in available supply have a bigger impact on estimates of the need than the affordability profile.

7.99 In determining policies for affordable housing provision on individual sites, the analysis in the table above should be brought together with other local evidence such as from the Housing Register. Consideration could also be given to areas with high concentrations of social rented housing where additional intermediate housing might be desirable to improve the housing mix and to create 'housing pathways'.

Summary

7.100 An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in South West Herts. This has estimated current housing need of 3,843 households, excluding existing social housing tenants where they would release a home for another household in need. The affordable housing needs model then looked at the balance between needs arising and the supply of affordable housing. Each year an estimated 3,774 households are expected to fall into affordable housing need and 1,550 properties are expected to come up for relet.

7.101 Overall, in the period from 2013 to 2036 a net deficit of 55,000 affordable homes is identified (2,391 per annum). There is thus a requirement for new affordable housing in the study area and the Councils are justified in seeking to secure additional affordable housing. The objectively assessed need for affordable homes is for 2,391 properties per year.

7.102 Consideration has been given as to how the affordable housing need is met, including the potential for delivery of affordable housing through mixed-tenure development schemes and other measures which can deliver affordable housing. Not all of these include new-build development. We have also sought to set out the context to the identified affordable housing need.

7.103 In respect of overall housing need, only part of the affordable housing need shown represents a need for new homes in net terms – this relates to need arising from homeless households and those in temporary accommodation, and concealed households. The need arising from these groups has been cross-referenced to the demographic analysis. The net impact of meeting these needs would be an improvement in household formation rates, particularly amongst younger

households. The affordable housing analysis thus justified adjustments to improve affordability as calculated in Section 6.

7.104 At the HMA level, the evidence suggests that 19% of the affordable housing need is for 'intermediate' housing products such as shared ownership or equity homes; whilst 81% is for social or affordable rented homes.

8 NEED FOR DIFFERENT SIZES OF HOMES

Introduction

8.1 There are a range of factors which influence housing demand, including macro-economic dynamics, interest rates, affordability, demographic trends, local economic performance, housing offer and quality of place. These factors play out at different spatial scales and influence both the level of housing demand (in terms of aggregate household growth) and the nature of demand for different types, tenures and sizes of homes. It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level.

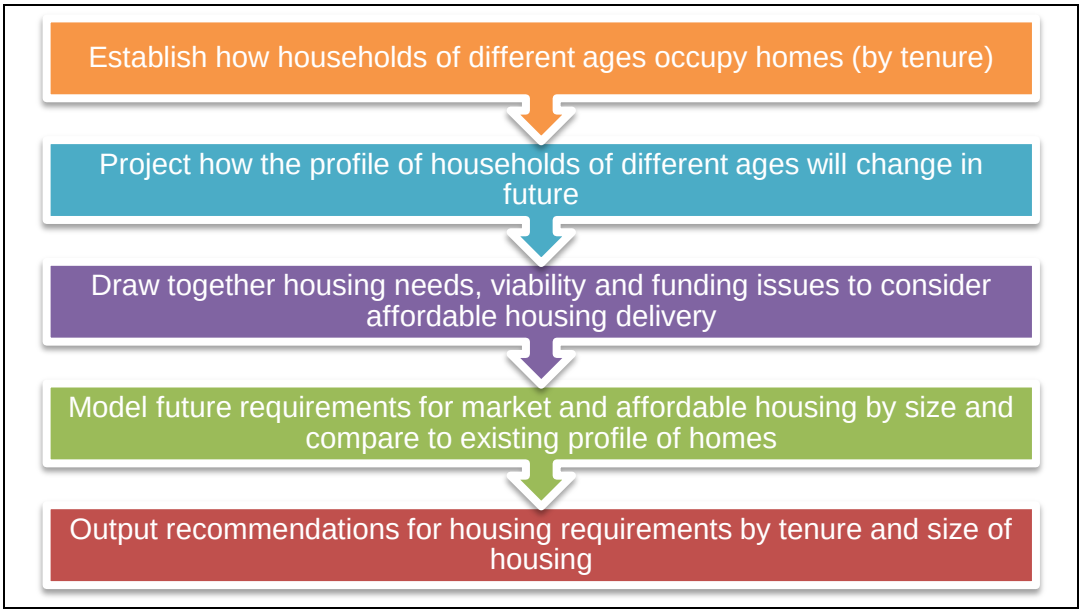
8.2 The analysis in this section seeks to use the information available about the size and structure of the population and household structures; and consider what impact this may have on the sizes of housing required in the future. For analysis purposes, the analysis assumes population and household growth in line with the 2012-based Household Projections (as updated by mid-year population estimate data), but with an “affordability adjustment” made to increase the formation of younger households. These projections indicate a need for 72,462 homes across the Housing Market Area between 2013 and 2036.

8.3 It should be noted that this projection will not necessarily be translated into policy, once account is taken of other factors including development constraints, but has been used to indicate the likely need for different sizes of homes moving forward. Were a projection with a different level of expected housing supply used, then the outputs regarding housing mix (in terms of the proportion of housing need for different sizes of properties) would be expected to be broadly similar.

Methodology

8.4 Figure 45 describes the broad methodology employed in the housing market model which is used to consider the need for different sizes of market and affordable homes. Data is drawn from a range of sources including the 2011 Census and demographic projections.

Figure 45: Stages in the Housing Market Model



Understanding how Households Occupy Homes

8.5 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 in to 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.

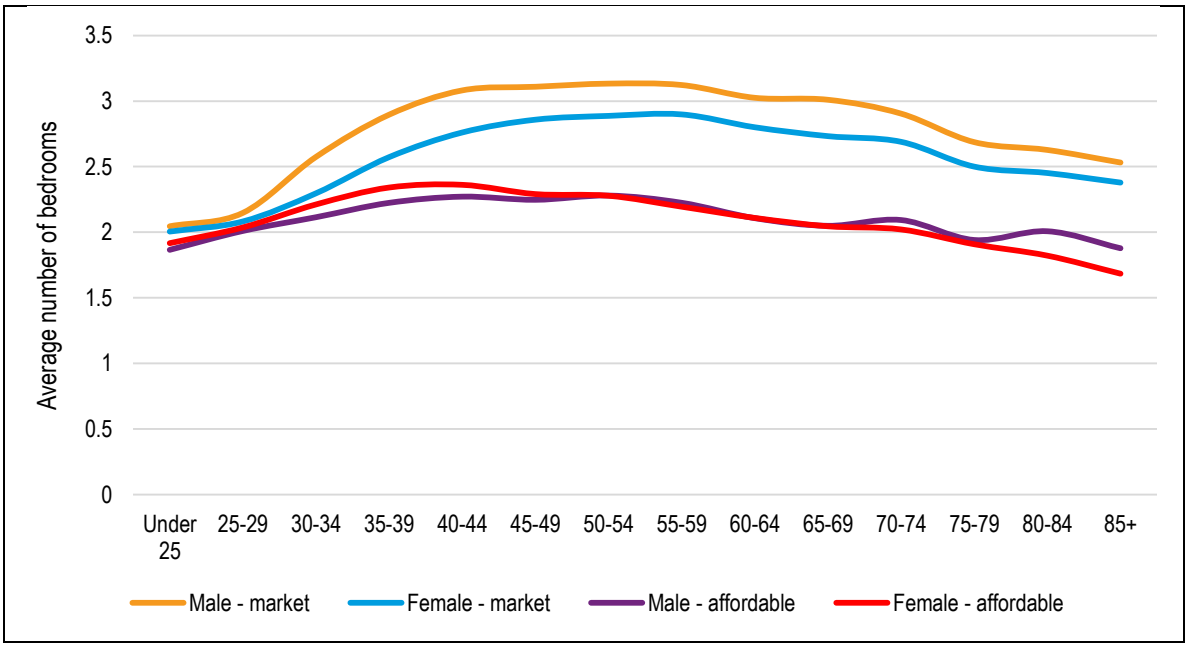
8.6 The size of housing which households occupy relates more to their wealth and age than the number of people which they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units. This issue is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) although there will still be some level of under-occupation moving forward with regard to older person and some working-age households who may be able to continue to under-occupy their current homes.

8.7 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213 which provides relevant data for all local authorities in England) with data then calibrated to be consistent with 2011 Census data (e.g. about house sizes in different tenure groups and locations).

8.8 The figure below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes by broad tenure group. In the market sector the average size of accommodation rises over time to typically reach a peak around the age of 50-54. In the affordable sector this peak appears earlier. After this peak the average dwelling size decreases – as typically some households downsize as they get older.

8.9 It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups (with no particular trend being seen in the affordable sector).

Figure 46: Average Bedrooms by Age, Sex and Tenure – South West Herts



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

Establishing a Baseline Position

8.10 As of 2013 it is estimated that there were 233,023 households living in South West Herts. Analysis of Census data linked to the demographic baseline provides an estimate of the profile of the housing stock in 2013, as shown in Table 44. This shows that an estimated 17% of households live in affordable housing with 83% being in the market sector. The size of the affordable sector has been fixed by reference to an estimate of the number of occupied social rented and shared ownership homes in the 2011 Census along with an estimate of changes in the sector from 2011 to 2013 from data in CLG Live Table 100. The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 67% having three or more bedrooms compared to 38% for affordable housing.

8.11 These figures are for households rather than dwellings as information about the sizes of vacant homes across the whole stock (i.e. market and affordable) is not readily available. For the purposes of analysis this will not make any notable difference to the outcome. The household projections have however been translated into dwelling figures by including a vacancy allowance when studying the final outputs of the market modelling.

Table 44: Estimated Profile of Dwellings in 2013 by Size – South West Herts

Size of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	16,992	8.8%	12,893	31.8%	29,885	12.8%
2 bedrooms	46,981	24.4%	12,367	30.5%	59,348	25.5%
3 bedrooms	75,862	39.4%	13,583	33.5%	89,445	38.4%
4+ bedrooms	52,686	27.4%	1,660	4.1%	54,346	23.3%
Total	192,520	100.0%	40,503	100.0%	233,023	100.0%
% in tenure	82.6%		17.4%		100.0%	

Source: Derived from 2011 Census

Tenure Assumptions

8.12 The housing market model has been used to estimate the future need for different sizes of property over the 23-year period from 2013 to 2036. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as shown earlier). Thus it is necessary to consider what the mix of future housing will be in the market and affordable sectors.

8.13 It is necessary on this basis to make some judgement for modelling purposes on what proportion of net completions might be of market and affordable housing. For modelling purposes, the analysis assumes that 35% of net completions are of affordable housing. This is not a policy target. Policy targets for affordable housing on new development schemes in some cases are above this; but not all sites deliver policy-compliant affordable housing provision, whist some delivery is on sites below affordable housing policy thresholds. Equally some housing development is brought forward by Registered Providers and local authorities and may deliver higher proportions of affordable housing than in current policy. It should be stressed that this is not a policy position and has been applied simply for the purposes of providing outputs from the modelling process. This assumption does not have a significant impact on the estimated profile of homes to be delivered (by tenure) and some sensitivities have been provided later in the section to demonstrate this.

Key Findings: Market Housing

8.14 There are a range of factors which can influence demand for market housing in different locations. The focus of this analysis is on considering long-term needs, where changing demographics are expected to be a key influence. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 23-year period from 2013 to 2036.

8.15 On the basis of the modelling assumptions, an increase in 45,700 additional households is modelled. The majority of these need two- and three-bed homes.

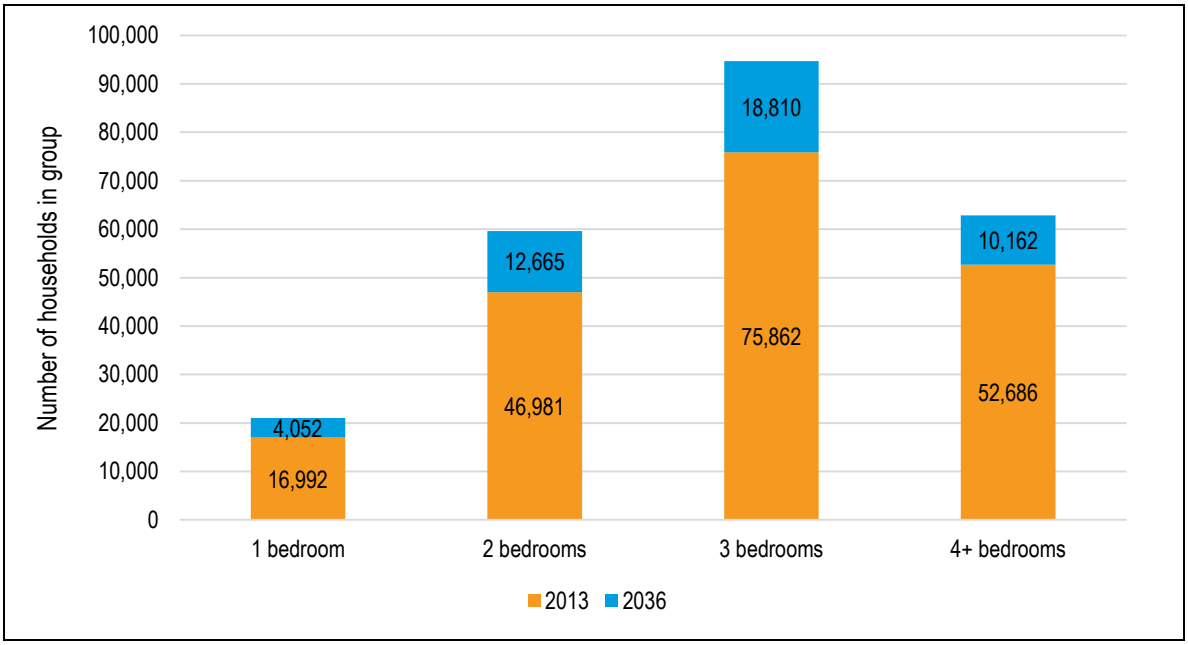
Table 45: Estimated Size of Dwellings Needed 2013 to 2036 – Market Housing – South West Herts

Size	2013	2036	Additional households 2013-2036	% of additional households
1 bedroom	16,992	21,043	4,052	8.9%
2 bedrooms	46,981	59,646	12,665	27.7%
3 bedrooms	75,862	94,672	18,810	41.2%
4+ bedrooms	52,686	62,848	10,162	22.2%
Total	192,520	238,210	45,689	100.0%

Source: Housing Market Model

8.16 The figure below shows the numbers of households in different sizes of dwellings in 2013 and 2036. The data suggests that housing need can be expected to reinforce around the existing profile, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that household sizes are expected to fall slightly in the future – particularly as a result of a growing older population living in smaller households.

Figure 47: Impact of Demographic Trends on Market Housing Requirements by House Size, 2013 to 2036 – South West Herts



Source: Housing Market Model

8.17 The graphs and statistics are based upon the modelling of demographic trends. As has been identified, it should be recognised that a range of factors including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in shared housing due to changes in housing benefit for single people. In determining policies for housing mix, policy aspirations are also relevant.

8.18 At the strategic level, a local authority in considering which sites to allocate, can consider what type of development would likely be delivered on these sites. It can also provide guidance on housing mix implicitly through policies on development densities.

Key Findings: Affordable Housing

8.19 The table below and figure overleaf show estimates of the need for different sizes of affordable homes based on the analysis of demographic trends. The data suggests in the period between 2013 and 2036 that around two-thirds of the need is for homes with one- or two-bedrooms, with around a third of the need being for larger homes with three or more bedrooms.

8.20 This analysis provides a longer-term view of the need for different sizes of affordable housing and does not reflect any specific priorities such as for family households in need rather than single people. In addition, it should be noted that smaller properties (i.e. one bedroom homes) typically offer limited flexibility in accommodating the changing needs of households, whilst delivery of larger

properties can help to meet the needs of households in high priority and to manage the housing stock by releasing supply of smaller properties. That said, there may in the short-term be an increased requirement for smaller homes as a result of welfare reforms limiting the amount of housing benefit being paid to some working-age households. Furthermore, Hertsmere's housing department have identified a priority for more 2 bed than 1 bed properties in the immediate short-term.

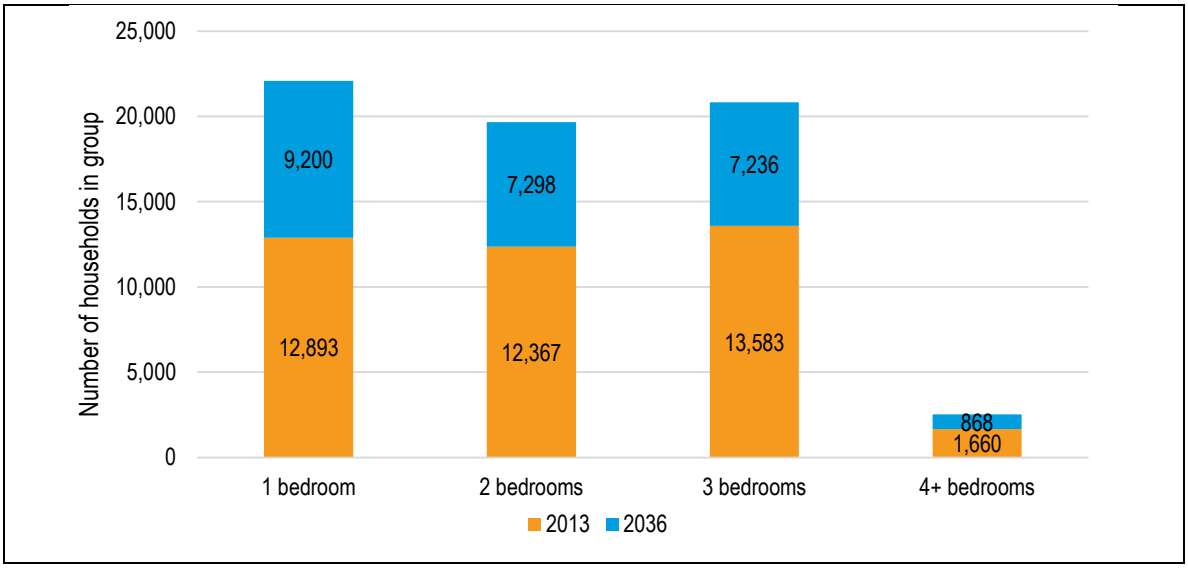
Table 46: Estimated Size of Dwellings Required 2013 to 2036 – Affordable Housing – South West Herts

Size	2013	2036	Additional households 2013-2036	% of additional households
1 bedroom	12,893	22,093	9,200	37.4%
2 bedrooms	12,367	19,665	7,298	29.7%
3 bedrooms	13,583	20,819	7,236	29.4%
4+ bedrooms	1,660	2,528	868	3.5%
Total	40,503	65,105	24,602	100.0%

Source: Housing Market Model

8.21 The figure below shows how the estimated need from households for different sizes of affordable homes in 2013, and how this compares to the profile of need in 2036. Again, the data shows that relative to the current profile there is a slight move towards a greater proportion of smaller homes being needed – this makes sense given that in the future household sizes are expected to drop whilst the population of older people will increase – older person households (as shown earlier) are more likely to occupy smaller dwellings.

Figure 48: Impact of Demographic Trends on Affordable Housing Requirements by House Size, 2013 to 2036 – South West Herts



Source: Housing Market Model

Indicative Targets by Dwelling Size

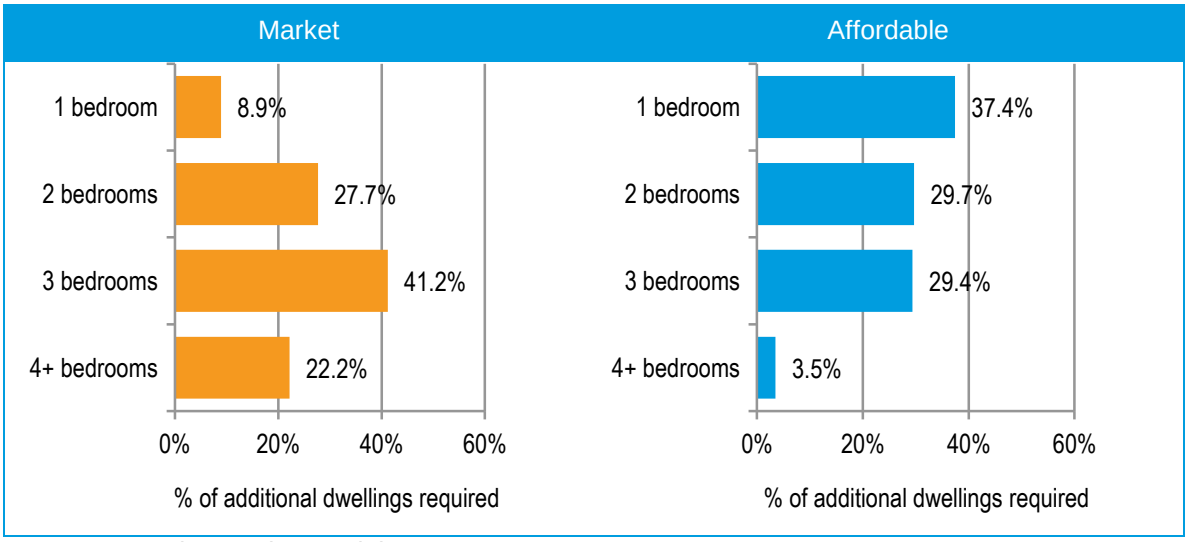
8.22 Table 47 and Figure 49 below summarises the above data in both the market and affordable sectors under the modelling exercise. A vacancy allowance has been factored in when moving from household figures to estimates of housing need/demand. The same figures have been used as in the demographic modelling.

