

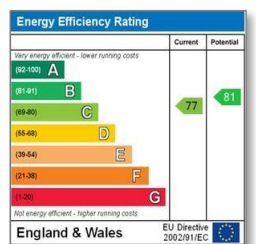


East Hertfordshire District Council:

Affordable Housing Needs Assessment Update 2022

Report of Findings

May 2022





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1. Introducing the Study

Background to the project and wider policy context

Introduction

- 1.1 In 2017, Opinion Research Services (ORS) was commissioned by East Hertfordshire District Council, Epping Forest District Council, Harlow District Council, and Uttlesford District Council to prepare the West Essex and East Hertfordshire Strategic Housing Market Assessment Affordable Housing Update. This considered the needs of all four authorities for the period 2016-2033 to identify the size, type and tenure of homes that would be needed in the future, and the housing needs of different groups, including affordable housing. This identified a need for 3,800 affordable homes in East Hertfordshire over the period 2016-2033, or 224 per annum.
- 1.2 The East Herts District Plan 2011-2033 was subsequently adopted in October 2018 with an overall requirement for 839 dwellings per annum across the authority, giving a total of 18,458 dwellings over the 22-year period. However, since that time, in the period 2011-2021 a total of 6,425 dwellings have been delivered in East Hertfordshire. This leaves a total of 12,033 remaining for the period 2021-2033 of the Local Plan.
- 1.3 Since 2017, new data has been released which underpins the affordable housing needs figures and also new guidance has been released for policy issues such as First Homes. This current study represents an update for only East Hertfordshire to consider the current level of affordable housing need in light of the 12,033 dwelling requirement for the remainder of the Local Plan period and the introduction of First Homes. This LHNA Update adheres to the requirements of the new National Planning Policy Framework (NPPF) published in July 2021 and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment.

Summary of the ORS Approach to Modelling Housing Need

- 1.4 As noted above, the outstanding dwelling delivery target for the East Herts District Plan 2011-33 is a total of 12,033 dwellings over the period 2021-33, or 1,003 dwellings per annum. This represents the total number of dwellings required in the area.
- 1.5 However, while the final outputs of this study are based upon the need for 12,033 dwellings over the period 2021-33, we achieve these outputs through a series of stages.
- 1.6 In Chapter 3, we consider the affordable housing needs for East Hertfordshire based on the latest official projections and cover the 12-year period 2021-2033. They are informed by the latest ONS mid-year estimates,^[1] and take account of the most up-to-date fertility and mortality rates and the latest migration trends. In particular, we focus upon the 2018 based 10-year migration trends variant population and household projections. The data within these projections is then adjusted in light of the mid-year population estimates 2019 and 2020. The reason for choosing this set of projections is that they represent the best and most up to date information available for population and household growth trends currently published.

^[1] The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

- 1.7 The figures contained within this chapter therefore reflect the need for affordable housing based upon much more recent trends than the data underwriting the dwelling delivery target within the Local Plan.
- 1.8 However, delivering the number of dwellings required by the Local Plan will require a different population and household growth than the trend-based population and household growth. This issue is reconciled in Chapter 4. To move from the household growth in Chapter 3 to the total need for dwellings in Chapter 4 requires a series of additional elements. These include:
- » The need to include the impact of vacant and second homes to uplift the household projection to become the need for dwellings;
 - » The need to include an allowance for additional Use Class C2 bedspaces such as nursing homes to ensure that persons otherwise not included in the population and household projections are included within the overall dwelling target;
 - » Government policy seeks to address housing market pressures, so the ORS model adjusts household formation rates for younger households on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the overall target.
- 1.9 When all relevant factors have been added, the outputs produced in Chapter 3 are consistent with the total dwelling target in Chapter 4. Therefore, the figures produced in Chapter 4 are the overall conclusions for housing need based upon the need for 12,033 dwellings over the period 2021-33.

2. Local Housing Market

Housing options and cost of housing in East Hertfordshire

Housing Tenure Trends

^{2.1} Clear trends are evident in the local data for East Hertfordshire, even while recognising that the 2011 Census is now over 10 years old. Figure 1 to Figure 3 show that there has been a steady increase in the overall number of owner occupiers since 1981, with a proportional reduction in owner occupation between 2001 and 2011. The proportional and absolute numbers of social renters decreased 1981-2001 (likely in part as a result of the introduction of the Right-to-Buy in 1980), offset by an increase 2001-11. More recent products such as Affordable Rent had not been introduced in 2011. In comparison, the proportion of private renters has remained relatively constant, however in absolute terms there was a large increase between 2001 and 11.