Table 47: Estimated dwelling requirement by number of bedrooms (2013 to 2036) – South West Herts

Number of bedrooms	Market			Affordable		
	House-holds	Dwellings	% of dwellings	House-holds	Dwellings	% of dwellings
1 bedroom	4,052	4,175	8.9%	9,200	9,484	37.4%
2 bedrooms	12,665	13,055	27.7%	7,298	7,524	29.7%
3 bedrooms	18,810	19,391	41.2%	7,236	7,459	29.4%
4+ bedrooms	10,162	10,480	22.2%	868	895	3.5%
Total	45,689	47,100	100.0%	24,602	25,362	100.0%

Source: Housing Market Model

Figure 49: Size of housing required 2013 to 2036 – South West Herts



Source: Housing Market Model

8.23 Whilst the outputs of the modelling provide estimates of the proportion of homes of different sizes that should be provided there are a range of factors which should be taken into account in setting policies for provision. This is particularly the case in the affordable sector where there are typically issues around the demand for and turnover of one bedroom homes. Conclusions also need to consider that the stock of four-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for four or more bedroom homes is typically quite small the ability for these needs to be met is even more limited.

8.24 It should also be recognised that local authorities have statutory homeless responsibilities towards families with children and would therefore prioritise the needs of families over single person households and couples. On this basis the profile of affordable housing to be provided would be further weighted to two or more-bedroom housing. In the short-term however there may be a need to increase the supply of one-bedroom homes due to the social sector size criteria.

8.25 For these reasons it is suggested in converting the long-term modelled outputs into a profile of housing to be provided (in the affordable sector) that the proportion of one bedroom homes required is reduced slightly from these outputs with a commensurate increase in four or more bedroom homes also being appropriate.

8.26 There are thus a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At a HMA level, the analysis would support policies for the mix of affordable housing of:

- 1-bed properties: 30-35%
- 2-bed properties: 30-35%
- 3-bed properties: 25-30%
- 4-bed properties: 5-10%

8.27 The strategic conclusions recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. It may be appropriate for individual local authorities to adopt policies seeking a slightly different mix from that shown, where this is justified by locally-specific issues regarding the short-term profile of need; and profile of existing stock.

8.28 The need for affordable housing of different sizes will vary by area across the HMA and over time. In considering the mix of homes to be provided within specific development schemes, the information herein should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

8.29 In the market sector a profile of housing that closely matches the outputs of the modelling is suggested. The recommendations take some account of the time period used for the modelling and the fact that the full impact of the ageing population will not be experienced in the short-term. In addition, as noted earlier, current constraints on mortgage finance is likely to suppress demand for smaller units in the short-term (particularly those which would normally have high demand from first-time buyers).

8.30 On the basis of these factors it is considered that the provision of market housing should be more explicitly focused on delivering smaller family housing for younger households. On this basis the following mix of market housing is recommended:

- 1-bed properties: 5-10%
- 2-bed properties: 25-30%
- 3-bed properties: 40-45%
- 4-bed properties: 20-25%

8.31 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. The 'market' is to some degree a better judge of what is the most appropriate profile of homes to deliver at any point in time, and demand can change over time linked to macro-economic factors and local supply. The figures can however 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.

District-level Housing Market Modelling Outputs

8.32 Whilst the analysis above has focused on outputs for the whole of South West Herts the data itself has been built up from analysis at a local authority level. Tables 48 and 49 provide the outputs of this analysis in terms of the sizes of accommodation estimated to be required in each of the affordable and market sectors for the five local authorities. This is not the level of affordable housing need but based on a percentage (35%) of delivery of overall need for modelling purposes.

8.33 In the market sector, the analysis shows a main need for three-bedroom homes in all areas. When looking at differences it is notable that there is a higher need shown for four or more bedroom homes in St. Albans and a lower need in Watford – Watford shows the highest need for one bedroom homes (although this is still only 11.7% of the total).

8.34 In the affordable sector the key finding is a higher need for smaller homes in all areas. The highest need for one bedroom homes is shown to be in Three Rivers although to some degree this is offset by a lower need for two-bedroom accommodation. The highest proportion of larger (four or more bedroom) homes was found to be in Dacorum.

Table 48: Estimated dwelling requirement by number of bedrooms (2013 to 2036) – Market Sector

Local authority		1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
Dacorum	No.	871	2,967	4,764	2,699	11,301
	%	7.7%	26.3%	42.2%	23.9%	100.0%
Hertsmere	No.	787	2,653	3,784	1,730	8,953
	%	8.8%	29.6%	42.3%	19.3%	100.0%
St. Albans	No.	912	2,816	4,047	2,763	10,538
	%	8.7%	26.7%	38.4%	26.2%	100.0%
Three Rivers	No.	593	2,131	3,186	1,763	7,674
	%	7.7%	27.8%	41.5%	23.0%	100.0%
Watford	No.	1,012	2,488	3,609	1,524	8,634
	%	11.7%	28.8%	41.8%	17.7%	100.0%
South West Herts	No.	4,175	13,055	19,391	10,480	47,100
	%	8.9%	27.7%	41.2%	22.2%	100.0%

Source: Housing Market Model

Table 49: Estimated dwelling requirement by number of bedrooms (2013 to 2036) – Affordable Sector

Local authority		1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
Dacorum	No.	2,306	1,746	1,767	266	6,085
	%	37.9%	28.7%	29.0%	4.4%	100.0%
Hertsmere	No.	1,725	1,612	1,326	158	4,821
	%	35.8%	33.4%	27.5%	3.3%	100.0%
St. Albans	No.	2,000	1,732	1,742	201	5,674
	%	35.2%	30.5%	30.7%	3.5%	100.0%
Three Rivers	No.	1,689	1,157	1,198	88	4,132
	%	40.9%	28.0%	29.0%	2.1%	100.0%
Watford	No.	1,764	1,278	1,426	182	4,649
	%	37.9%	27.5%	30.7%	3.9%	100.0%
South West Herts	No.	9,484	7,524	7,459	895	25,362
	%	37.4%	29.7%	29.4%	3.5%	100.0%

Source: Housing Market Model

8.35 It is for each authority to set out policies regarding the tenure mix expected on local development sites. In doing so the Councils should take account of the evidence regarding need herein, together with issues relating to the management of the affordable housing stock and households' access to Housing Benefit. Other local needs evidence may also be relevant, including concentrations of particular types of properties in some areas.

Sensitivity to tenure assumptions

8.36 The analysis above has been based on an assumption that 35% of new delivery will be affordable housing. This figure was chosen as a broad estimate for the purposes of providing outputs from the

modelling. The table below shows what the outputs of the modelling would be if a different percentage of delivery were applied (a range from 0% to 50% has been applied). The analysis shows that for different broad tenure groups the choice of figure does not make a significant difference.

8.37 However, in terms of overall delivery there are some notable differences; this makes sense given that provision of affordable housing would tend to be smaller units in comparison with the market (and hence a higher proportion of market units delivered would see a higher dwelling size on average). The analysis shows for example, that if no affordable homes were provided then there would be a need for 9% of dwellings to have one bedroom; with 50% affordable housing delivery, this increases to 23%.

Table 50: Estimated size requirements with different proportions of affordable housing delivery (2013 to 2036)

Broad tenure	Dwelling size	Proportion of housing delivered as affordable			
		0%	20%	35%	50%
Market housing	1-bedroom	9%	9%	9%	9%
	2-bedrooms	27%	27%	28%	28%
	3-bedrooms	41%	41%	41%	42%
	4+ bedrooms	24%	23%	22%	21%
	Total	100%	100%	100%	100%
Affordable housing	1-bedroom	-	40%	37%	36%
	2-bedrooms	-	29%	30%	30%
	3-bedrooms	-	28%	29%	30%
	4+ bedrooms	-	3%	4%	4%
	Total	-	100%	100%	100%
All housing	1-bedroom	9%	15%	19%	23%
	2-bedrooms	27%	28%	28%	29%
	3-bedrooms	41%	38%	37%	36%
	4+ bedrooms	24%	19%	16%	12%
	Total	100%	100%	100%	100%

Source: Housing Market Model

Implications – Need for Different Sizes of Homes

- 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 long-term (23-year) demographic change concludes that the following represents an appropriate mix of affordable and market homes:

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	25-30%	40-45%	20-25%
Affordable	30-35%	30-35%	25-30%	5-10%
All dwellings	15%	30%	40%	15%

- The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

- The mix identified above should inform strategic District-wide policies, alongside other local evidence where appropriate. In applying these to individual development sites regard should be had to the nature of the development 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.

- Based on the evidence, it is expected that the focus of new market housing provision will be on two- and three-bed properties. Continued demand for family housing can be expected from newly forming households. There may also be some demand for medium-sized properties (2- and 3-beds) from older households downsizing and looking to release equity in existing homes, but still retain flexibility for friends and family to come and stay.

- The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through by each local authority through its local plan process. Equally it will be of relevance to affordable housing negotiations.

9 HOUSING NEEDS OF PARTICULAR GROUPS

Introduction

9.1 We have considered in the previous section the needs for different sizes of property. In this section we move on to consider groups within the population who have specialist housing needs, or whose housing needs differ from the wider population.

9.2 Estimates of household groups who have particular housing needs is a key output of the SHMA guidance whilst the National Planning Policy Framework identifies that local planning authorities should plan for a mix of housing which takes account of the needs of different groups in the community.

9.3 The following key groups have been identified which may have housing needs which may differ from those of the wider population:

- Older Persons;
- People with disabilities;
- Black and Minority Ethnic (BME) households;
- Households with children;
- Young people;
- Students.

Housing Needs of Older People

9.4 The SHMA Guidance recognises the need to provide housing for older people as part of achieving a good mix of housing. A key driver of change in the housing market over the next few years is expected to be the growth in the population of older persons.

9.5 Indeed, as population projections show, the number of older people is expected to increase significantly over the next few years. In this section we draw on a range of sources including our population projections, 2011 Census information and data from POPPI (Projecting Older People Population Information).

9.6 The context to older persons' housing provision can be summarised as below:

- A need to provide housing for older people as part of achieving a good mix of housing, but recognizing that many older people are able to exercise choice and control over housing options – e.g. owner occupiers with equity in their homes;
- Falling demand for residential care in some areas, and a rapidly rising average age of people living in sheltered housing, requiring higher levels of support. However, many local authorities have struggled to contain expenditure on services for older people;
- New models of enhanced and extra care housing have emerged. These aim to meet the needs of those who require high levels of care and support alongside those who are still generally able

to care for themselves. These models often allow for changing circumstances in situ rather than requiring a move; and

- Providing choice, including supporting people to stay in their own homes including through supporting adaptations to properties and through provision of floating support.

Current Population of Older Persons

9.7 The table below provides baseline population data about older persons and compared this with other areas. The data for has been taken from the published ONS mid-year population estimates and is provided for age groups from 65 and upwards.

9.8 The data shows that, when compared with both the region and England, the HMA has a slightly lower proportion of older persons. In 2013 it is estimated that 16% of the population of South West Herts was aged 65 or over compared with 19% in the Eastern region and 17% for the whole of England. The proportion of older persons in South West Herts is however similar to that observed across the County.

9.9 Looking at individual local authorities the data shows a higher proportion of older people in Three Rivers and Hertsmere and a particularly low proportion in Watford.

Table 51: Older Person Population (2013)

		Under 65	65-74	75-84	85+	Total	Total 65+
Dacorum	Popn	123,849	12,490	8,281	3,576	148,196	24,347
	% of popn	83.6%	8.4%	5.6%	2.4%	100.0%	16.4%
Hertsmere	Popn	83,730	8,922	5,820	2,799	101,271	17,541
	% of popn	82.7%	8.8%	5.7%	2.8%	100.0%	17.3%
St. Albans	Popn	119,780	12,019	7,803	3,492	143,094	23,314
	% of popn	83.7%	8.4%	5.5%	2.4%	100.0%	16.3%
Three Rivers	Popn	73,711	8,090	5,372	2,322	89,495	15,784
	% of popn	82.4%	9.0%	6.0%	2.6%	100.0%	17.6%
Watford	Popn	81,873	6,174	3,999	1,690	93,736	11,863
	% of popn	87.3%	6.6%	4.3%	1.8%	100.0%	12.7%
South West Herts	Popn	482,943	47,695	31,275	13,879	575,792	92,849
	% of popn	83.9%	8.3%	5.4%	2.4%	100.0%	16.1%
Hertfordshire	% of popn	83.6%	8.5%	5.6%	2.3%	100.0%	16.4%
Eastern Region	% of popn	81.3%	10.0%	6.1%	2.5%	100.0%	18.7%
England	% of popn	82.7%	9.3%	5.7%	2.3%	100.0%	17.3%

Source: ONS 2013 Mid-Year Population Estimates

Future Changes in the Population of Older Persons

9.10 As well as providing a baseline position for the proportion of older persons in the HMA we can use population projections to provide an indication of how the numbers might change in the future

compared with other areas. The data for the study area is based on our core projection linked to the 2012-based SNPP (with an adjustment for mid-2013 population estimates). Data for other areas is taken from the 2012-based SNPP.

9.11 The data shows that the HMA (in line with other areas) is expected to see a notable increase in the older person population with the total number of people aged 65 and over expected to increase by 65% over the 23-years from 2013; this compares with overall population growth of 23% and growth in the Under 65 population of just 15%. The projected growth in the population aged 65 and over is higher than that projected for both the region and England as a whole although to some degree this will reflect the relatively young population currently living in the HMA.

Table 52: Projected Change in Population of Older Persons (2013 to 2036)

	Under 65	65-74	75-84	85+	Total	Total 65+
Dacorum	12.5%	49.7%	60.8%	130.9%	21.2%	65.4%
Hertsmere	14.2%	50.1%	64.5%	143.4%	23.8%	69.8%
St. Albans	14.6%	40.5%	46.5%	123.8%	21.2%	55.0%
Three Rivers	14.8%	48.3%	56.1%	149.6%	23.8%	65.9%
Watford	19.3%	61.6%	64.2%	145.2%	26.3%	74.4%
South West Herts	14.8%	48.7%	57.6%	136.5%	22.9%	64.8%
Hertfordshire	13.6%	50.7%	57.6%	142.7%	22.2%	66.2%
Eastern Region	8.4%	39.9%	61.1%	155.3%	18.5%	62.6%
England	5.8%	38.0%	58.1%	143.2%	14.9%	58.6%

Source: derived from ONS data and demographic projections

Characteristics of Older Persons Households

9.12 We have used 2011 Census data to explore in more detail the characteristics of older person households in South West Herts (based on the population aged 65 and over). Table 53 shows the number of households compared with the County, region and England. The data shows in 2011 that around 20% of households were comprised entirely of people aged 65 and over. This is slightly lower than the figure for the Eastern region and broadly similar to figures for Hertfordshire and England. There are differences between the local authorities with Watford having a notably lower proportion of older person households than any of the other locations.

Table 53: Older Person Households (Census 2011)

		Single older person	2 or more older people	All other households	All households	Older person only
Dacorum	Households	7,207	5,092	47,639	59,938	12,299
	% of hhs	12.0%	8.5%	79.5%	100.0%	20.5%
Hertsmere	Households	5,040	3,433	31,305	39,778	8,473
	% of hhs	12.7%	8.6%	78.7%	100.0%	21.3%
St. Albans	Households	6,390	4,930	44,820	56,140	11,320
	% of hhs	11.4%	8.8%	79.8%	100.0%	20.2%
Three Rivers	Households	4,433	3,197	27,478	35,108	7,630
	% of hhs	12.6%	9.1%	78.3%	100.0%	21.7%
Watford	Households	3,655	2,073	30,953	36,681	5,728
	% of hhs	10.0%	5.7%	84.4%	100.0%	15.6%
South West Herts	Households	26,725	18,725	182,195	227,645	45,450
	% of hhs	11.7%	8.2%	80.0%	100.0%	20.0%
Hertfordshire	% of hhs	11.9%	8.4%	79.7%	100.0%	20.3%
Eastern Region	% of hhs	12.7%	9.6%	77.7%	100.0%	22.3%
England	% of hhs	12.4%	8.4%	79.3%	100.0%	20.7%

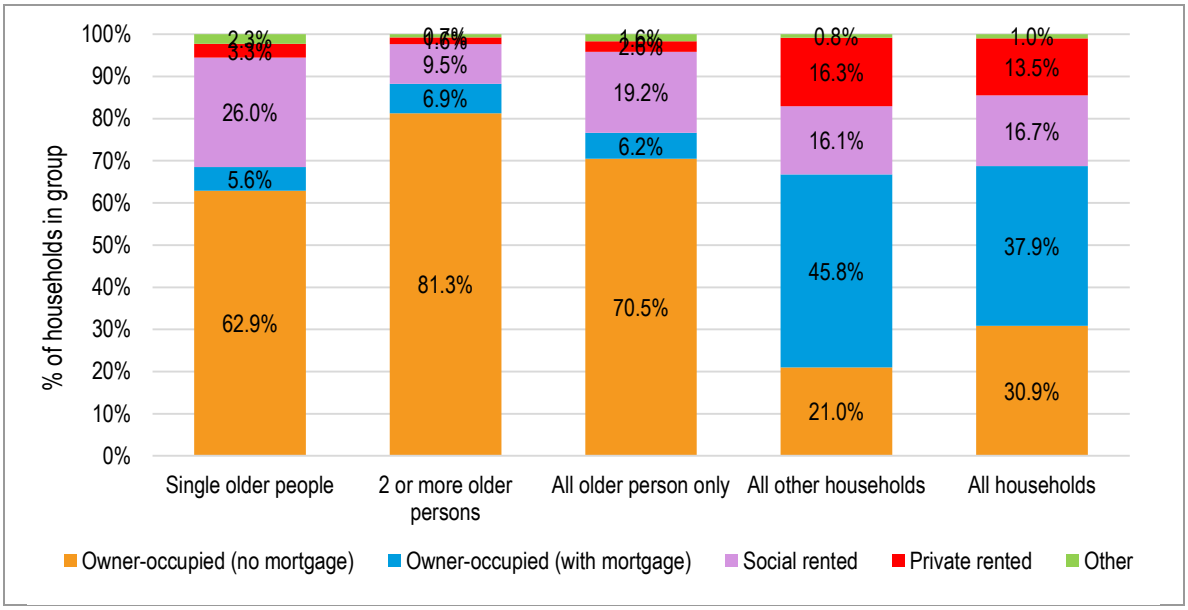
Source: 2011 Census

9.13 Figure 50 shows 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 older person households are relatively more likely to live in outright owned accommodation (70%) and are also more likely than other households to be in the social rented sector. The proportion of older person households living in the private rented sector is relatively low (3% compared with 14% of all households in the study area).

9.14 There are however notable differences for different types of older person households with single older people having a much lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

9.15 Given that the number of older people is expected to increase in the future and that the number of single person households is expected to increase this would suggest (if occupancy patterns remain the same) that there will be a notable demand for affordable housing from the ageing population. That said, the proportion of older person households who are outright owners (with significant equity) may mean that market solutions will also be required to meet their needs. This is considered later in this section.

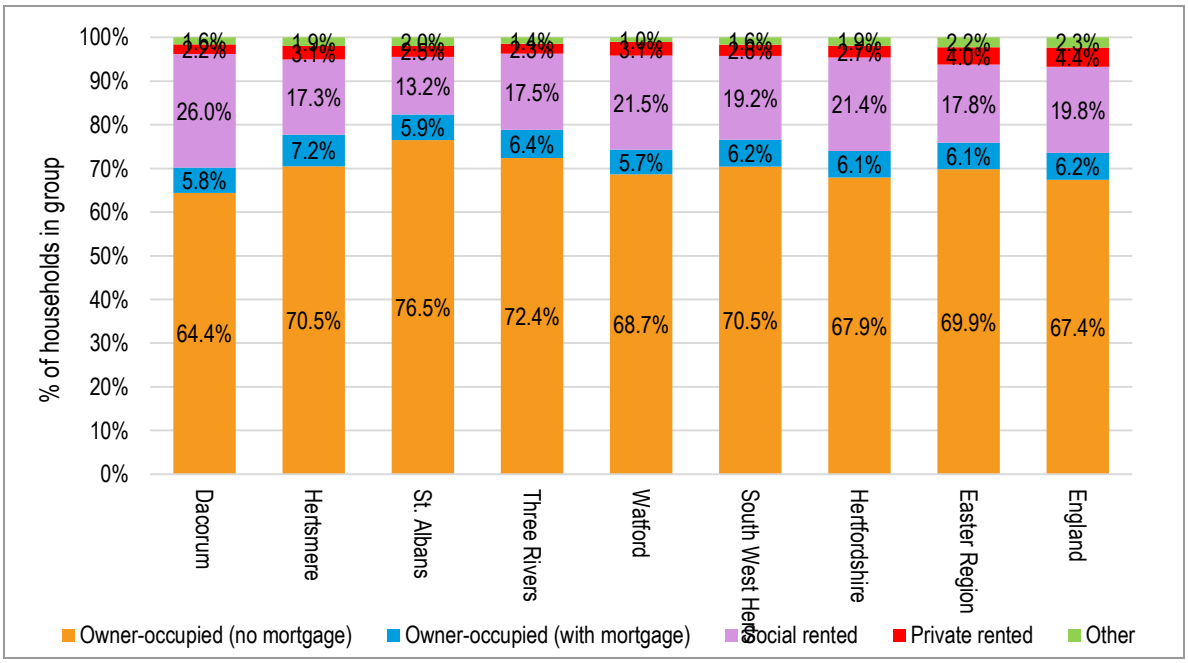
Figure 50: Tenure of Older Person Households – South West Herts



Source: 2011 Census

9.16 Data for individual local authorities and other comparator areas is shown in the figure below. There are some differences between areas; the most notable are the high proportion of outright owners in St. Albans and the low proportion in Dacorum. In Dacorum, over a quarter of older person households live in social rented accommodation. The patterns of tenure in South West Herts are overall broadly similar to that seen in other locations.

Figure 51: Tenure of Older Person Households – by Local Authority and other areas

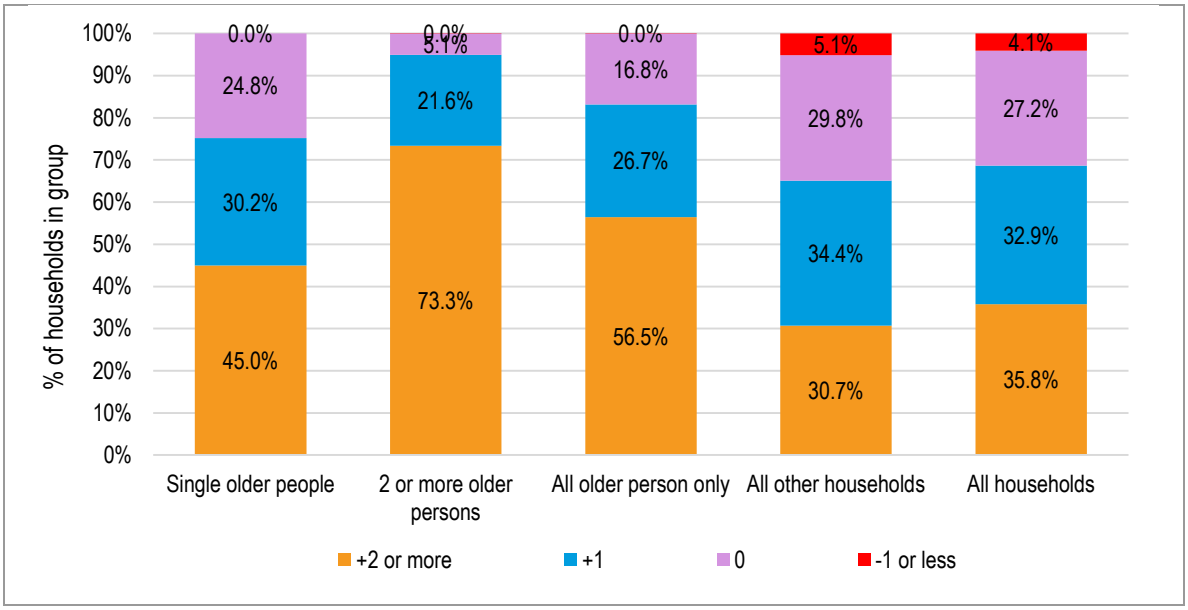


Source: 2011 Census

9.17 A key theme that is often brought out in Housing Market Assessment work is the large proportion of older person households who under-occupy their dwellings. Data from the Census allows us to investigate this using the bedroom standard.

9.18 The Census data suggests that older person households are more likely to under-occupy their housing than other households in the HMA. In total 56% have an occupancy rating of +2 or more (meaning there are at least two more bedrooms than are technically required by the household). This compares with 31% for non-older person households. Further analysis suggests that under-occupancy is far more common in households with two or more older people than single older person households.

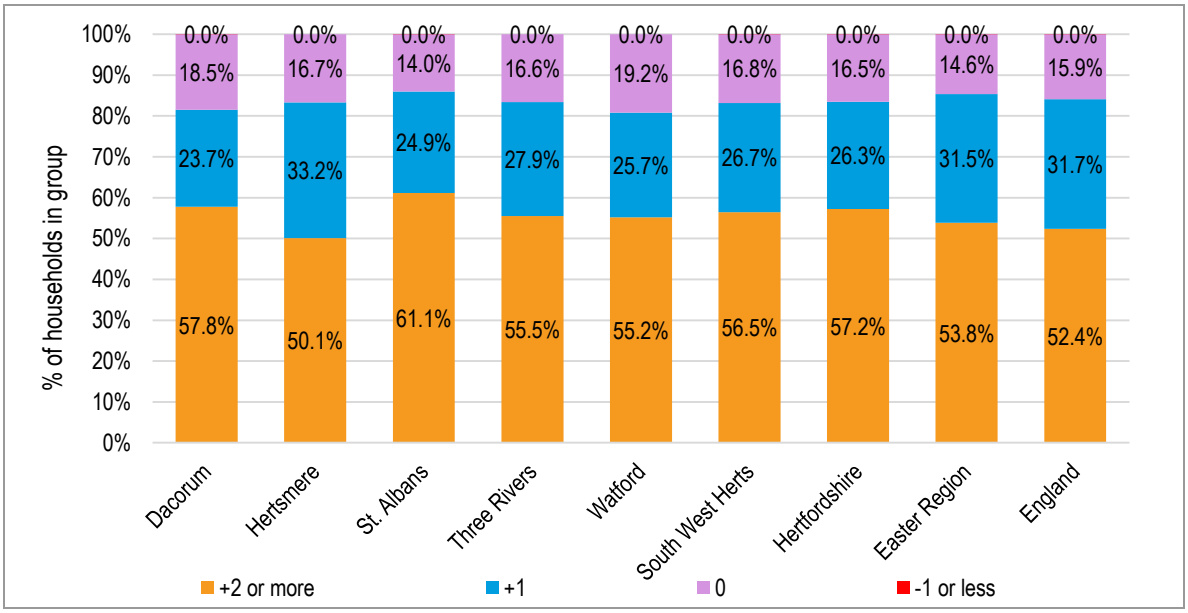
Figure 52: Occupancy Rating of Older Person Households – South West Herts



Source: 2011 Census

9.19 The occupancy ratings of older person households also show some differences by location within the HMA. St. Albans in particular stands out as having a higher proportion of households who are under-occupied, with a lower proportion being observed in Watford and Three Rivers. When compared with other areas the analysis shows a similar level of under-occupancy to Hertfordshire but a notably higher level than seen in the Eastern region and nationally.

Figure 53: Occupancy Rating of Older Person Households – by local authority and other areas



Source: 2011 Census

9.20 It is of interest to study the above information by tenure. The table below shows the number of older person households who had an occupancy rating of +2 or more in each of three broad tenure groups in 2011. Whilst the majority of older person households with an occupancy rating of +2 or more were in the owner-occupied sector, there were over 2,000 properties in the social rented sector occupied by older person only households with an occupancy rating of +2 or more. This may therefore present some opportunity to reduce under-occupation although to achieve this it may be necessary to provide attractive alternative housing in areas where households currently live and where they have social and community ties.

Table 54: Older Person Households with Occupancy Rating of +2 or more by Tenure

Tenure	Single older person	2 or more older people	All older person only households
Owner-occupied	10,289	12,512	22,801
Social rented	1,333	700	2,033
Private rented	395	157	552
All tenures	12,017	13,369	25,386

Source: 2011 Census

9.21 It should however be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement (or may move away from the area); however,

we would expect many older households to want to retain family housing with space to allow friends and relatives to come to stay.

9.22 Looking at individual local authorities it can be seen that all areas (and particularly Dacorum) have a notable number of older person households under-occupying in the social rented sector.

Table 55: Older person households with occupancy rating of +2 or more by tenure – by local authority

	Owner-occupied	Social rented	Private rented	All tenures
Dacorum	6,057	818	154	7,029
Hertsmere	3,801	294	104	4,199
St. Albans	6,380	333	146	6,859
Three Rivers	3,845	253	89	4,187
Watford	2,718	335	59	3,112
South West Herts	22,801	2,033	552	25,386

Source: 2011 Census

Health-related Population Projections

9.23 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website which provides prevalence rates for different disabilities by age and sex. For the purposes of the SHMA analysis has focussed on estimates of the number of people with dementia and mobility problems.

9.24 For both of the health issues analysed the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order. It is not possible to accurately predict what impact health improvement might make on the future prevalence of dementia and mobility problems within the population of older people.

9.25 Table 56 shows that both of the illnesses/disabilities are expected to increase significantly in the future although this would be expected given the increasing population. In particular, there is projected to be a large rise in the number of people with dementia (up 91%) along with an 82% increase in the number with mobility problems. Hertsmere and Watford look likely to see the most significant increases.

Table 56: Estimated Population Change for range of Health Issues (2013 to 2036)

	Type of illness/disability	2013	2036	Change	% increase
Dacorum	Dementia	1,710	3,232	1,523	89.1%
	Mobility problems	4,587	8,304	3,717	81.0%
Hertsmere	Dementia	1,262	2,508	1,245	98.7%
	Mobility problems	3,367	6,364	2,997	89.0%
St. Albans	Dementia	1,635	2,941	1,306	79.9%
	Mobility problems	4,383	7,533	3,150	71.9%
Three Rivers	Dementia	1,108	2,170	1,062	95.8%
	Mobility problems	2,978	5,534	2,556	85.8%
Watford	Dementia	821	1,625	804	98.0%
	Mobility problems	2,226	4,196	1,970	88.5%
South West Herts	Dementia	6,536	12,476	5,940	90.9%
	Mobility problems	17,540	31,930	14,390	82.0%

Source: Data from POPPI and demographic projections

Indicative Need for Specialist Housing – Quantitative Assessment

9.26 Given the ageing population and higher levels of disability and health problems amongst older people there is likely to be an increased requirement for specialist housing options moving forward. The analysis in this section draws on data from the Housing Learning and Information Network (Housing LIN) along with our demographic projections to provide an indication of the potential level of additional specialist housing that might be required for older people in the future.

Current Stock of Specialist Housing

9.27 Table 57 shows the current supply of specialist housing for older people. At present it is estimated that there are 6,015 units; this is equivalent to 133 units per 1,000 people aged 75 and over. This proportion varies from 73 per 1,000 in St. Albans up to 202 per 1,000 in Watford. The majority (65%) of this housing is in the affordable sector even though the majority of older person households are owner-occupiers.

Table 57: Current Supply of Specialist Housing for Older People

	Type of housing	Market	Affordable	Total	Supply per 1,000 aged 75+
Dacorum	Sheltered	316	1,571	1,887	159
	Extra-Care	0	0	0	0
	Total	316	1,571	1,887	159
Hertsmere	Sheltered	493	595	1,088	126
	Extra-Care	53	134	187	22
	Total	546	729	1,275	148
St. Albans	Sheltered	518	232	750	66
	Extra-Care	0	73	73	6
	Total	518	305	823	73
Three Rivers	Sheltered	267	613	880	114
	Extra-Care	0	0	0	0
	Total	267	613	880	114
Watford	Sheltered	479	640	1,119	197
	Extra-Care	0	31	31	5
	Total	479	671	1,150	202
South West Herts	Sheltered	2,073	3,651	5,724	127
	Extra-Care	53	238	291	6
	Total	2,126	3,889	6,015	133

Source: Housing LIN

Projected Future Need for Specialist Housing

9.28 A toolkit has been developed by Housing LIN, in association with the Elderly Accommodation Council and endorsed by the Department of Health, to identify potential demand for different types of specialist housing for older people and model future range of housing and care provision. It suggests that based on a national standard there should be around 170 units of specialised accommodation (other than registered care home places) per thousand people aged over 75 years.

9.29 Table 58 shows the change in the population aged 75 and over in each local authority and what this would mean in terms of provision at 170 units per 1,000 population. The analysis shows a potential need for 6,300 units – 273 per annum. This is around 9% of the total need identified in the demographic modelling (linked to the 2012-based SNPP and household projections).

9.30 Households living in sheltered and Extra Care housing would generally be counted as within the 'household population' within the demographic modelling undertaken in this report; and therefore are included within the overall conclusions drawn on Objectively Assessed Housing Need.

Table 58: Projected need for Specialist Housing for Older People (2013-36)

	Population aged 75+ (2013)	Population aged 75+ (2036)	Change in population aged 75+	Specialist housing need (@ 170 units per 1,000)
Dacorum	11,857	21,568	9,711	1,651
Hertsmere	8,619	16,389	7,770	1,321
St. Albans	11,295	19,250	7,955	1,352
Three Rivers	7,694	14,185	6,491	1,103
Watford	5,689	10,711	5,022	854
South West Herts	45,154	82,103	36,949	6,281

Source: Derived from demographic projections and Housing LIN

Types and Tenures of Specialist Housing

9.31 Earlier in this section analysis has been carried out with regard to the tenure of older person households – the data was split between single pensioner households and those with two or more pensioners (which will largely be couples). The data showed that pensioner households are relatively likely to live in outright owned accommodation (70%) and are also more likely than other households to be in the social rented sector. There were however notable differences for different types of pensioner households with single pensioners having a lower level of owner-occupation than larger pensioner households as well as differences by location.

9.32 The information about current supply of specialist housing indicates that slightly more of this is in the affordable sector than the market. Moving forward we would suggest that additional specialist housing should be split roughly 50:50 between the affordable and market sectors. This reflects the likely 'market' for specialist housing products as well as the current tenure profile of older person households (i.e. the current profile of specialist housing is focussed towards affordable housing and this is likely to in part reflect the need and demand for such accommodation, however, with 70% of older persons being outright owners there is the opportunity to broaden this housing offer to a wider range of household groups).

9.33 The analysis is not specific about the types of specialist housing that might be required. We would consider that decisions about mix should be taken at a local level taking account of specific needs and the current supply of different types of units available (for example noting that at present the dominant type of housing is traditional sheltered accommodation). There may also be the opportunity moving forward for different types of provision to be developed as well as the more traditional sheltered and ExtraCare housing.

9.34 Within the different models and assumptions made regarding the future need for specialist retirement housing (normally defined as a form of congregate housing designed exclusively for

older people which usually offers some form of communal space, community alarm service and access to support and care if required), there may for example be an option to substitute some of this specialist provision with a mix of one and two bedroomed housing aimed to attract 'early retired' older people which could be designated as age specific or not. Such housing could be part of the general mix of one and two bedroom homes but built to Lifetime Homes standards in order to attract retired older people looking to 'down size' but perhaps not wanting to live in specialist retirement housing.

9.35 Our experience when carrying out stakeholder work as part of other SHMA commissions typically identifies a demand for bungalows. Where developments including bungalows are found it is clear that these are very popular to older people downsizing. It should be acknowledged that providing significant numbers of bungalows involves cost implications for the developer given the typical plot size compared to floor space – however providing an element of bungalows should be given strong consideration on appropriate sites, allowing older households to downsize while freeing up family accommodation for younger households.

Registered Care Housing

9.36 As well as the need for specialist housing for older people, the analysis needs to consider Registered Care provision. At present (according to Housing LIN) there are around 4,339 spaces in nursing and residential care homes. Given new models of provision (including extra-care housing) it may or may not be the case that an increase in the total number of spaces is required. However, it should be noted that there may well be some additional need for particular groups such as those requiring specialist nursing or for people with dementia.

9.37 To provide an analysis of potential need for registered care accommodation, the analysis below considers changes to the number of people aged 75 and over who are expected to be living in some form of institutional housing.

9.37 The CLG Household Projections model (and the demographic modelling in this report) assume that the number of people living in the 'institutional population' aged under 75 remains constant in absolute terms. For those aged 75 and over, the proportion is expected to remain constant; but absolute numbers living within the institutional population (mainly within care and nursing homes) is expected to increase. It is important that the need for registered/ nursing care accommodation is modelled on a consistent basis to the conclusions on OAN.

9.38 Indicative conclusions on the potential need for registered care accommodation are therefore a direct output of the demographic modelling which indicates an increase of 3,067 people living in institutions over the 2013-36 period (133 per annum).

Table 59: Potential Need for Residential Care Housing

	Institutional population aged 75+ (2013)	Institutional population aged 75+ (2036)	Change in institutional population aged 75+
Dacorum	732	1,420	688
Hertsmere	710	1,379	669
St. Albans	786	1,426	640
Three Rivers	583	1,175	593
Watford	497	974	478
South West Herts	3,307	6,374	3,067

Source: Derived from demographic projections

9.39 Residential and nursing care accommodation would typically fall within a C2 Use Class. Planning Practice Guidance mentions that local planning authorities can count housing for older people, including in residential institutions in Use Class C2, against their housing requirement. If Councils choose to do so, it is however important that the need and supply are counted on a consistent basis; and thus the need for residential care calculated as above would need to be added to the OAN figures set out in this report which are based on the household population, and would exclude those in C2 institutions.

9.40 The need for residential and nursing care bedspaces has been modelled on the basis that the proportion of people aged 75 and over living in such accommodation remains constant. There are however potential policy issues to consider, including the potential to accommodate persons who might have traditionally been housed in residential or nursing accommodation in alternative forms of provision, such as Extra Care. There are also those who may wish to move into private communal (C2) provision as a matter of choice.

9.41 It is not appropriate for the SHMA to move into such policy issues; but we would note that Hertfordshire County Council's strategic approach is to prioritise Extra Care housing as an alternative to residential care accommodation. The County Council points out that there is already a large supply of such accommodation across the County. It is also noted that a number of people have been identified as living in residential care when they could cope in more independent housing, but they have had to move to this type of housing because of a lack of choice in housing options.

9.42 Hertfordshire County Council's policy is therefore to provide more Extra Care (what it terms flexicare housing), rather than residential care with the view that residential care homes should no longer be the only/main housing option for older people with dementia and/or mobility options. Older people with these conditions can often be catered for in semi-independent accommodation, the

most prominent type of which is Extra Care. Extra Care housing can provide the flexibility to meet individuals' changing needs, and to tailor the level of care to care to what individuals need. It is also often a more cost effective form of care.

9.43 Extra Care can provide well-designed, highly adaptable self-contained accommodation which can be adjusted to suit a person's changing physical and mental needs. A support team is located on site, so the package of support can also be tailored to an individual's needs, and technology can be installed to monitor if any problems occur (e.g. underfloor sensors).

9.44 Residential care will however continue to be the best option for some people but can arguably be a restrictive and expensive housing option for those who could care for themselves if the right type of housing and support was available. Extra Care can form a "middling" housing offer between low level support sheltered housing and high level support residential care. At present the supply of such housing across Hertfordshire is relatively limited; although there are examples of successful schemes.

9.45 It is therefore potentially appropriate to consider what level of C3 housing provision was to be met through Extra Care (flexicare) housing as an alternative to residential care. We do not know exactly how many C3 homes would be required if these were provided instead of C2 bedspaces but can get a reasonable estimation by looking at the relationship between the household population aged 75 and over and the number of households in this age group. The table below shows this relationship in 2013.

9.46 Overall, there are around 0.77 households per person aged 75 and over (ranging from 0.75 to 0.80). This would seem to be a reasonable multiplier to use. For example, if there is a C2 need for 100 bedspaces and this is to be provided as C3 accommodation the equivalent additional to the housing need would be 75-80 homes.

Table 60: Number of households and household population aged 75 and over (2013)

	Households (75+)	Household population (75+)	Proportion of households per person
Dacorum	8,564	11,125	0.77
Hertsmere	6,099	7,909	0.77
St. Albans	7,840	10,509	0.75
Three Rivers	5,404	7,111	0.76
Watford	4,141	5,192	0.80
South West Herts	32,048	41,847	0.77

Source: Demographic modelling

People with Disabilities

9.47 This section concentrates on the housing situation of people/households that contain someone with some form of disability. We have again drawn on Census data although it should be recognised that an analysis of people with disabilities is very strongly linked with the above analysis about older people.

9.48 Table 61 shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. The data suggests that across the study area some 22% of households contain someone with a LTHPD. This figure is lower than the equivalent figure for both the region and nationally. The figures for the population with a LTHPD again show a lower proportion when compared with regional and national figures (an estimated 14% of the population of the study area have a LTHPD).

9.49 For the individual local authorities, the data suggests a higher proportion of households and population in Hertsmere having a LTHPD and the lowest proportions being in St. Albans. All areas however have low proportions of the population and households with a LTHPD when compared with regional and national figures.