Figure 1: Number of Households by Tenure in East Hertfordshire 1981-2011 (Source: UK Census of Population)

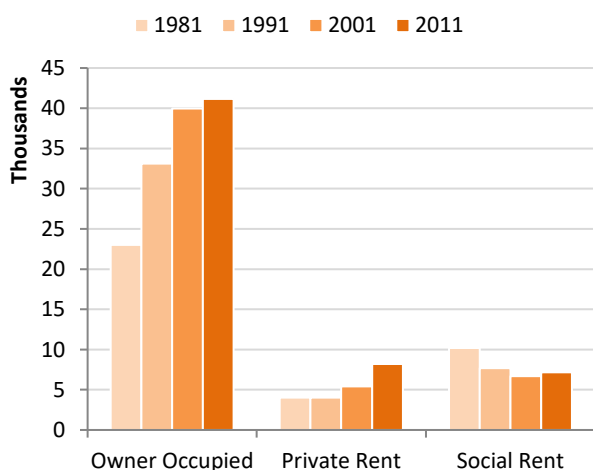


Figure 2: Percentage of Households by Tenure in East Hertfordshire 1981-2011 (Source: UK Census of Population)

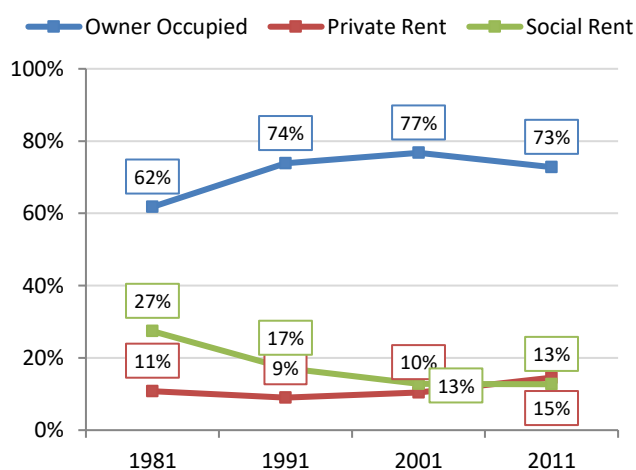


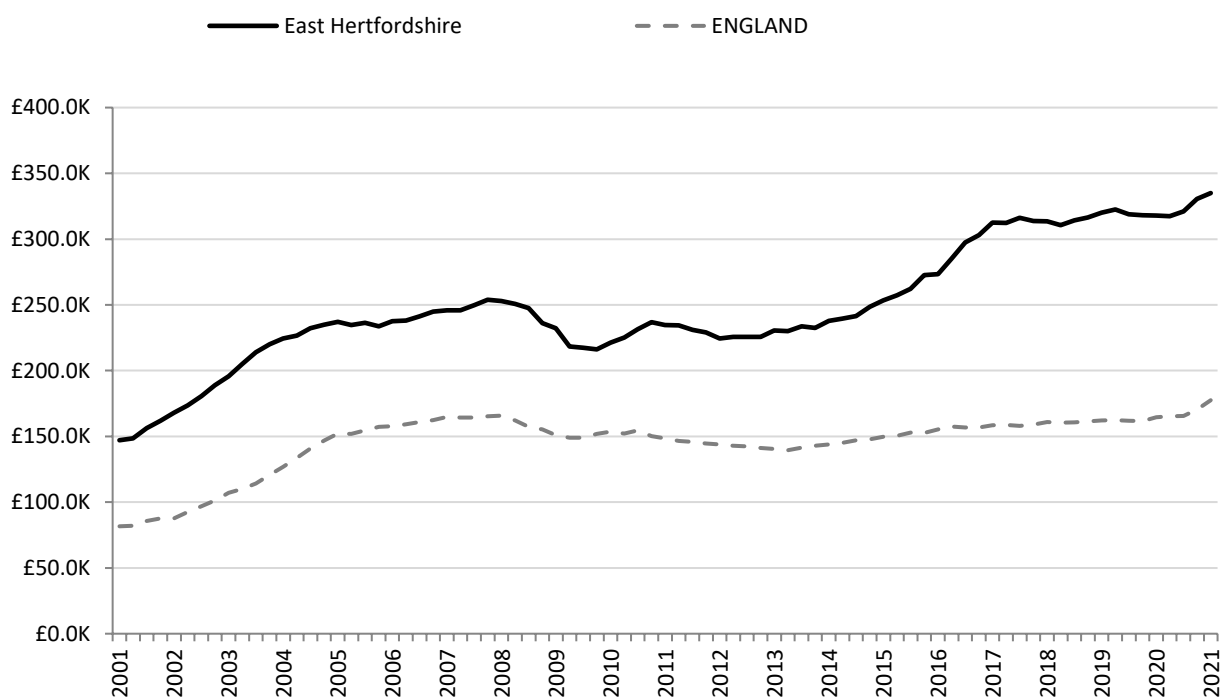
Figure 3: Households by Tenure for East Hertfordshire 1981-2011 (Source: UK Census of Population)