Table 61: Households and people with Long-Term Health Problem or Disability (2011)

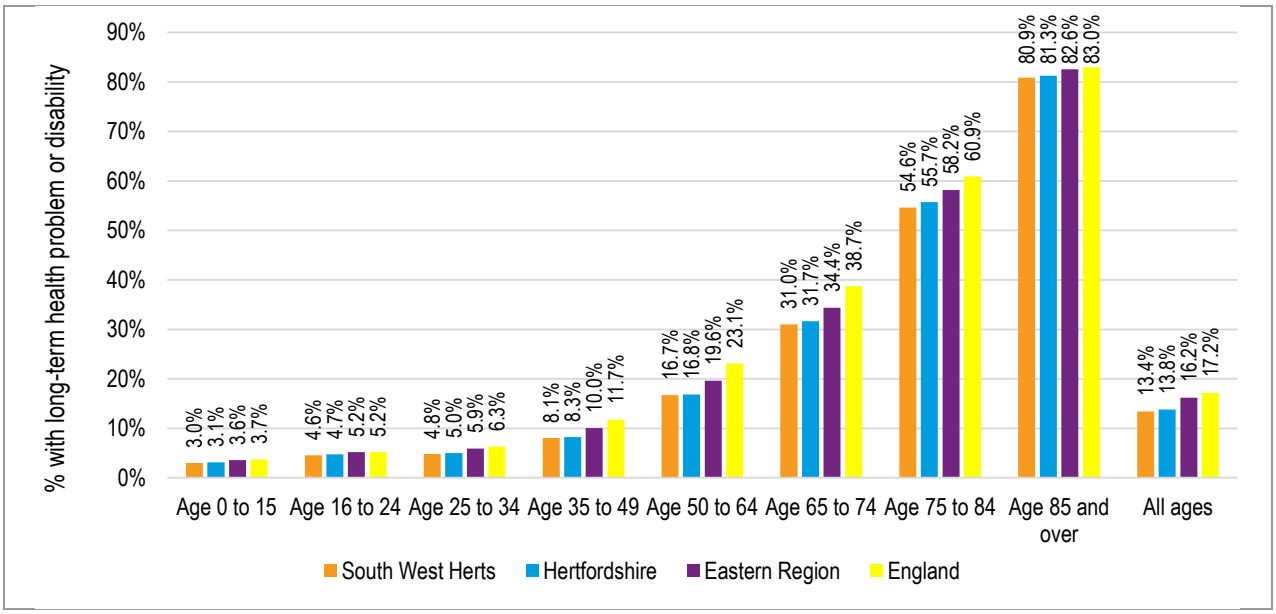
Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Dacorum	13,512	22.5%	21,336	14.7%
Hertsmere	9,279	23.3%	14,869	14.9%
St. Albans	11,429	20.4%	18,095	12.9%
Three Rivers	8,004	22.8%	12,625	14.5%
Watford	7,706	21.0%	12,300	13.6%
South West Herts	49,930	21.9%	79,225	14.1%
Hertfordshire	101,062	22.3%	159,848	14.3%
Eastern Region	595,287	24.6%	976,514	16.7%
England	5,659,606	25.7%	9,352,586	17.6%

Source: 2011 Census

9.50 It is likely that the age profile of the area will impact upon the numbers of people with a LTHPD, as older people tend to be more likely to have a LTHPD. Therefore, the figure overleaf shows the age bands of people with a LTHPD. It is clear from this analysis that those people in the oldest age bands are more likely to have a LTHPD – for example some 81% of people aged 85 and over have a LTHPD. It should be noted that the base for Figure 54 is slightly different to the above table in that it excludes people living in communal establishments.

9.51 When compared with the national (and to a lesser extent regional) position, the data suggests lower levels of LTHPD for all age groups.

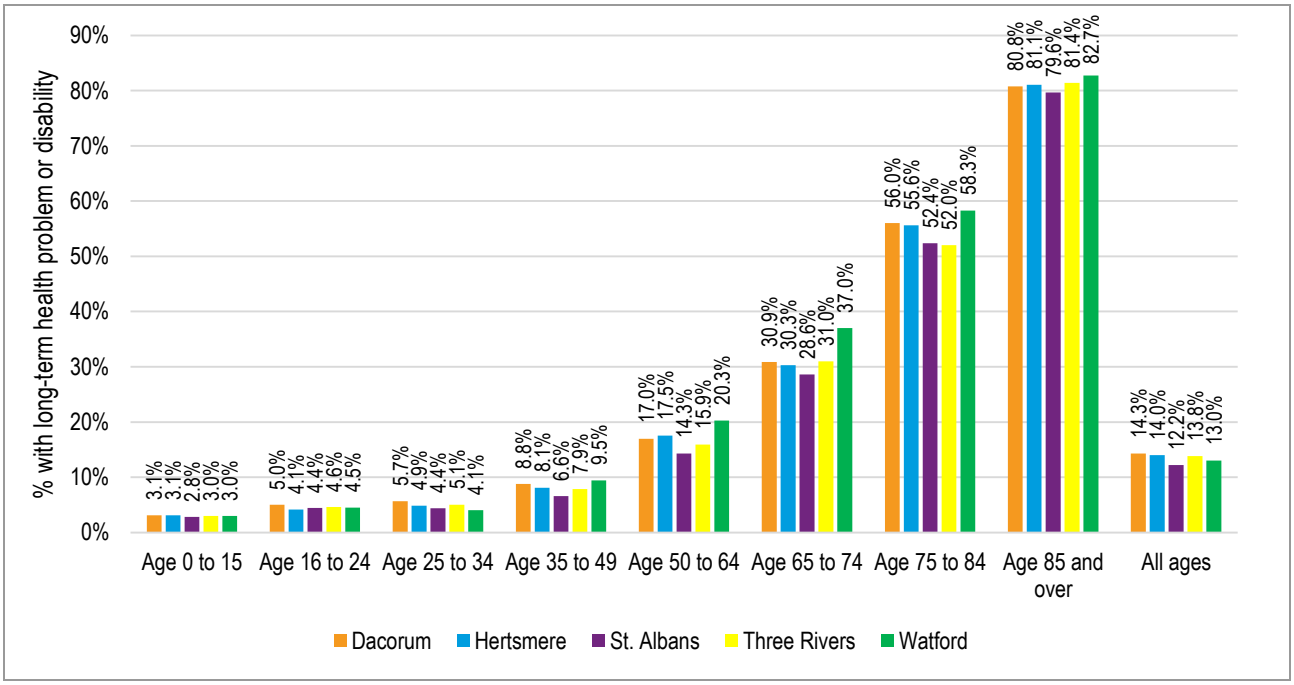
Figure 54: Population with Long-Term Health Problem or Disability in each Age Band



Source: 2011 Census

9.52 Figure 55 shows the same information for individual local authorities – Watford in particular stands out as having higher levels of disability in most age groups, the same is true to a lesser extent in Dacorum. St. Albans typically sees the lowest levels of LTHPD.

Figure 55: Population with Long-Term Health Problem or Disability in each Age Band – by local authority



Source: 2011 Census

9.53 The age specific prevalence rates shown above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. In applying this information to the 2012-based SNPP (adjusted to take account of 2013 mid-year population data) it is estimated that the number of people with a LTHPD will increase by around 38,900 (a 48% increase). The level of increase varies from 44% in St. Albans to 53% in Watford – differences between areas will be linked to overall population growth and the expected changes to age structures.

9.54 Across the study area, the vast majority of this increase (84%) is expected to be in age groups aged 65 and over. The population increase of people with a LTHPD represents 30% of the total increase in the population projected by the demographic modelling.

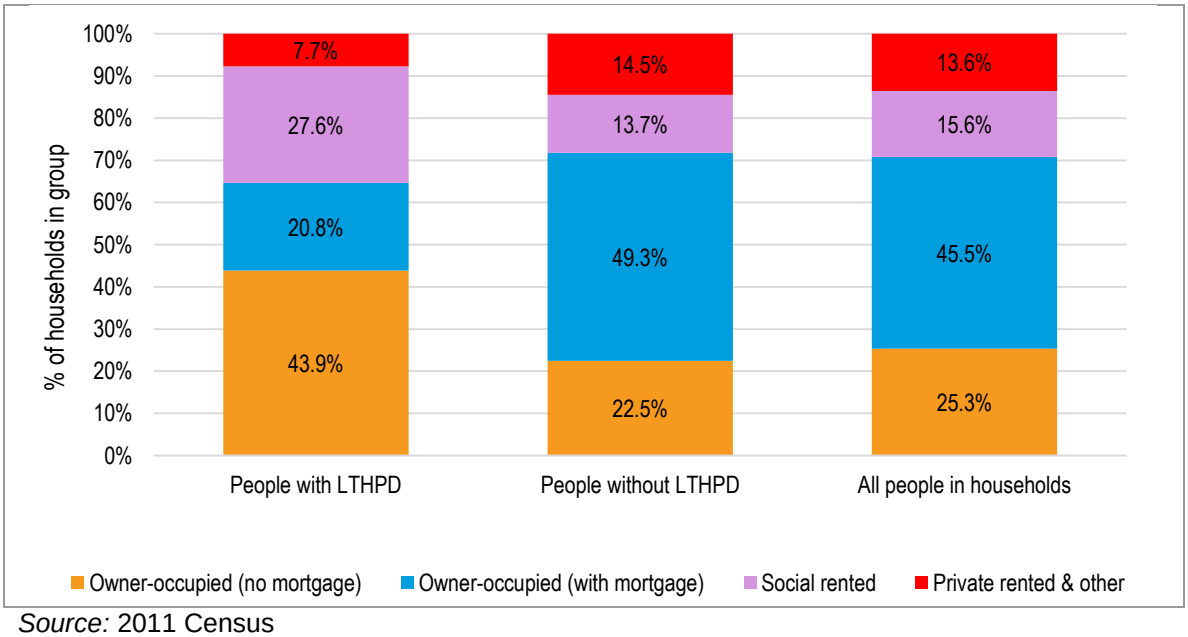
Table 62: Estimated change in population with LTHPD (2013-36)

Area	Population with LTHPD		Change (2013-36)	% change from 2013
	2013	2036		
Dacorum	21,788	31,618	9,831	45.1%
Hertsmere	14,887	22,643	7,756	52.1%
St. Albans	18,351	26,450	8,100	44.1%
Three Rivers	12,914	19,470	6,555	50.8%
Watford	12,654	19,309	6,654	52.6%
South West Herts	80,594	119,490	38,896	48.3%

Source: Derived from demographic modelling and Census (2011)

9.55 The figure below shows the tenures of people with a LTHPD – it should be noted that the data is for population living in households rather than households and is therefore not comparable with other tenure analysis provided in this section. The analysis clearly shows that people with a LTHPD are more likely to live in social rented housing and are also more likely to be outright owners (this will be linked to the age profile of the population with a disability). Given that typically the lowest incomes are found in the social rented sector and to a lesser extent for outright owners the analysis would suggest that the population/households with a disability are likely to be relatively disadvantaged when compared to the rest of the population.

Figure 56: Tenure of people with LTHPD – South West Herts

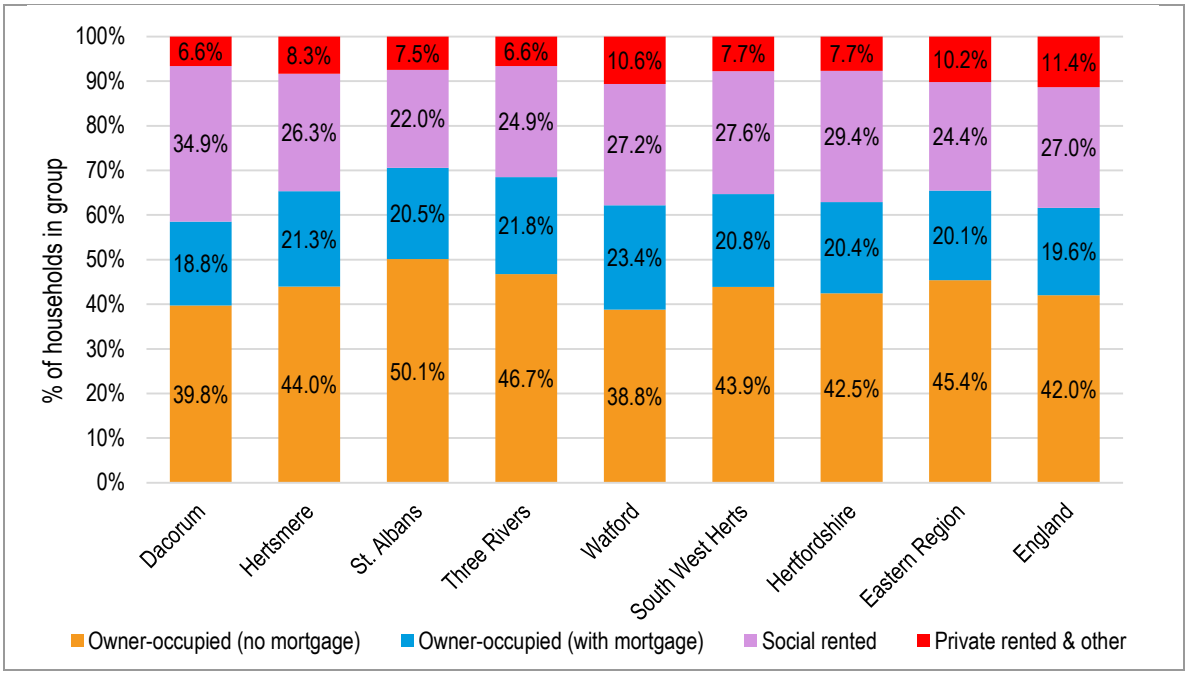


Source: 2011 Census

9.56 Figure 57 shows the tenures of people with a LTHPD by local authority and other comparator areas. The data shows a similar pattern across areas with high proportions of outright owners and people in the social rented sector. Within this however, the data does show a higher proportion in social

rented housing in Dacorum and Watford and a much lower figure in St. Albans. Patterns across South West Herts are broadly similar; to those seen across the County, region and England.

Figure 57: Tenure of people with LTHPD – by local authority[23]



Source: 2011 Census

BME Households

9.57 Black or Minority Ethnic (BME) households, as a group, are quite often found to have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way.

9.58 From 2011 Census data we find that around 20% of the population of the HMA came from a non-White (British/Irish) background. This figure is above that found across the region (14%) and also higher than the figure for England (of 19%). The key BME group in the HMA is Other-White (which is likely to contain a number of Eastern European migrants) – the Other-White population makes up 5.4% of all people in the HMA; there is also a notable Indian population.

[23] Other includes principally those living rent free

Table 63: Black and Minority Ethnic Population (2011)

Ethnic Group	South West Herts	Hertfordshire	Eastern Region	England
White: British	78.1%	80.8%	85.3%	79.8%
White: Irish	1.8%	1.5%	1.0%	1.0%
White: Gypsy or Irish Traveller	0.1%	0.1%	0.1%	0.1%
White: Other White	5.4%	5.1%	4.5%	4.6%
Mixed: White & Black Caribbean	0.7%	0.8%	0.6%	0.8%
Mixed: White & Black African	0.3%	0.3%	0.3%	0.3%
Mixed: White & Asian	0.9%	0.8%	0.6%	0.6%
Mixed: Other Mixed	0.7%	0.6%	0.5%	0.5%
Asian: Indian	3.3%	2.6%	1.5%	2.6%
Asian: Pakistani	1.8%	1.1%	1.1%	2.1%
Asian: Bangladeshi	0.7%	0.5%	0.6%	0.8%
Asian: Chinese	0.8%	0.8%	0.6%	0.7%
Asian: Other Asian	1.9%	1.6%	1.0%	1.5%
Black: African	1.8%	1.8%	1.2%	1.8%
Black: Caribbean	0.8%	0.8%	0.6%	1.1%
Black: Other Black	0.3%	0.3%	0.2%	0.5%
Other ethnic group: Arab	0.2%	0.2%	0.2%	0.4%
Any other ethnic group	0.4%	0.4%	0.3%	0.6%
Total	100.0%	100.0%	100.0%	100.0%
Total population	563,160	1,116,062	5,846,965	53,012,456
% non-White (British/Irish)	20.1%	17.6%	13.8%	19.3%

Source: 2011 Census

9.59 Looking at the individual local authorities the data shows significant differences between areas. Watford stands out as having a high proportion of BME population (36%) including significant numbers of Indian and Pakistani people. The lowest proportion of BME groups can be seen in Dacorum where just 13% of the population is from a BME group.

Table 64: Black and Minority Ethnic Population by Local Authority (2011)

Ethnic Group	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford
White: British	86.0%	75.7%	81.1%	79.7%	61.9%
White: Irish	1.3%	2.1%	1.8%	2.0%	2.3%
White: Gypsy or Irish Traveller	0.2%	0.2%	0.1%	0.1%	0.1%
White: Other White	3.4%	7.0%	5.4%	4.5%	7.7%
Mixed: White & Black Caribbean	0.7%	0.7%	0.7%	0.6%	1.1%
Mixed: White & Black African	0.3%	0.4%	0.3%	0.2%	0.5%
Mixed: White & Asian	0.7%	0.9%	1.1%	0.9%	1.0%
Mixed: Other Mixed	0.5%	0.7%	0.7%	0.6%	0.8%
Asian: Indian	1.6%	3.7%	1.6%	6.0%	5.5%
Asian: Pakistani	1.4%	0.5%	0.8%	0.7%	6.7%
Asian: Bangladeshi	0.2%	0.2%	1.9%	0.2%	0.4%
Asian: Chinese	0.5%	0.9%	0.8%	0.7%	0.9%
Asian: Other Asian	0.9%	2.1%	1.3%	1.6%	4.4%
Black: African	1.4%	3.0%	0.9%	1.0%	3.5%
Black: Caribbean	0.5%	0.6%	0.6%	0.7%	1.7%
Black: Other Black	0.2%	0.4%	0.2%	0.2%	0.6%
Other ethnic group: Arab	0.1%	0.2%	0.3%	0.1%	0.3%
Any other ethnic group	0.2%	0.8%	0.4%	0.3%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Total population	144,847	100,031	140,664	87,317	90,301
% non-White (British/Irish)	12.8%	22.1%	17.1%	18.3%	35.8%

Source: 2011 Census

9.60 Since 2001 the BME population in the study area can be seen to have increased significantly as shown in Table 65. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of the study area has risen by 39,300 over the 10-year period the increase in BME groups (all groups other than White (British/Irish)) has been 54,800. The White (British/Irish) population has therefore decreased by 3% compared to an increase of 94% in BME groups (all combined).

9.61 Looking at particular BME groups we see that the largest rise in terms of population has been for Asian people – increasing by 24,000 over the ten years. This group also sees one of the highest increases in proportionate terms – a 103% rise in population.

Table 65: Change in BME groups 2001 to 2011 (South West Herts)

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	465,637	450,132	-15,505	-3.3%
White – Other	18,408	31,088	12,680	68.9%
Mixed	7,812	14,704	6,892	88.2%
Asian or Asian British	23,341	47,337	23,996	102.8%
Black or Black British	6,565	16,144	9,579	145.9%
Chinese and other	2,065	3,755	1,690	81.8%
Total	523,828	563,160	39,332	7.5%
Non-White (British/Irish)	58,191	113,028	54,837	94.2%

Source: Census (2001 and 2011)

9.62 When looking at the individual local authorities (and comparing the findings with regional and national data) it can be seen that the increase in the BME community has been stronger in the study area than across England but lower than seen in the Eastern region (and also Hertfordshire). The analysis shows the highest BME increase in proportionate terms to have been in Watford and the lowest in St. Albans. In number terms the highest growth has been seen in Watford, where the BME population increased by 18,000 over the 10-year period.

Table 66: Change in non-White (British/Irish) population – 2001-11

	Population (2001)	Population (2011)	Change from 2001	% change from 2001
Dacorum	9,418	18,489	9,071	96.3%
Hertsmere	10,997	22,151	11,154	101.4%
St. Albans	14,412	24,005	9,593	66.6%
Three Rivers	9,024	16,020	6,996	77.5%
Watford	14,340	32,363	18,023	125.7%
South West Herts	58,191	113,028	54,837	94.2%
Hertfordshire	98,293	196,796	98,503	100.2%
Eastern Region	399,589	805,222	405,633	101.5%
England	5,767,580	10,216,219	4,448,639	77.1%

Source: Census (2001 and 2011)

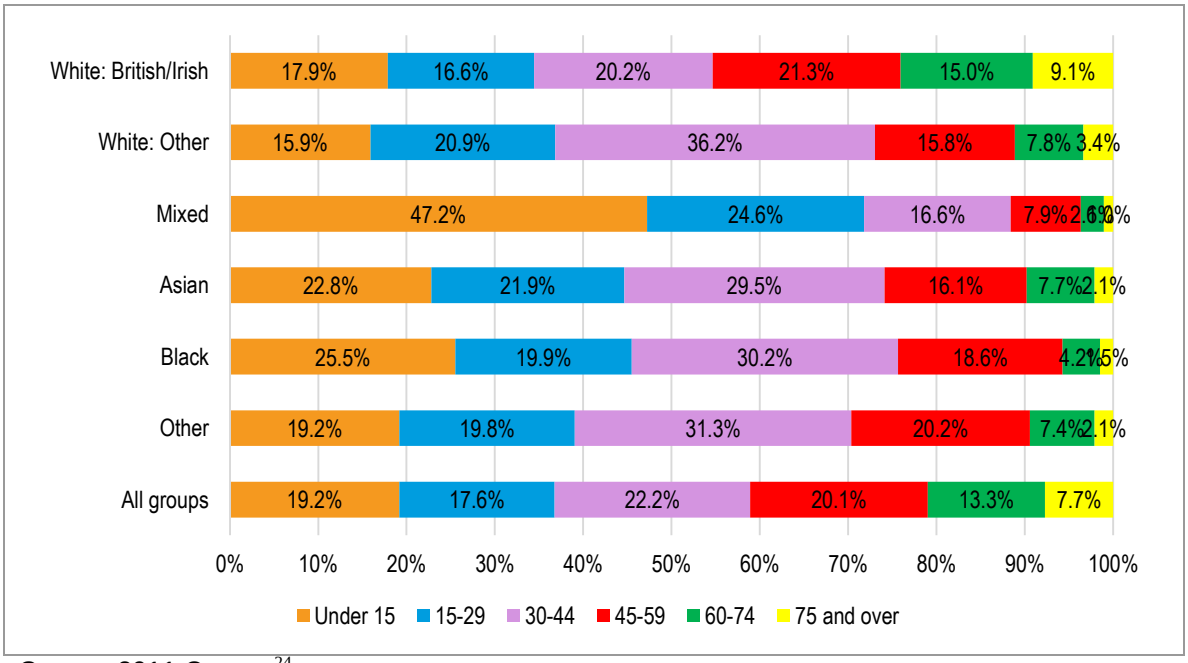
BME Household Characteristics

9.63 Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in the HMA. Figure 58 looks at the population age structure of six broad age groups using data from the 2011 Census.

9.64 The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged under 15 when compared with any other group. The proportions of older persons are also notable with 24%% of White; British/Irish people being aged

60 or over – this compares with all BME groups showing proportions of no more than about 11% in this age group.

Figure 58: Population age profile (2011) – South West Herts

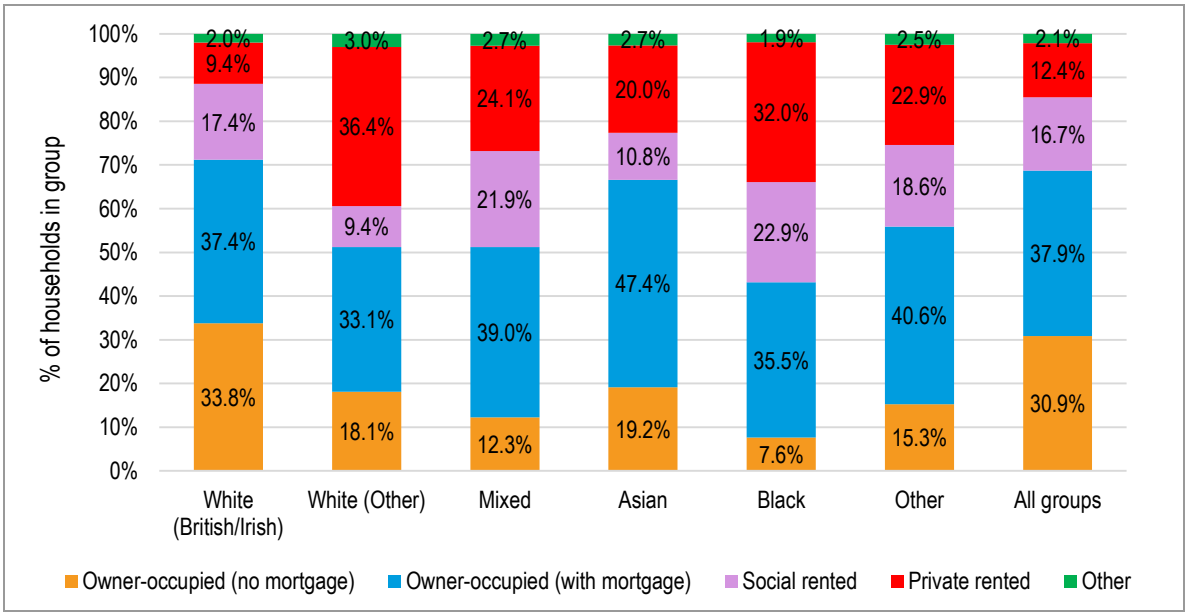


Source: 2011 Census[24]

9.65 There are notable differences between the household characteristics of BME households and the White: British population. The figures overleaf indicate that all BME groups are significantly less likely to be owner-occupiers (particularly outright owners) and more likely to live in private rented accommodation. Arguably the starkest trend is the 36% of White (Other) and 32% of Black households living in the private rented sector.

[24] This includes other ethnic groups, including Arab, not included in the other categories shown.

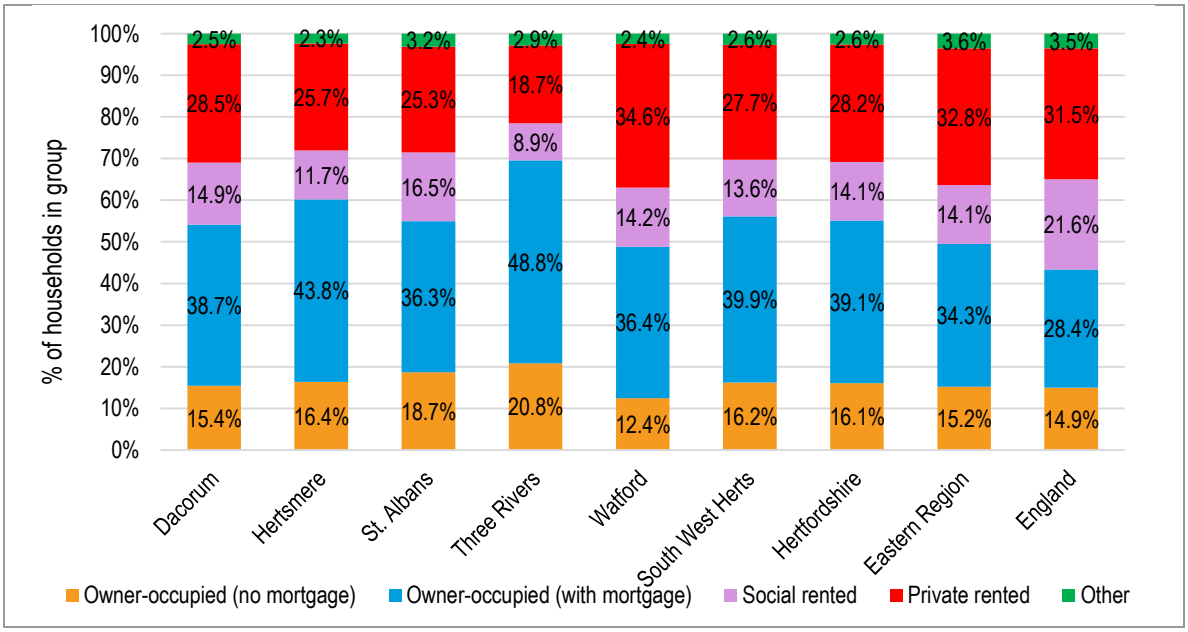
Figure 59: Tenure by ethnic group in South West Herts



Source: 2011 Census

9.66 Looking at individual local authorities (figure below) the data shows some differences by location. In Watford, some 35% of BME households live in the private rented sector with a figure of only 19% being seen in Three Rivers – this area also sees a notably higher proportion of owner-occupiers than other locations. When compared with the region and England the data shows that BME households are slightly more likely to be owner-occupiers (and therefore less likely to live in rented accommodation (both social and private rented)).

Figure 60: Tenure of BME households – by District



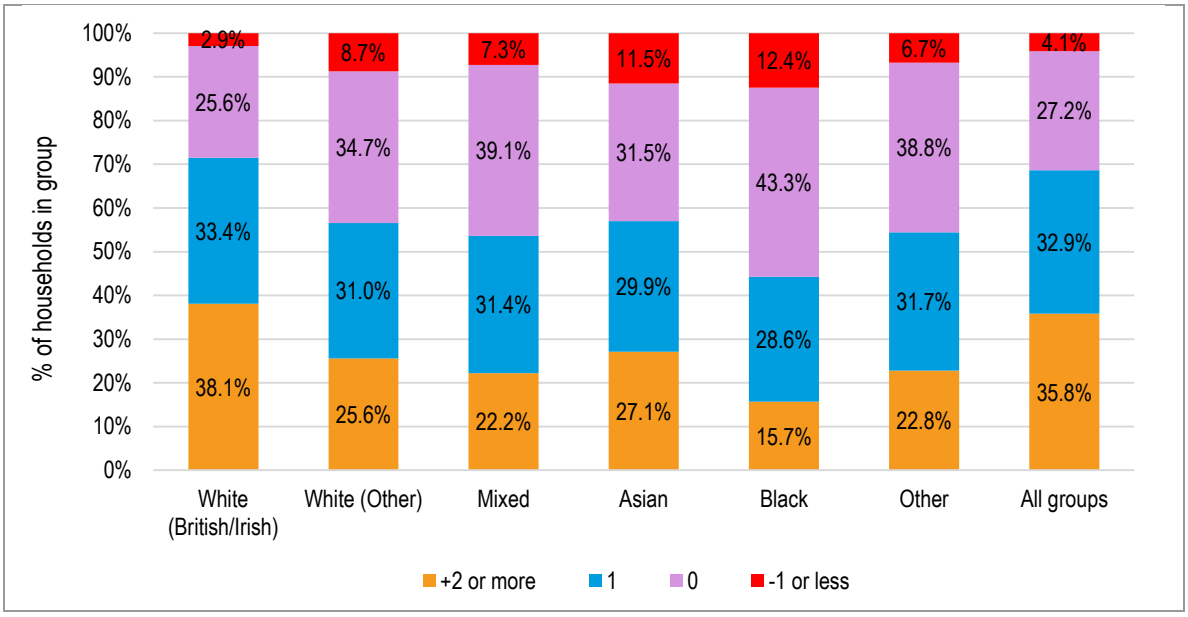
Source: 2011 Census

9.67 The strong representation of BME households in the Private Rented Sector means that they are more likely to be affected by the changes discussed to Local Housing Allowance (particularly as the sector in the HMA shows a strong representation of LHA Claimants).

9.68 As BME communities mature over time, the level of owner occupation may increase. The pace at which this happens may be influenced by economic opportunities available as well as the level of enterprise within the local community. For some communities there may be support mechanisms which can work within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.

9.69 The figure below shows 'occupancy ratings' by BME group; this is based on the bedroom standard where a positive figure indicates under-occupancy and negative figures suggest some degree of over-crowding. BME groups are more likely to be overcrowded (i.e. have a negative occupancy rating) than White (British) households. In particular, the Census data suggests that around 12% of Black and Asian households are overcrowded – this compares with only 3% of the White (British) group. Levels of under-occupancy amongst BME communities are generally low.

Figure 61: Occupancy rating by ethnic group – South West Herts

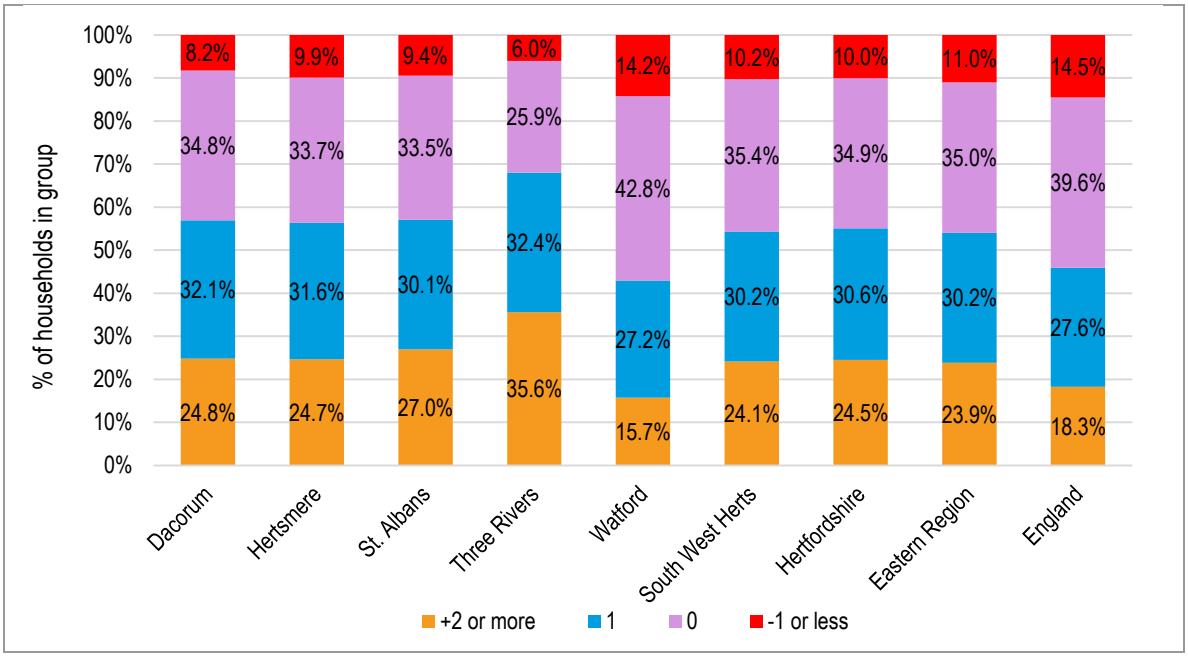


Source: 2011 Census

9.70 Looking at individual local authorities the analysis does suggest some differences. Watford has a notably higher level of overcrowding and low levels of under-occupancy with the opposite being seen particularly in Three Rivers. The occupancy ratings in the HMA are similar to those observed across the County and region although there is a notable difference when compared with national data (less overcrowding and more under-occupancy). The analysis does however suggest in all

areas that BME households are more likely to be overcrowded and less likely to be under-occupying homes than White: British/Irish households.

Figure 62: Occupancy rating of BME households – by local authority



Source: 2011 Census

Family Households

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

Table 67: Households with dependent children (2011)

		Married couple	Cohabiting couple	Lone parent	Other households	All other households	Total	Total with dependent children
Dacorum	No.	10,914	2,520	3,997	1,227	41,280	59,938	18,658
	%	18.2%	4.2%	6.7%	2.0%	68.9%	100.0%	31.1%
Hertsmere	No.	7,864	1,378	2,727	1,088	26,721	39,778	13,057
	%	19.8%	3.5%	6.9%	2.7%	67.2%	100.0%	32.8%
St. Albans	No.	13,058	1,842	2,751	1,058	37,431	56,140	18,709
	%	23.3%	3.3%	4.9%	1.9%	66.7%	100.0%	33.3%
Three Rivers	No.	7,071	1,283	2,105	892	23,757	35,108	11,351
	%	20.1%	3.7%	6.0%	2.5%	67.7%	100.0%	32.3%
Watford	No.	6,671	1,376	2,639	1,243	24,752	36,681	11,929
	%	18.2%	3.8%	7.2%	3.4%	67.5%	100.0%	32.5%
South West Herts	No.	45,578	8,399	14,219	5,508	153,941	227,645	73,704
	%	20.0%	3.7%	6.2%	2.4%	67.6%	100.0%	32.4%
Hertfordshire	%	19.2%	4.0%	6.4%	2.2%	68.2%	100.0%	31.8%
Eastern Region	%	16.7%	4.3%	6.2%	2.2%	70.6%	100.0%	29.4%
England	%	15.3%	4.0%	7.1%	2.6%	70.9%	100.0%	29.1%

Source: 2011 Census

9.72 The demographic projection linked to the 2012-based SNPP (and with an adjustment to take account of 2013 mid-year population data) suggests that the number of children (aged 15 and under) is expected to increase from 2013 to 2036 (an increase of 20,300 – 18% increase).

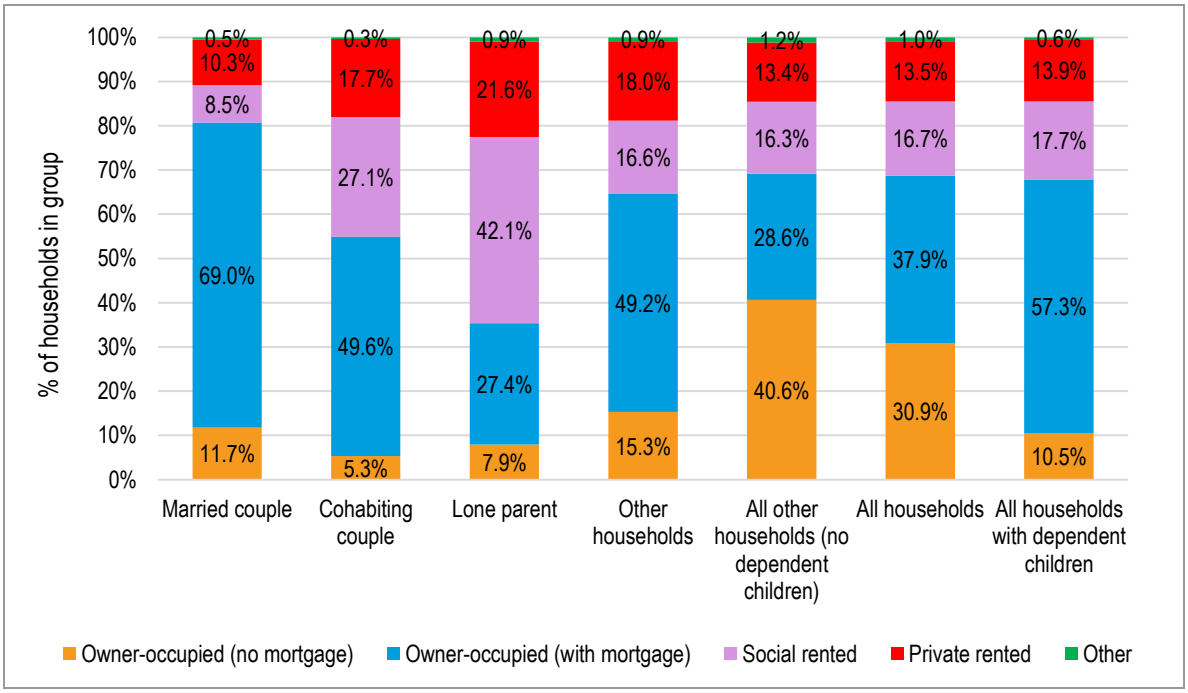
Table 68: Estimated change in population aged 15 and under (2013-36)

Area	Population aged 15 and under		Change (2013-36)	% change from 2013
	2013	2036		
Dacorum	27,675	32,580	4,905	17.7%
Hertsmere	19,389	22,659	3,270	16.9%
St. Albans	29,451	34,686	5,235	17.8%
Three Rivers	16,835	19,979	3,144	18.7%
Watford	18,891	22,640	3,749	19.8%
South West Herts	112,241	132,544	20,303	18.1%

Source: Derived from demographic modelling

9.73 The figure overleaf shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. Only around a third of lone parent households are owner-occupiers compared with 81% of married couples with children.