Tenure	Total Households				Net Change		
	1981	1991	2001	2011	1981-1991	1991-2001	2001-2011
Owner occupied	22,999	33,119	39,974	41,173	+10,120	+6,855	+1,199
Private rent	4,028	4,042	5,428	8,219	+14	+1,386	+2,791
Social rent	10,196	7,704	6,682	7,185	-2,492	-1,022	+503
TOTAL	37,223	44,865	52,084	56,577	+7,642	+7,219	+4,493
Owner occupied	61.8%	73.8%	76.7%	72.8%	12.0%	2.9%	-4.0%
Private rent	10.8%	9.0%	10.4%	14.5%	-1.8%	1.4%	4.1%
Social rent	27.4%	17.2%	12.8%	12.7%	-10.2%	-4.3%	-0.1%

Cost of Home Ownership

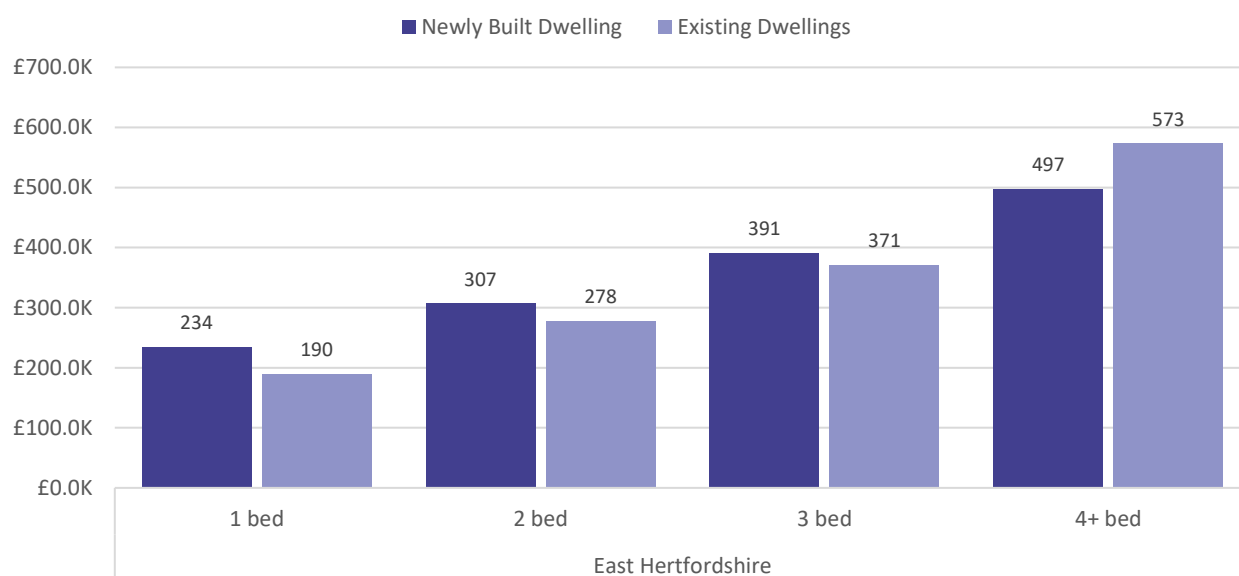
- 2.2 House price trends (2001-2021) are shown in Figure 4 based on lower quartile house prices. Lower quartile prices are used to consider the entry level price for home ownership. Of course, the value of money has also changed during this period, so the data is adjusted to take account of and remove the impact of inflation; therefore, the values reflect real changes in house prices since 2001.
- 2.3 It is evident that real house prices in East Hertfordshire increased substantially in the period 2001-2008 and have been consistently higher than the England prices. Values reduced during the economic downturn to and continued to decline over the period to 2010, but have since increased to a value of £335,000 by mid-2021.