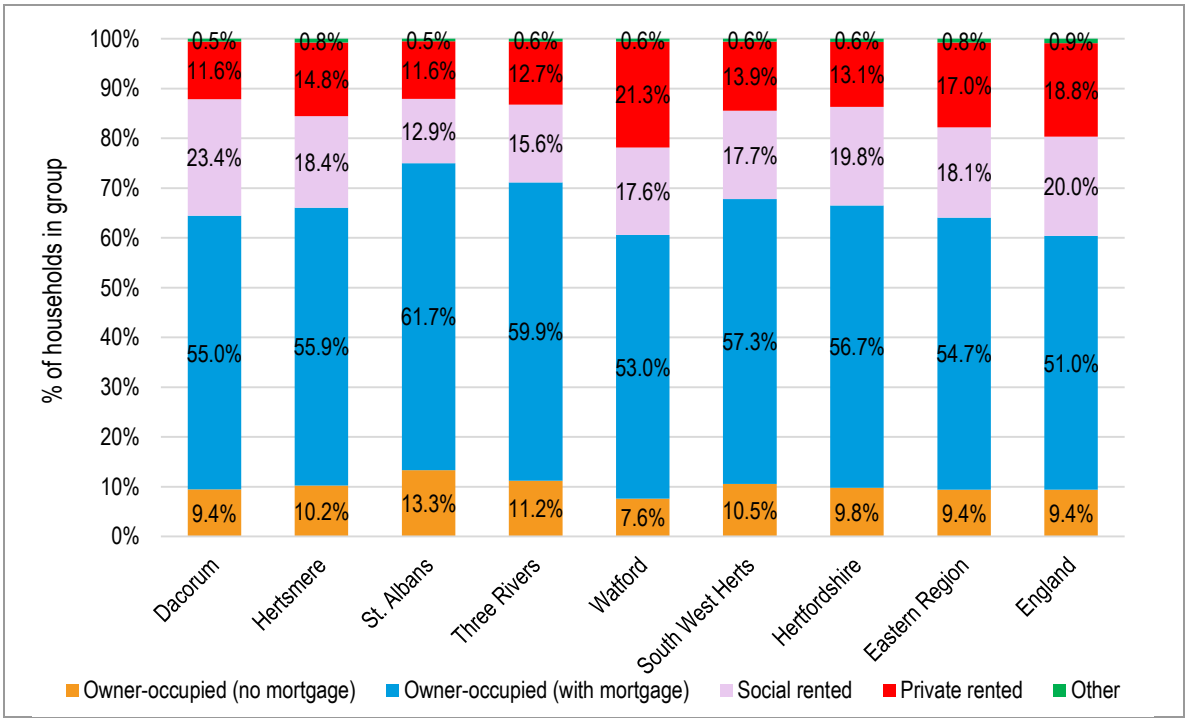
Figure 63: Tenure of households with dependent children – South West Herts



Source: 2011 Census

9.74 Figure 64 shows the current tenure of households with dependent children for each individual local authority area (the figures are for all households with dependent children combined). The data tends to show a similar pattern in each location although St. Albans stands out as having a lower proportion living in social and private rented accommodation with Watford seeing the opposite pattern. Dacorum shows a high proportion of households with dependent children living in the social rented sector.

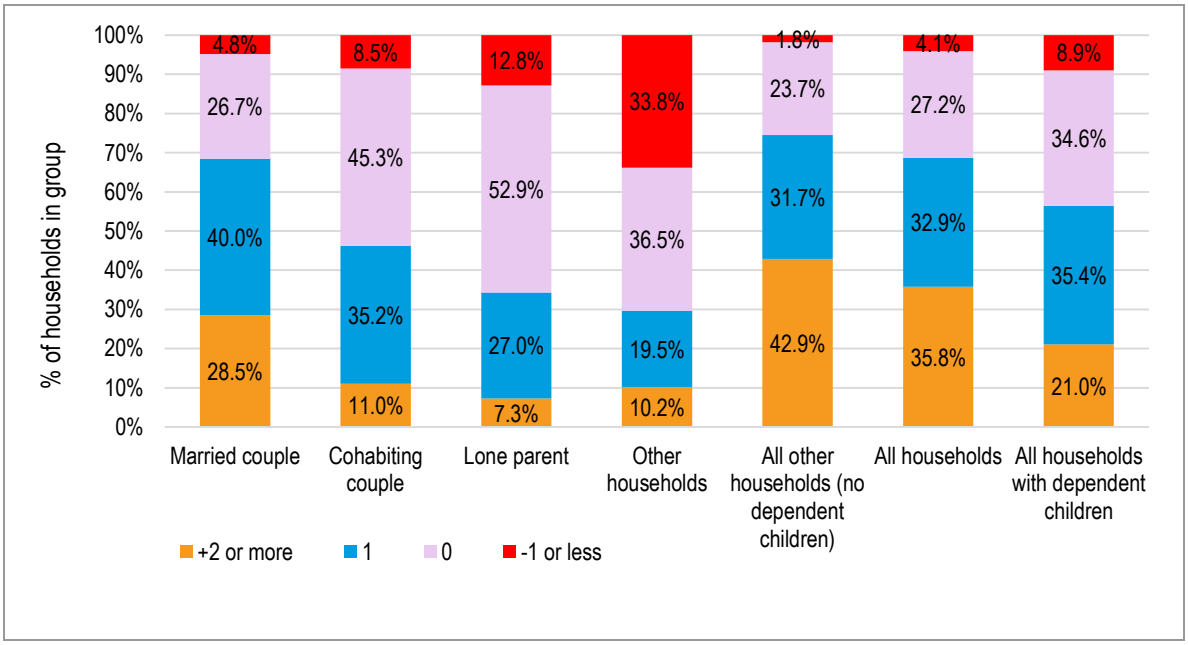
Figure 64: Tenure of households with dependent children – by local authority



Source: 2011 Census

9.75 Overcrowding is often a key theme when looking at the housing needs of households with children and the figure overleaf shows that households with children are about five times more likely than other households to be overcrowded. In total, some 9% of all households with dependent children are overcrowded. Included within this, the data shows particularly high levels of overcrowding amongst lone parent households and 'other' households with dependent children. Other than for married couple households, levels of under-occupancy are also very low.

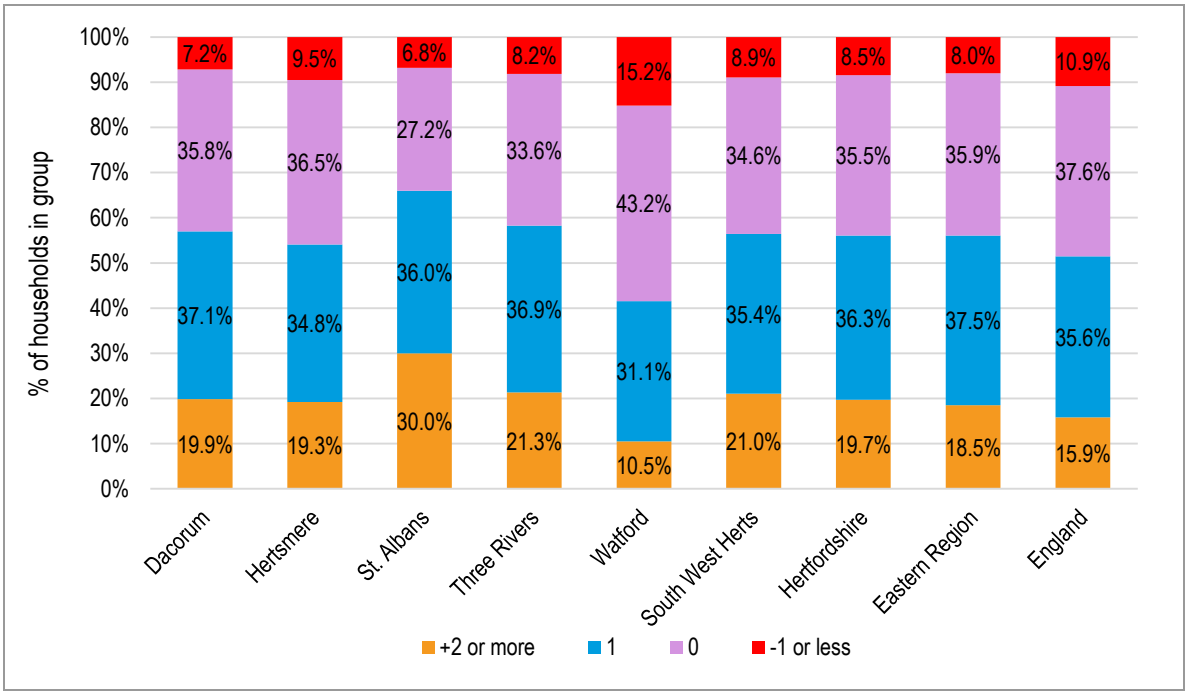
Figure 65: Occupancy rating and households with dependent children – South West Herts



Source: 2011 Census

9.76 Figure 66 shows occupancy rates of households with dependent children by local authority and a range of comparator areas. The data shows particularly high levels of overcrowding in Watford, along with a low level of under-occupancy. The opposite is true for St. Albans in particular. The profile of occupancy patterns for households with dependent children is similar to that seen across the County and region, however, when compared with England, South West Herts shows lower levels of overcrowding and higher under-occupancy.

Figure 66: Occupancy rating and households with dependent children – by local authority



Source: 2011 Census

Young People

9.77 Providing for the needs of younger person households is an important consideration for the Councils. Given ageing populations, the ability to retain young people in an area can assist in providing a more balanced demographic profile as well as providing a vital part of the local workforce. Young people may however find barriers to accessing housing given typically low incomes and potential difficulties in securing mortgage finance due to deposit requirements. Additionally, LHA payments may limit choice for under-35s requiring private rented homes.

9.78 The demographic projections (linked to the 2012-based SNPP and CLG household projections) suggest that in 2013 there were around 36,200 households headed by someone aged under 35 and that this is set to increase by around 2,900 over the period from 2013 to 2036.

Table 69: Estimated change in households headed by someone aged under 35 (2013-36) – using 2012-based CLG household formation rates

Area	Households aged under 35		Change	% change
	2013	2036	(2013-36)	from 2013
Dacorum	9,493	9,978	485	5.1%
Hertsmere	5,923	6,799	876	14.8%
St. Albans	8,080	8,799	719	8.9%
Three Rivers	4,575	5,085	510	11.2%
Watford	8,168	8,498	330	4.0%
South West Herts	36,239	39,160	2,921	8.1%

Source: Derived from demographic modelling

9.79 The data above uses the 2012-based CLG household projections. If the analysis is re-run with an uplift to the formation rates of the population aged 25-34 (as suggested in the proposed 'affordability adjustment') then there is actually expected to be a higher increase in the number of younger households who are a head of a household – increasing by 14% (5,000) over the full 2013-36 projection period. All areas see an increase in younger households, although the figure in Watford is relatively modest.

Table 70: Estimated change in households headed by someone aged under 35 (2013-36) – using 2012-based CLG household formation rates and a 'market signals' uplift

Area	Households aged under 35		Change	% change
	2013	2036	(2013-36)	from 2013
Dacorum	9,493	10,599	1,106	11.7%
Hertsmere	5,923	6,928	1,004	17.0%
St. Albans	8,080	9,408	1,328	16.4%
Three Rivers	4,575	5,415	840	18.4%
Watford	8,168	8,934	766	9.4%
South West Herts	36,239	41,284	5,045	13.9%

Source: Derived from demographic modelling

9.80 As well as households headed by a younger person there will be others living as part of another household (typically with parents). Table 71 shows the number of households in the HMA with non-dependent children[25]. In total, some 10% of households (22,700) contain non-dependent children in 2011. This may to some degree highlight the difficulties faced by young people in accessing housing. Ineligibility for social housing, lower household incomes and the unaffordability of owner occupation for such age groups all contribute to the current trend for young people moving in with or continuing to live with parents. The proportion of households with non-dependent children in the study area is similar to the regional and national average with not much variation between areas.

[25] Non-dependent children are age 19 and over or aged 16-18 and in employment and living with at least one parent.

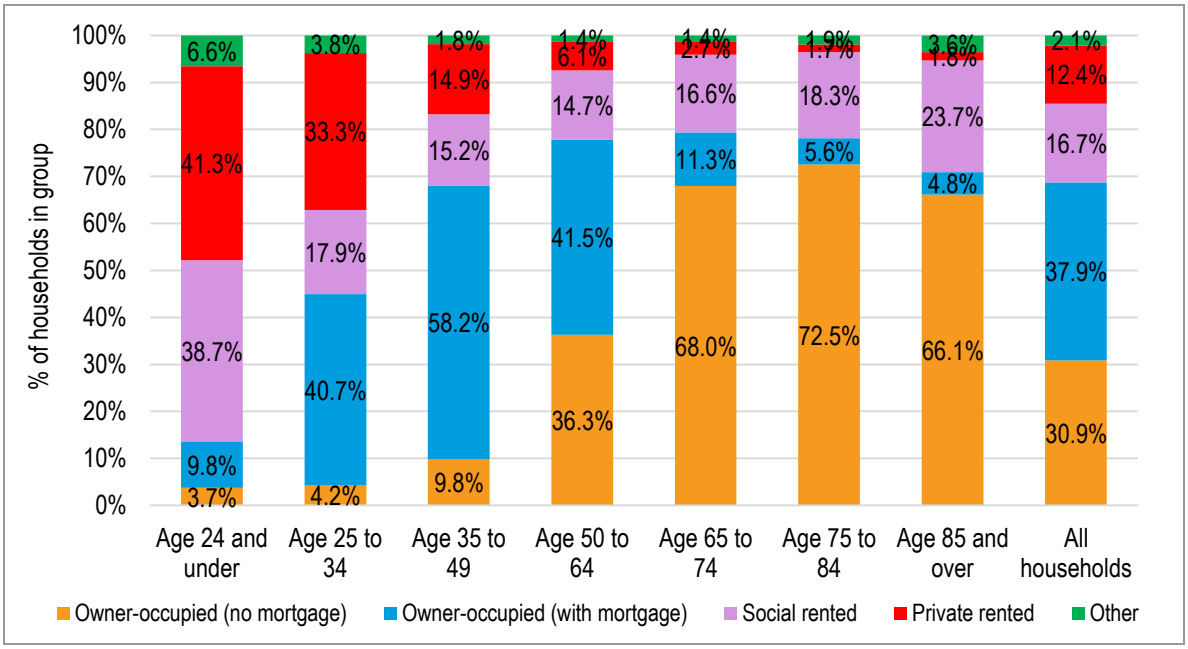
Table 71: Households with non-dependent children (2011)

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

Source: 2011 Census

9.81 When considering households that are currently headed by a younger person we can use 2011 Census data to look at some key characteristics. The figure overleaf shows the tenure groups of these households (compared with other age groups). The data clearly shows that very few younger households are owner-occupiers with a particular reliance on the private rented sector and to a lesser degree social rented housing.

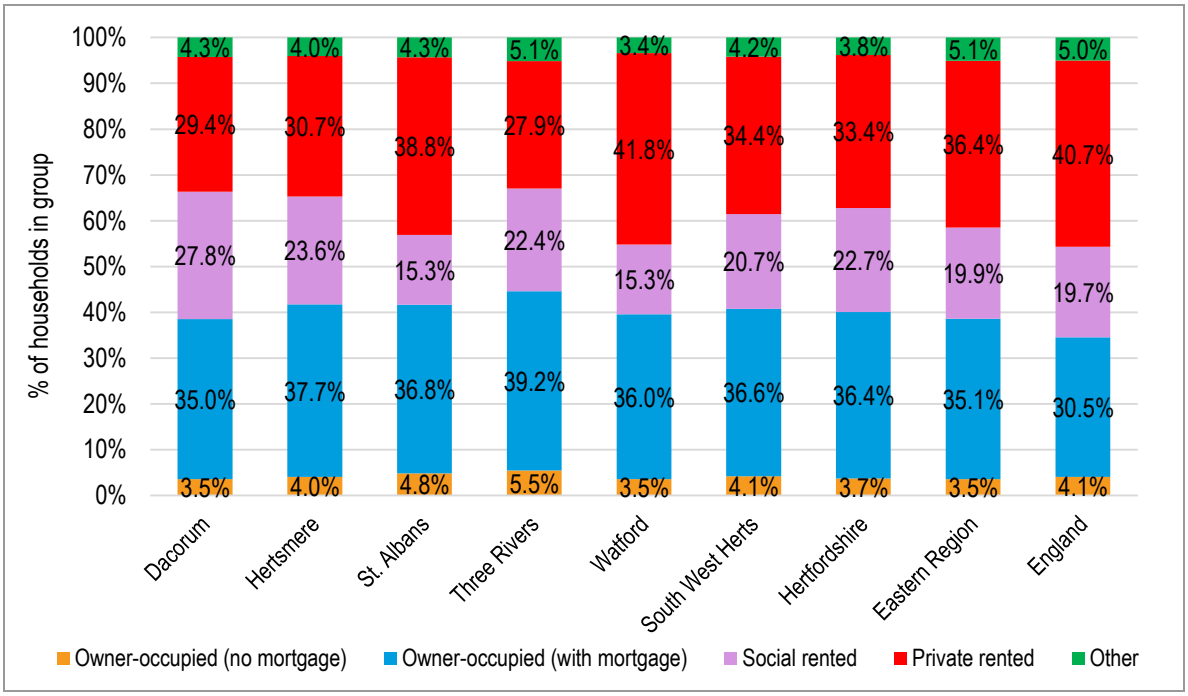
Figure 67: Tenure by age of Household Reference Person – South West Herts



Source: 2011 Census

9.82 When looking at the tenure groups of younger households by district (based on household reference persons aged under 35) the data shows similar patterns in all areas (i.e. a high reliance on the private rented sector). This is particularly strong in Watford and St. Albans. Dacorum sees the highest proportion of younger households in the social rented sector, whilst Three Rivers sees the highest proportion of owner-occupiers. Compared with regional and national data, the HMA shows a slightly lower reliance on the private rented sector and a higher proportion of owner-occupiers. Households categorised as 'other' are those living rent free.

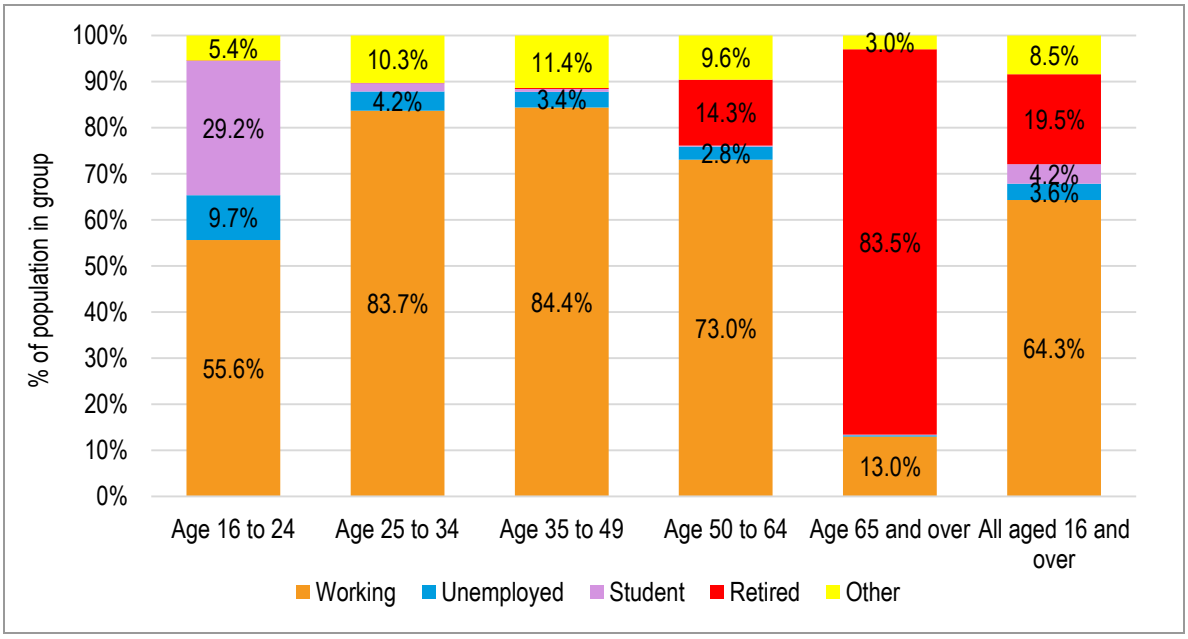
Figure 68: Tenure of households aged under 35 – by local authority



Source: 2011 Census

9.83 Census data can also be used to look at economic activity rates; including employment and unemployment levels. Data about this is shown in Figure 69. The data shows that younger people are more likely to be unemployed than other age groups. The data shows that of the population aged 16-24 some 10% are unemployed, along with 4% of the 25-34 age group.

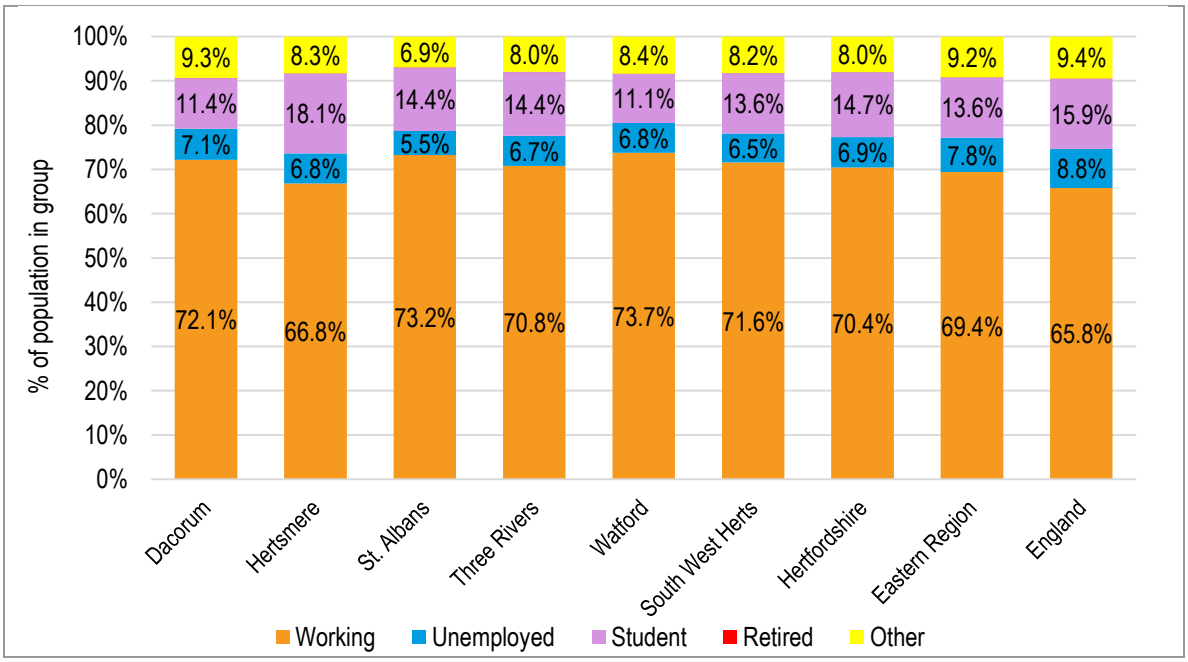
Figure 69: Economic activity by age – South West Herts



Source: 2011 Census

9.84 Data about economic activity has been provided below at a more localised level for the population aged under 35. The data shows that all areas have between about 6% and 7% of younger people who are unemployed – unemployment is highest in Dacorum. Compared with other locations (notably England) the data shows a relatively low level of unemployment amongst younger people in the HMA.

Figure 70: Economic activity by location (people aged 16-34)



Source: 2011 Census

Custom / Self Build

9.85 SHMAs need to investigate the contribution that self-build makes toward the local supply. *Laying the Foundations – a Housing Strategy for England 2010* sets out that only one in 10 new homes in Britain were custom built – a lower level than in other parts of Europe. It identifies barriers to self or custom-build development[26] as including:

- A lack of land;
- Limited finance and mortgage products;
- Restrictive regulation; and
- A lack of impartial information for potential custom home builders.

9.86 Government aspires to make self-build a 'mainstream housing option' by making funding available to support self- and custom-builders and by asking local authorities to champion the sector. Up to £30m of funding has been made available via the Custom Build programme administered by the HCA to provide short-term project finance to help unlock group custom build or self-build schemes. The fund can be used to cover eligible costs such as land acquisition, site preparation, infrastructure, S106 planning obligations etc.

9.87 Local authorities are now required to establish and maintain a register of those interested in building or commissioning their own home. This was introduced by the Self- and Custom Homebuilding Act 2015. This is however a new requirement on local authorities, and Registers – where they have been established – do not yet provide comprehensive information on demand.

9.88 Quantitative information regarding levels of demand for self-build is thus hard to come by, and there is currently no real centrally held source of demand data. Some data on the availability of plots is held on the Buildstore website, which maintains a register of those wishing to build a custom or self build property as well as a register of plots available for this type of development. As of November 2015 there were 19 plots available in South West Herts with capacity for 31 plots.

[26] Self-build is generally considered to refer to situations where a household individually organises and designs the construction of their own home. With custom-build development, a households would work with a specialist developer to design their home.

Table 72: Availability of Custom/Self Build Plots (October 2015)

Location	Locations	Plots
Hemel Hempstead	4	10
Tring	4	6
Dacorum	**8**	**16**
Bushey	2	2
Potters Bar	2	2
Radlett	4	4
Watford Heath	1	1
Hertsmere	**9**	**9**
Watford	2	6
Watford	**2**	**6**
St. Albans	**0**	**0**
Three Rivers	**0**	**0**
South West Herts	**19**	**31**

Source: Buildstore, 2015

9.89 From a development point of view, key issues with this market are associated with skills and risk: whilst there may be a notable number of people with an 'interest' in self-build, there is in some circumstances a significant financial outlay, risk and time-cost associated with self-build.

9.90 We would expect most new delivery to be on small windfall sites; although there is some potential through policy to encourage developers of larger schemes to designate parts of these as plots available for custom build.

Key Findings: Specific Groups of the Population

- This section of the report has studied the housing circumstances of various different groups of the population. These are:
    - Older people
    - People with disabilities
    - The Black and Minority Ethnic population
    - Households with children (family households)
    - Young households
- Older persons – the key challenge here will be to meet the needs of an ageing population with the number of people aged 65 and above expected to increase by 60,200 (65%) over the 23-years from 2013 to 2036. Demographic change is likely to see a requirement for additional levels of care/support along with provision of some specialist accommodation (particularly in the market sector).
- People with disabilities – the number of people with disabilities is closely related to the age of the population and many of the conclusions related to older persons are relevant for this group.

Demographic projections suggest a 136% increase in the population aged over 85 from 2013 to 2036 with Census data suggesting that 80% of this age group have some level of disability.

- BME groups – the BME population of the HMA is somewhat larger in size than the regional average (and slightly higher than national levels). The BME population has grown significantly over the past decade. Characteristics of BME groups (including tenure profiles and occupancy patterns) suggest that such households may be disadvantaged in the housing market. Where possible the Councils should provide advice to BME groups and in particular ensure that accommodation quality (particularly in the private rented sector) can meet the needs of such households which are disproportionately likely to contain children.

- Family households – data about family households suggests that lone parents are particularly disadvantaged with a high reliance on rented housing. Projections suggest an increase in the number of children in the HMA over the next few years and if past trends are repeated this will also see a notable increase in the number of lone parents. Again advice about housing options and maintaining a good quality of accommodation will be critical to ensure that such households' needs are best met and that children are provided with a full range of opportunities (e.g. education) as they grow up.

- Young person households – young people (aged under 35) are important for any area due to the long-term economic potential they can bring. As with other groups there are some indications of this group being disadvantaged with a reliance on rented accommodation and higher levels of unemployment. Given that the housing options for young people may be more limited than for other groups it will be important to monitor the accommodation quality – this will need to focus on HMOs given general trends of an increase in house sharing over time.

- Self and Custom Build – this is a small sector within the housing market, but one which has the potential to grow. Barriers to growth include information, development skills, land availability and finance. Councils are now required to maintain a register of those interested in self- and custom build. There is potential for plots to be set aside for custom-build development as part of larger development schemes.

10 CONCLUSIONS

10.1 This final section of the report draws together the preceding analysis to set out the overall housing need, leaving aside policy and supply-based considerations, and to identify the need for different sizes of both market and affordable homes, and the needs of particular groups within the community.

Context to the SHMA

10.2 There are some important initial points to make about the approach adopted in this Strategic Housing Market Assessment. Firstly, the approach used follows that in the PPG. This is one whereby the latest population and household projections are a starting point; and then consideration is given as to whether this needs to be adjusted to take account of market signals, evidence of affordable housing need or to support expected growth in the economy. This is a prescribed approach, which is clearly set out by Government, and against which the evidence base is tested – such as at local plan examinations. This approach is used to define the full, objectively assessed need (OAN) for housing on a 'policy off' basis. On a policy-off basis, OAN is set out at both an HMA and local authority level, as the NPPF requires (as clarified by the case law)[27].

10.3 As national policy requires, the SHMA findings purposely "leaves aside" supply-side considerations and constraints to development – including land availability, infrastructure and Green Belt. These considerations are applied in bringing together the evidence, and testing options for development (including through Sustainability Appraisal) as part of the plan-making process. In effect, national policy sets out that development needs should be assessed leaving aside constraints (Stage 1); and then brought together with evidence related to land availability, development constraints, infrastructure and unmet housing needs from other areas in deriving policy targets for housing provision through the development of local plans (Stage 2). The requirement for this two stage approach is clearly outlined in the case law[28].

10.4 Whilst national policy sets the bar high in terms of seeking to meet housing need[29], and the ability to do so needs to be tested as part of the plan-making process, the housing need identified in the SHMA is not a housing target – and there may be sound reasons as to why the identified housing need cannot be sustainably accommodated.

10.5 Housing targets will be set in local plans. The SHMA provides an important input into setting targets for housing provision, but these will also take into account factors such as the supply of land for

[27] Satnam Millennium Ltd. V Warrington BC [2015] EWHC 370 (Admin)
[28] City and District Council of St. Albans vs. Hunston Properties Ltd [2013] EWCA Civ. 1610
[29] Hunston describes this as a consideration of particular standing

new development, Green Belt, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.

Demographic Projections – the Starting Point

10.6 Planning Practice Guidance sets out that "*household projections published by the Department for Communities and Local Government should provide the starting point estimate of overall housing need*." The most up-to-date projections are the 2012-based CLG Household Projections published in February 2015. These projections were underpinned by ONS (2012-based) Sub-National Population Projections (SNPP) – published in May 2014.

10.7 The 2012-based SNPP look to be a sound demographic projection from a technical perspective. Future levels of migration are slightly above past trends (based on short-term trends). Population growth sits in-line with short-term trends and some way above long-term growth. The SHMA has rebased projections to take account of 2013 Mid-Year Population Estimates, as the PPG advises.

10.8 The SNPP shows that the population of the sub-region is expected to grow by around 131,800 people. This is a 22.9% increase – slightly higher than expected across Hertfordshire and notably above figures for the East of England region and England as a whole.

10.9 The population projections have then been translated into estimates of the number of households forming in the area over the 23-year period. To do this, the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)). The most up to date headship rates are the 2012-based CLG Household Projections, which have been used herein.

10.10 The 2012-based SNPP (adjusted) and 2012-based headship rates project an overall housing need for some 3,056 dwellings per annum across the sub-region over the 2013-36 period.

Sensitivity Analysis – Migration

10.11 In addition to the 2012-based SNPP projections we have considered two alternative projections to provide a sensitivity analysis:

- The 10-year Migration Trend;
- Adjustments for Unattributable Population Change (UPC).

10.12 The 10-year Migration Trend looks at the level of population and household/housing growth we might expect if migration levels in the future are the same as seen over the past decade. The 10-year migration trend projects an annual housing need of 2,516 dwellings per annum across the sub-region, which is a lower level of need than projected by the 2012-based SNPP (3,055 dpa).

10.13 A consideration of longer-term trends is suggested as an alternative scenario in the Planning Advisory Service's Advice Note on *Objectively-Assessed Need and Housing Targets.* It has also been suggested as a sensitivity analysis by the Greater London Authority as part of consultation on this Report, recognising that out-migration from London to some other areas within the Greater South East fell during the last recession.

10.14 This report however concludes that these projections are not as technically robust as the SNPP for a number of reasons. Firstly, they do not take account of changes to the age structure over time and the impact this might have on migration levels. Second, there is an inter-relationship between South West Hertfordshire's housing market and London; and the 'dynamic' ONS SNPP Projections take account of this inter-relationship with how London's population is expected to change; and how age structure changes will influence out-migration. Thirdly there is evidence from interrogation of Unattributable Population Change that migration historically may well have been under-estimated. On this basis a long-term migration projection is less reliable than one which is based on more recent demographic data, produced since the implementation of ONS' Migration Statistics Improvement Programme.

10.15 A second sensitivity analysis models the implications of adjusting migration statistics for Unattributable Population Change. The sensitivity analysis run considers the implications if UPC was entirely related to migration, and errors with previous estimates impacted on future projections for migration. In this scenario, the housing need shown is higher – for 3,486 dwellings across the HMA.This report concludes however that Unattributable Population Change within the ONS Components of Change demographic data for the 2001-11 period could relate to either inaccuracy in the recording of population in the 2001 or 2011 Census, or to the estimates of population change in the inter-Census period.

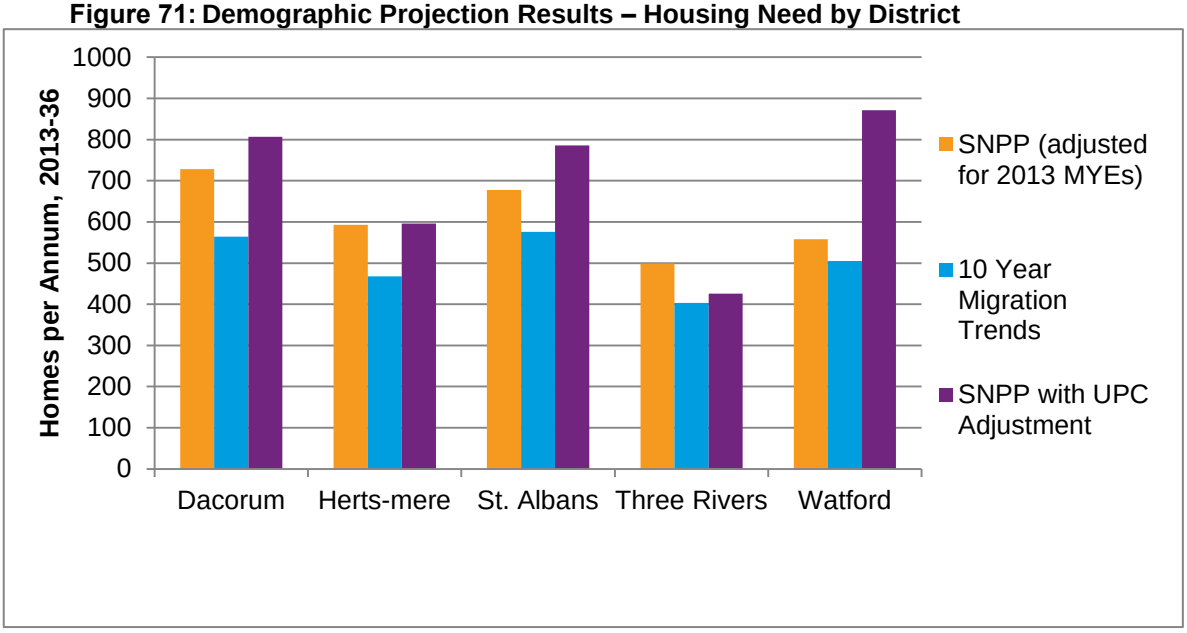
10.16 It is "unattributable" as it is unclear to which of these potential factors it can be associated (or what proportion to which). If it did represent an under-estimation of migration, this was more likely to have happened during the earlier part of the 2001-11 decade, when international migration was particularly strong, than the period which has fed into the SNPP. The impact on the SNPP is thus potentially limited; however it would suggest that a longer-term projection of recorded migration would potentially under-estimate population growth.

10.17 Taking account of the interrogation of the projected population trends in the SNPP with evidence of past population growth, we conclude that there is insufficient robust evidence to adjust (or move away from) the core demographic-based projections using the SNPP.

10.18 The chart below summarises the demographic-led projections and sensitivity analysis. Figures for individual districts are set out in Table 74. Whilst the 10-year migration scenario is lower, it is not as

sophisticated a demographic projection as the 2012 SNPP. It does not take account of how population growth and age structure changes (in both the South West Hertfordshire authorities and areas from which people move to them) will change over time and is potentially based on data which under-estimates net migration to South West Hertfordshire.

Figure 71: Demographic Projection Results – Housing Need by District



10.19 The stronger migration in the 2012-based SNPP relative to 10 year trends also suggests that there is not a particular "recessionary effect" at play in regards to the interaction of London and South West Hertfordshire.

Economic-Led Projections

10.20 Following the approach in the PPG, consideration needs to be given to whether economic growth might lead to higher net migration than projections based on past demographic trends would indicate. The PPG sets out that this assessment should be undertaken considering the likely change in jobs numbers and growth in working age population in the housing market area, recognising that the housing market area/ functional economic market area – in this case South West Hertfordshire - is the appropriate scale at which to seek to balance labour supply and demand.

10.21 The South West Hertfordshire Economy Study, prepared by Regeneris Consulting and GL Hearn, has considered economic growth prospects across the HMA/ FEMA.

10.22 The Economy Study has considered the structure, attributes and growth potential of the sub-regional economy, taking account of alternative econometric forecasts and wider evidence, including engagement with a range of stakeholders. It concludes by identifying a demand-led scenario for employment growth, which sees employment growth of 0.8% per annum across the

HMA. This represents a positive scenario for growth of the sub-regional economy. It is consistent with long-term growth rates, and with the NPPF emphasis on planning positively for economic growth.

10.23 This SHMA report considers the implications of this level of economic growth on housing provision. The 'Employment-led' Growth Scenario in the Economy Study shows an increase of around 60,700 jobs across the HMA between 2013-36. Growth rates are relatively similar across the area, with the exception of Dacorum where employment is expected to grow modestly slower. The scale of employment growth expected in different areas (leaving aside land and development constraints) is shown below:

Table 73: Expected Employment Growth, 2013-36

	Employment Change, 2013-36 ('000s)	% Annual Growth
Dacorum	10.9	0.6%
Hertsmere	13.8	0.9%
Three Rivers	8.4	0.8%
St. Albans	16.2	0.9%
Watford	11.3	0.8%
SW Herts	60.7	0.8%

Source: EEFM, Regeneris Consulting

10.24 Table 74 below considers how the economic-led projections relate to the various demographic-led projections developed.

Table 74: Comparing Economic-led and Demographic-led Projections – Housing Need per Annum, 2013-36

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	HMA
SNPP (adjusted for 2013 MYEs)	728	593	678	499	558	3,056
10 Year Migration Trends	564	468	576	403	505	2,516
SNPP with UPC Adjustment	807	596	786	426	871	3,486
Employment-led Growth Scenario	627	670	744	485	469	2,996

10.25 The evidence base points to strong labour market inter-relationships between local authorities within the HMA. There is a strong level of commuting between the local authorities within the HMA. This reflects their geographical proximity as well as the density of the transport network which links places together. Given this, it would be artificial to seek to balance growth in employment and labour supply within the confines of the somewhat arbitrary boundaries of individual administrative authorities. This approach has been agreed collectively by the commissioning authorities.

10.26 The SHMA takes account of factors which may influence the inter-relationship between housing and employment growth, including the proportion of people (in different age groups) in work; and evidence that some people have more than one job. The SHMA has made assumptions on these issues, based on the available evidence. It takes account of commuting patterns including the inter-relationship with and influence of London's economy on the labour market in South West Hertfordshire. The detailed modelling assumptions are set out in Section 5.

10.27 The employment-led growth analysis indicates that at an HMA level, 2,996 homes per year would be needed to support expected economic growth. This compares with the demographically-based need for 3,056 homes per year. **We would therefore conclude that there is no need to adjust the assessed housing need at this level to support economic growth.**

10.28 There are clearly a range of influences on the likely scale and distribution of economic growth within the HMA, including land supply constraints/ opportunities. If the economy did grow exactly as has been modelled, projected job growth could exceed modelled growth in labour supply based on demographic trends in Hertsmere and St. Albans; but would, however, fall short of projected growth in labour supply in Dacorum, Watford and Three Rivers.

10.29 The PPG sets out that "*where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems*."

10.30 It is reasonable to expect that commuting dynamics between local authorities within the HMA can flex over time. Indeed, many economic forecasting models make assumptions that commuting dynamics can change, taking account of trends in labour supply and demand. We would note that there are strong public transport links, both rail and bus, between the authorities in the HMA; and considerable opportunities for sustainable travel between them.

10.31 Furthermore, we note comments in the PAS Technical Advice Note which outlines that "*in aligning jobs and housing it is advisable to focus on HMA and functional economic areas – which as discussed earlier should ideally be co-terminous – rather than individual districts. Many people travel to work across administrative boundaries, so planning for each district in isolation will not produce the most efficient and sustainable relationships between the locations of housing and jobs*" (Paragraph 8.13). The PAS Report sets out that it may be reasonable to assume that commuting patterns can change, provided that the planning authorities concerned are in agreement and the resulting travel is sustainable.

10.32 On this basis, we do not consider that there is a robust evidential basis for seeking to adjust assessed housing need for individual authorities within the HMA to take account of economic factors. This approach has been agreed collectively by the commissioning authorities.

10.33 We would however recommend that the local authorities continue to liaise with one another to ensure that a balance between jobs and homes is planned for at an HMA level through local plans. There are policy decisions to be made regarding the future distribution of both employment and housing development within the HMA. Land availability, environmental and policy constraints will inevitably impact on the distribution of employment growth, which may well, as a result, differ from that shown in the forecasting work undertaken. It will therefore be important that issues of jobs-homes balance continue to be considered through the plan-making process, at a local and HMA level, taking account of opportunities for sustainable travel and planned infrastructure investment, including the delivery of the Croxley Rail Link.

Market Signals & Affordability

10.34 The Planning Practice Guidance indicates that "*the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings*."

10.35 It identifies that where market signals point to poor and worsening affordability and an imbalance between supply and demand, an appropriate adjustment should be made to future housing provision. It indicates that rather than seek to estimate the precise impact of an increase in housing supply, plan makers should increase planned supply (relative to demographic projections) by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.

10.36 The location of South West Hertfordshire just to the north of the Greater London conurbation is reflected in high house prices – in both the sales and rental sectors. Median house prices in all of the HMA authorities are above national and East of England regional averages with prices more comparable with London prices, albeit this reflects generally larger housing stock.

10.37 Rental prices in South West Hertfordshire are higher than the national average and again reflect the HMA's location with rental prices half way between East of England and London regional averages.

10.38 House prices and the affordability of market housing worsened quite notably over the pre-recession decade (1998-2007). Following the recession, the housing market in South West Hertfordshire steadied somewhat. In the last 18 months there have been signs of market recovery. Sales

volumes remain however 17% below pre-recession levels – indicating that effective demand for market housing has not fully recovered.