Figure 4: Real House Price Trends: Lower Quartile Prices adjusted to 2021 values using CPI (Source: ONS; Bank of England)



- 2.4 Figure 5 shows the lower quartile house prices by bedroom size. The data shows both the lower quartile price for existing properties and new build dwellings, with prices taken from the Land Registry records for the sales prices of individual properties. When considering first time buyers in particular, many of the purchasers are likely to be newly forming households seeking one and two bed properties, although some will seek larger properties. As discussed below, schemes such as the new First Homes product which sells new homes at a 30% or more discount compared to market prices to local first-time buyers may make home ownership more accessible for this group.
- 2.5 The degree to which new build properties are more expensive than existing homes varies considerably by size of dwelling, with existing 4 bedroom properties typically being more expensive than new build properties. This is likely to be down to a range of factors which include the location of newbuild housing, the relative size of properties, gardens and the availability of parking, comparative quality and condition of existing stock, and other intangible issues such as character. In general, for 1-3 bedroom properties, new build properties are more expensive than existing dwellings. Given the price of new build properties, a higher level of delivery will make affordability worse in the short-term by increasing median property prices, thus leading to a higher uplift in the Standard Method.

Figure 5: Lower quartile prices (adjusted to 2021 values using CPI) for existing dwellings and newly built dwellings (2019-21) by property size in East Hertfordshire (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)



Income Needed for Home Ownership

- 2.6 The income needed to purchase market housing will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 2.7 To give an illustrative example (based on East Hertfordshire prices), taking an existing 1-bedroom property:
- » The lower quartile price recorded was £190,000;
 - » Based on a 90% loan-to-value mortgage, a deposit of £19,000 would be needed (equivalent to 10% of the overall price) with the mortgage covering the remaining £171,000;
 - » Using a mortgage income multiplier of 3.5x would therefore need an annual income of £48,700.
- 2.8 To purchase the same property with a 95% loan-to-value mortgage would reduce the deposit needed to £9,500 (equivalent to 5% of the overall price) but the income required would increase to £51,800 per year. Borrowing at a 4.0x income multiplier would reduce the income needed; but households would still need an income of between £42,000 and £45,400 based on a 5-10% deposit. Therefore, to purchase an existing 1-bedroom property at an overall cost of £191,000 is likely to require an annual income of at least £42,000 (assuming a 10% deposit and a 4.0x multiplier); but with less deposit and a lower income multiplier an income of up to £51,800 per year could be needed.
- 2.9 Whilst some households will have higher deposits available and others will seek to extend their borrowing as far as possible, taking the initial assumptions of a 10% deposit and a 3.5x mortgage multiplier provides a reasonable indication of the income that first-time buyer households are likely to need in order to afford home ownership.
- 2.10 Based on these assumptions, Figure 6 shows the household income levels needed to buy 1 and 2 bedrooms properties in terms of both existing dwellings and newly built dwellings in East Hertfordshire. When purchasing larger homes, households will typically have larger deposits available which often include equity from the sale of a smaller property. On this basis, it is relatively artificial to consider incomes in isolation.

Figure 6: Annual income required to afford properties based on a 10% deposit and 3.5 times income mortgage by property size (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

Property Type	Annual Household Income Needed to Own at Lower Quartile Prices: East Hertfordshire
NEWLY BUILT DWELLINGS	
1 bedroom	£60,212
2 bedrooms	£78,922
EXISTING DWELLINGS	
1 bedroom	£48,759
2 bedrooms	£71,357

Cost of Renting

- ^{2.11} Local Housing Allowance (LHA) is the maximum payment for claimants in receipt of housing benefit based on Broad Rental Market Areas (BRMAs). The LHA was previously based on the 30th percentile private rent, however more recent increases have based on CPI and rates were frozen in the July 2015 Budget.
- ^{2.12} BRMAs do not align with local authority boundaries and East Hertfordshire is covered by three different BRMAs. Figure 7 sets out the maximum local housing allowance by size of property in each of these BRMAs:

Figure 7: Maximum Local Housing Allowance thresholds 2021 (Source: Valuation Office Agency)

Weekly Rent £	Broad Rental Market Area		
	Harlow & Stortford BRMA	South East Herts BRMA	Stevenage & North Herts BRMA
LOCAL HOUSING ALLOWANCE			
Room only	£76.50	£82.04	£78.59
1 bedroom	£165.70	£172.60	£155.34
2 bedrooms	£207.12	£212.88	£195.62
3 bedrooms	£258.90	£276.16	£241.64
4+ bedrooms	£299.18	£322.19	£299.18

2.13 Figure 8 sets out the weekly rents for different property sizes. This includes:

- » Median and lower quartile private rent;
- » Affordable rent; and
- » Social rent based on existing average rents.