10.39 The impact of declining affordability in the housing market, coupled with access to mortgage restrictions brought on by tighter regulation has evidently had some impact on constraining household formation rates in the 2001-11 period. It has contributed to a decrease in levels of home ownership and an increase in the number of overcrowded households, people living in shared housing, and young people living with their parents for longer.

10.40 The completions data shows that that housing delivery in South West Hertfordshire has been good and overall delivery has exceeded adopted targets in 6 out of the last 8 years. Housing delivery rates in South West Hertfordshire do not appear to be as affected by the recession as has been seen elsewhere. However, (set against the sales evidence) this may reflect low targets (relative to need) as much as strong delivery performance in comparative terms.

10.41 An assessment of affordable housing need has been undertaken which is compliant with PPG to identify whether there is a shortfall or surplus of affordable housing in South West Herts. This has estimated current housing need of 3,843 households, excluding existing social housing tenants where they would release a home for another household in need. The affordable housing needs model then looked at the balance between needs arising and the supply of affordable housing. Each year an estimated 3,774 households are expected to fall into affordable housing need and 1,550 properties are expected to come up for relet. Overall, in the period from 2013 to 2036 a net need for 2,391 affordable homes per annum is identified. There is thus a requirement for new affordable housing in the HMA and the Councils are justified in seeking to secure additional affordable housing.

10.42 Overall the analysis of market signals and of affordable housing need points clearly to higher affordability pressures in the HMA than in other parts of the country.

10.43 Firstly delivery of the identified demographic need would represent an increase of 107% on past housing delivery across the HMA (with individual local authority figures varying from a 33% increase in Watford to 149% increase in Three Rivers). **Meeting the demographic need would therefore significantly boost housing delivery and should improve affordability.**

10.44 However it is necessary to consider whether a further adjustment would be appropriate to the assessed housing need to improve affordability. The evidence from the analysis of market signals and the demographic analysis indicates that an increase in housing costs, and decline in housing affordability, over the 2001-11 period was manifest in:

- Growing numbers of young people staying with parents or living in shared accommodation;

- Tenure changes, with a growth in particular in the Private Rented Sector;
- Falling ability of younger households aged 25-34 to form.

10.45 The tenure changes affect the ownership of housing – as opposed to the overall stock of housing. The direct impact of a decline in affordability has been a fall in household formation; and an increase in the numbers of young households sharing housing or living with parents. This is manifest in the market signals analysis; and in the analysis of household formation rates (as set out in Section 3).

10.46 Affordability issues are particularly pertinent to younger people/ households, as for older age groups home ownership levels are greater (and rising prices have contributed to growth in wealth for existing owner occupiers). National research undertaken for the RTPI by Neil McDonald and Peter Williams at Cambridge University indicates a particular effect of the decline in affordability between 2001 and 2011 and the economic recession has been young adults living within a parental home for longer or living in shared accommodation rather than separate accommodation. The impact of this, their research shows, has been most significant for the 25-34 age group.

10.47 The evidence base dealing with South West Hertfordshire herein clearly points to a key impact of a decline in affordability being reduced household formation amongst younger households, particularly those in their late 20s/ early 30s. The evidence would suggest that an improvement in the affordability of housing would therefore be manifest in a recovery over time in household formation amongst younger households. This has therefore been modelled through the SHMA – to consider what increase in housing provision would be necessary to improve affordability.

10.48 Key issues affecting the scale of the uplift necessary to improve affordability include:

- Base assumptions within 2012-based headship rates, which for some areas expect household formation for younger age groups to fall, whilst in others they are projected to be stable/ increase. For many areas the projections already 'build in' improvements in affordability through assumptions that household formation rates will increase;
- The population structure, with a higher proportional adjustment to housing need being necessary to improve affordability in areas where there are a higher proportion of younger people/ households within the population.

10.49 To improve household formation of younger households, we have run a sensitivity analysis which considers and seeks to quantify the implication of returning the household formation rates of the 25-34 age group back to 2001 levels by 2025. This would require an uplift in housing of 95 homes per annum over and above the demographic projections.

Table 75: Market Signals Uplift (Dwellings Per Annum)

	Dacorum	Herts-mere	St. Albans	Three Rivers	Watford	Sub-Region
Market Signals Uplift	28	6	28	15	19	95

10.50 The analysis undertaken shows that the adjustments built in to the conclusions on OAN would overall see 154 more younger household forming each year across the HMA. This represents an increase in overall housing provision of 5.1% (against a constant headship position). It represents a 3% uplift on the base demographic need. This is related specifically to the evidence of need in this HMA and the scale of adjustment necessary to materially improve affordability.

Conclusions on Objectively-Assessed Housing Need

10.51 In drawing conclusions on the overall need for housing in the South West Hertfordshire HMA and constituent local authorities, we have followed the approach in the PPG, of starting out with trend-based demographic projections; and then considering whether these need to be adjusted to support economic growth or improve affordability.

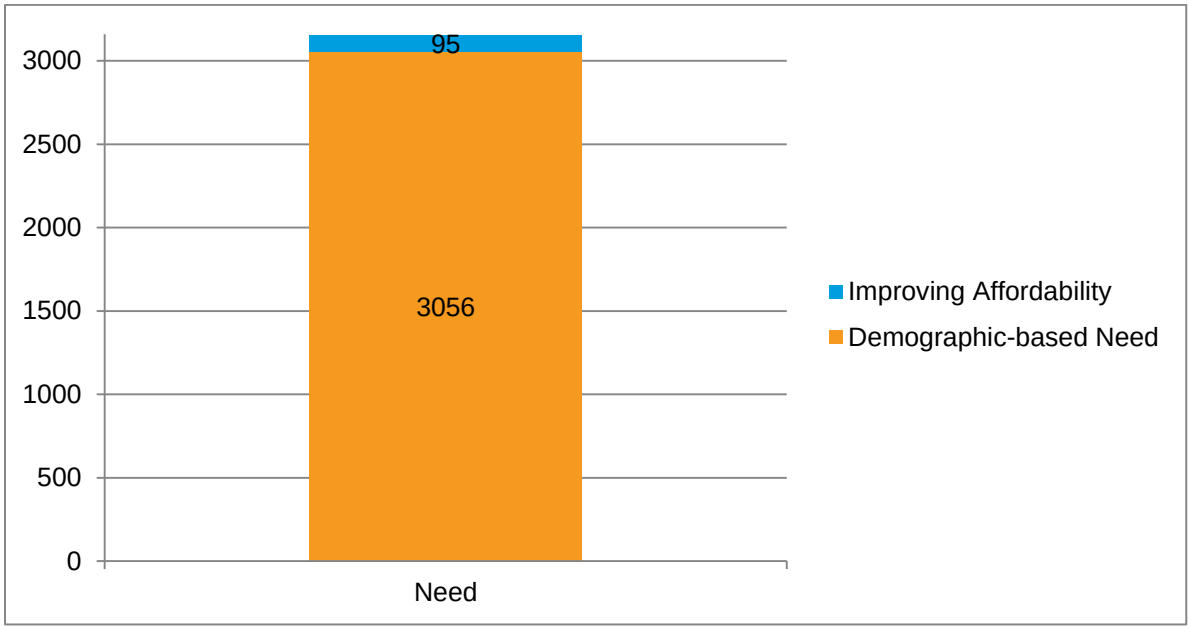
10.52 The SHMA concludes that the 2012-based Household Projections, rebased to take account of 2013 Mid-Year Population Estimates, provide the appropriate "starting point" for considering housing need. These projections, showing a need for 3,056 homes per year, represent a reasonable trend-based demographic assessment of housing need.

10.53 At an HMA level, this scale of housing provision is sufficient to support expected economic growth.

10.54 The evidence of affordable housing need, together with the analysis of market signals, point towards affordability pressures within the South West Hertfordshire HMA. The evidence provides a basis for considering upwards adjustments to the assessed housing need to, on the basis of reasonable assumptions, improve affordability. These have been set out above.

10.55 **This report identifies an Objectively Assessed Need for 3,151 homes per annum between 2013-36 across South West Hertfordshire.** The composition of this is shown in Figure 72.

Figure 72: Objectively-Assessed Need for Housing in South West Hertfordshire HMA – Homes Needed per Year, 2013-36



10.56 For individual local authorities, this translates into an Objectively Assessed Need as follows:

Table 76: Conclusions on OAN at Local Authority Level

	OAN for Housing – Per Annum, 2013-36
Dacorum	756
Hertsmere	599
St Albans	705
Three Rivers	514
Watford	577
HMA	3,151

It is for individual authorities to decide how to take these figures forward.

Stakeholder Consultation

10.57 A stakeholder workshop was held in Hemel Hempstead on the 14th of September 2015. The purpose of the event was to test the draft findings recommendations arising from both the Strategic Housing Market Assessment and Economy Study. Those in attendance included members of the development industry, delivery providers and members and officers of the commissioning and neighbouring authorities.

10.58 A number of the stakeholders commented on the findings. The majority of stakeholders concurred with the identification of a South West Hertfordshire Housing Market Area (HMA), the notable exception being St Albans District Council. Stakeholders discussed drivers of housing demand

within the HMA, including the influence of London and the expectation of a growing older population within the area.

10.59 A number of attendees noted that the level of growth was expected to require significant infrastructure investment to deliver it; and that environmental and policy constraints, including Green Belt and Area of Outstanding Natural Beauty, are also important. Some developers suggested a Green Belt Review was necessary and the local authorities should work closely with the development industry to deliver the level of housing needed.

Policy Influences in Considering Overall Housing Provision

10.60 The assessment of housing need herein is undertaken on a "policy off" basis. In translating this into policy targets for housing provision, a range of wider considerations need to be brought together through the plan-making process – bringing evidence of housing need together with consideration of land availability, infrastructure capacity / needs, and other development constraints.

10.61 It is for each local authority to consider what level of housing provision can be sustainably accommodated within its plan area. Input from a range of stakeholders through consultation on the plan, together with further technical evidence, will be an important input to this.

Need for Different Types of Homes

10.62 The NPPF in Paragraph 159 requires local planning authorities, through the SHMA, to identify the range of types and sizes of accommodation likely to be needed by the population in future, including that required by those groups with specific housing needs.

Mix of Homes of Different Sizes

10.63 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. Section 9 modelled the needs for different sizes of market and affordable homes over the 2013-36 period, based on an understanding of how the size and structure of the population is expected to change, and analysis of how households of different ages occupy homes. The SHMA concludes that the following represents an appropriate mix of affordable and market homes to plan for over the 2013-33 period:

Table 77: Recommended Housing Mix – HMA

	1-bed	2-bed	3-bed	4+ bed
Market	5-10%	25-30%	40-45%	20-25%
Affordable	30-35%	30-35%	25-30%	5-10%
All dwellings	15%	30%	40%	15%

10.64 The evidence suggests that the strongest demand for market housing will be for three bedroom properties in all areas. A stronger demand for 1-bed properties is expected in Watford than in other areas; with in contrast a higher demand for larger 4+ bedroom properties in Dacorum and Three Rivers.

10.65 For affordable housing, there is a greater proportional need for one- and two-bedroom properties, however there remains a need for a balanced mix of dwellings of different sizes to come forward; with delivery of larger properties being important in meeting the needs of households with an acute housing need, and releasing existing properties for other households.

10.66 Our conclusions for affordable housing mix recognise the role which delivery of larger properties can play in releasing supply of smaller properties for other households; together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues. Based on the evidence, we would expect the focus of new market housing provision to be on two and three-bed properties. The mix identified for both market and affordable housing takes account of changes in the population structure, including potential for some older households to downsize to take account of their changing needs.

10.67 At a local authority level, the Councils should bring together evidence from the detailed modelling for their areas with the HMA-wide conclusions, alongside issues regarding management of the affordable housing stock within their area in setting policies for the future mix of housing.

10.68 In applying policies on housing mix to individual development sites regard should be had to the nature of the development 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.

10.69 The analysis of an appropriate mix of dwellings should also inform the 'portfolio' of sites which are considered through the Local Plan process, including: Site Allocations, Neighbourhood Plans and other planning documents. Equally it will be of relevance to affordable housing negotiations.

Affordable Housing Mix

10.70 In respect of the need for different types of affordable housing, the SHMA has considered what households can afford; together with the supply through re-lets of existing housing stock. Figure 73

shows the balance of need for intermediate housing products, and for social/ affordable rented homes.

10.71 The evidence suggests that 20% of the affordable housing need could be met through intermediate housing products. The need for intermediate housing has been calculated on the basis of the proportion of households in need of affordable housing who can afford more than 80% of market rent levels. Such households might be eligible for:

- Help-to-Buy Shared Ownership
- Affordable Rent
- Rent-to-Homebuy
- Low Cost Sale

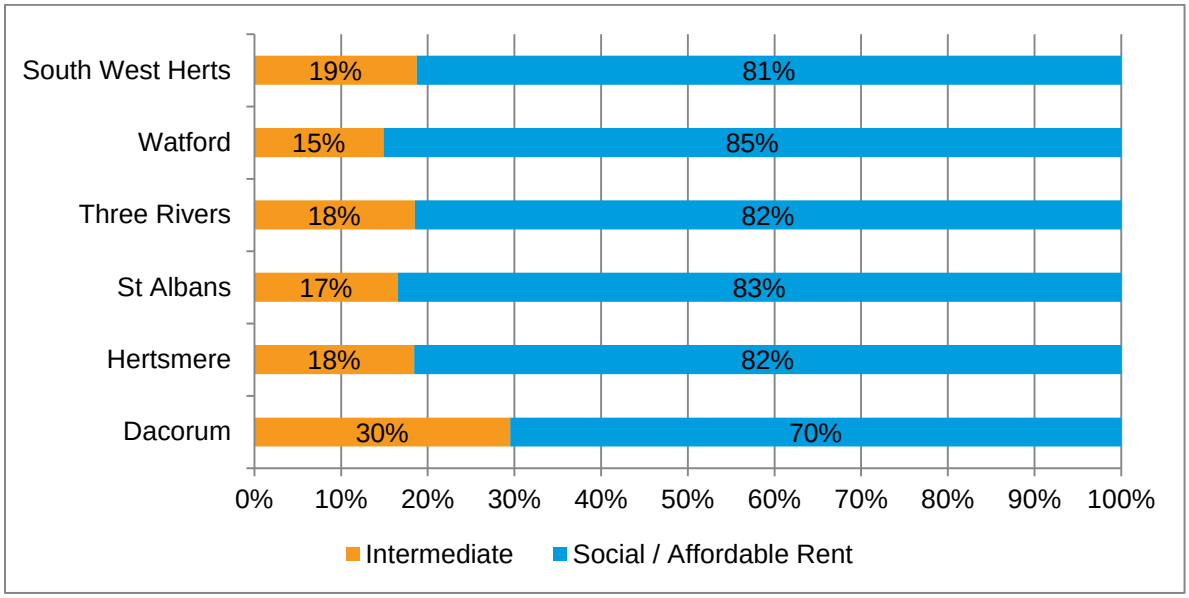
10.72 For a number of these products, households must have a sufficient deposit and be able to secure mortgage finance. Many young households who may have sufficient potential income to afford intermediate housing solutions cannot secure shared ownership/ shared equity homes as they have insufficient savings to afford the deposit, or their financial circumstances mean that obtaining mortgage finance is difficult.

10.73 These factors may affect the ability of some households to afford intermediate housing products. However, this is potentially offset by households who can potentially afford to rent privately without financial support, but cannot afford to buy a home or get on the housing ladder without it. Intermediate housing products can help such households to get a foothold on the housing ladder.

10.74 The SHMA evidence suggests that based on the needs evidence, **policies which seek a mix of affordable housing provision on new developments where 20% is intermediate housing and 80% is social or affordable rented homes would be appropriate for the HMA**.

10.75 **However, it points to a higher potential for intermediate housing in Dacorum, where 30% intermediate housing might be sought; and a lower need for intermediate housing in Watford at 15%.**

Figure 73: Need for Different Types of Affordable Housing



10.76 Policies for the mix of affordable housing need to take account not just of the needs evidence, but the evidence base regarding development viability, as well as local policy aspirations. As such in finalising policies, needs and viability evidence should be brought together. It may be appropriate for viability studies to test potential alternative policies for the mix of affordable housing in order to support overall delivery.

Specialist Housing and Accommodation for Older Persons

10.77 The SHMA indicates that the population of persons aged over 65 accounted for 16% of the HMA's population in 2013. The number of residents aged over 65 is expected to grow substantially, by 65%, between 2013-36, with 60% growth in those aged between 75-84 and 137% growth in those aged over 85 expected – principally as a result of improving health and life expectancy.

10.78 As a result of a growing older population and increasing life expectancy, the SHMA projects an increase of 5,900 people with dementia and 14,400 people with mobility problems over the 2013-36 period. Whilst there is some potential that this may be moderated by health improvements, a substantial increase in older people with mobility problems and suffering from dementia can be expected. Some of these households will require adaptations to properties to meet their changing needs; whilst others may require more specialist accommodation or support.

10.79 There are currently over 6,000 units of specialist housing for older persons in the HMA. Based principally on the expected growth in population of older persons, the SHMA estimates a need for an additional 6,300 specialist dwellings for older persons over the 2013-36 period. The need in different areas is shown below:

Table 78: Need for Specialist Housing for Older Persons, 2013-36

	Need, 2013-36	Annual Need
Dacorum	1,651	72
Hertsmere	1,321	57
Three Rivers	1,103	48
Watford	854	37
South West Herts	6,281	273

10.80 It may be the case that some existing sheltered housing is in a poor condition or suffers from low demand; and that there remains a need for additional extra care accommodation – such as to reduce the proportion of households accommodated in residential care. The Councils should bring the SHMA analysis together with local knowledge of demand and the stock profile in determining the appropriate mix of specialist housing in development schemes.

10.81 Specialist housing includes sheltered and extra care housing. The numbers of homes set out in the above table are considered to fall within a C3 use, and thus form part of the overall Objectively Assessed Need (OAN) for housing identified in this report.

10.82 Decisions about the appropriate mix of specialist housing should take account of the current stock, other local needs evidence as appropriate, and policies regarding accommodation and care for older persons. The district and county councils should liaise as appropriate in this respect.

10.83 Each Council should give consideration to how best to deliver the identified specialist housing need, including for instance the potential to identify sites in accessible locations for specialist housing; or to require provision of specialist housing for older people as part of larger strategic development schemes.

10.84 In addition to specialist housing, the potential for the wider housing stock to cater for a growing older population needs to be considered. Many older people live in homes which they may have lived in for some years. Adaptations to properties and floating support may help households requiring support to remain in their home.

10.85 Some households may wish to downsize, should suitable, attractive properties be available locally. This has been taken into account in deriving the findings regarding the future mix of market and affordable housing above.

Need for Registered Care Provision

10.86 Registered care provision typically falls within a C2 use class; with households who live in care homes counted as part of the institutional rather than the household population. As such provision

of residential care provision is treated in the analysis of housing need separately in this report from that for the overall OAN figures (which relate to the C3 use class).

10.87 The SHMA indicates a net need for 3,067 registered care bedspaces for older persons over the 2013-36 period, equivalent to 133 per year across the HMA. The net need per authority is set out below. The assessment should be treated as indicative, and does not seek to set policies in how older persons with care needs should be accommodated.

Table 79: Need for Residential/ Nursing Care Bedspaces

	Need, 2013-36	Annual Need
Dacorum	688	30
Hertsmere	669	29
Three Rivers	593	26
Watford	478	21
South West Herts	3067	133

10.88 The SHMA models the need for residential and nursing care bedspaces as above on the basis that the proportion of people aged 75 and over living in such accommodation remains constant. This is necessary to maintain consistency with the conclusions drawn on OAN for C3 housing.

10.89 It is not appropriate for the SHMA to move into policy issues; but we would note Hertfordshire County Council's view that there is already a large supply of residential care homes across the County. Therefore, the County Council's policy approach is to prioritise Extra Care accommodation where the level of care can be tailored to people's individual needs and where the potential financial cost of provision is lower.

10.90 On this basis whilst there will be some additional need for particular groups such as those requiring in situ specialist nursing or for people with dementia, it may not be in quantitative terms as substantial as shown in Table 79. Table 60 indicates an equivalent rate of C3 housing units for C2 bedspaces.

Meeting the Needs of Other Vulnerable Groups

10.91 The SHMA has considered the needs of a number of other vulnerable groups in South West Hertfordshire. Across the HMA, 22% of households contain someone with some form of disability. It is estimated that the number of people with a disability will increase by 33,900 – an increase of 48% – between 2013-36. Whilst this includes people with a range of needs, the evidence does support a need to provide additional homes which are wheelchair-accessible or capable of adaption to meet households changing needs.

10.92 The SHMA evidence indicates that the population in Black and Minority Ethnic (BME) groups is growing, that the BME population is typically younger, and BME households are more likely to live in Private Rented accommodation and be overcrowded. Enforcement activity will be important in ensuring standards of homes in the Private Rented Sector are maintained (including HMOs).