Figure 8: Weekly rent thresholds 2021 (Source: Private Rental Market Statistics, Valuation Office Agency; Regulator of Social Housing. Note: Private rent data excludes housing benefit funded tenancies)

Weekly Rent £	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
EAST HERTFORDSHIRE				
1 bedroom	£189.73	£178.23	£134.54	£97.13
2 bedrooms	£251.83	£224.23	£167.35	£113.93
3 bedrooms	£321.97	£287.47	£203.96	£130.26
4+ bedrooms	£436.96	£367.97	£246.45	£143.46

2.14 It is evident that for all property sizes, the median private rent is the highest followed in turn by the lower quartile private rent, affordable rent and formula social rent. Where the LHA rates are higher than the equivalent lower quartile private rents, it is important to note that the private rent figures exclude housing benefit funded tenancies. Therefore, there would appear to be only limited opportunity for an increase in the number of households in receipt of housing benefit given that lower quartile rents are already above or close to the maximum housing benefit.

Income Needed to Rent Housing

2.15 The income needed to rent housing will depend on the monthly rent together with the income multiplier allowed for housing costs. The previous CLG Strategic Housing Market Assessments Practice Guidance (Version 2, August 2007)¹ stated:

*“A household can be considered able to afford market house renting in cases where the rent payable was up to 25 per cent of their **gross** household income” (page 42)*

2.16 However, this previous Guidance was rescinded in March 2014 following the publication of the Original NPPF and the launch of the new Planning Practice Guidance (PPG). The PPG does not propose a specific multiplier for assessing housing costs; however, it notes that *“care should be taken ... to include **only those households who cannot afford** to access suitable housing in the market”* [ID 2a-020-20190220] (emphasis added).

2.17 Results from the English Housing Survey (EHS) 2015-16² provides information about the percentage of gross household income that households currently spend on their housing costs³:

- » For the total gross income (excluding housing benefit) of the Household Reference Person and partner, households renting privately spent on average 48% of their income on rent, whilst the average was 40% for households in social rent; and
- » For the total gross income (excluding housing benefit) from all income earners in the household, irrespective of whether they contribute to the housing cost, households renting privately spent on average 41% of their income on rent, whilst the average was 37% for those in social rent.

¹ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance>

² <https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report>

³ “Annex Table 1.13: Mortgage/rent as a proportion of household income (including and excluding housing benefit), by tenure, 2010-11 to 2015-16”

- 2.18 The EHS demonstrates that many households in both private and social rented properties currently pay considerably more than 25% of gross household income on their housing costs. Whilst it is arguable that some households currently pay too much for their rent, it is unrealistic to suggest that all households paying more than 25% are unable to afford suitable housing in the market.
- 2.19 The proportion of household income allocated to housing costs is necessarily based on a judgement. At the lower end of the range, the previous CLG Practice Guidance sets out a percentage of 25%. However, as the EHS identifies that households renting privately currently spend 41% of their gross income on average, there must be many households currently spending more than 41% of their income on housing costs (which will be offset against others spending lower proportions).
- 2.20 On this basis, it would be reasonable to assume that the proportion of household income allocated to housing costs was at least 25% but no more than 45% of gross income. This leads to our judgement that **35% of income** provides a reasonable basis for assessing the maximum that households should reasonably expect to pay for their housing costs. Whilst this is notably higher than the 25% proposed by the previous guidance, it is still lower than the 41% average that households renting privately actually pay.
- 2.21 As an illustrative example, we can establish the income needed to rent a 1-bedroom property in East Hertfordshire based on a 35% income multiplier:
- » The lower quartile weekly rent recorded was £178.23;
 - » Based on a 35% income multiplier, a weekly income of £293.40 would be needed which equates to a gross annual income of £15,257.
- 2.22 To rent the same property based on a 25% income multiplier would increase the gross income required to £21,360 per year whereas households with an annual income of £15,706 per year could afford the rent if 45% of their income was allocated to housing costs. Therefore, to rent a self-contained 1-bedroom property in East Hertfordshire, at a lower quartile rent overall cost of £102.69 per week is likely to require an annual income of at least £15,257 (assuming a 35% multiplier); although it is evident that the required income is very sensitive to the multiplier used.
- 2.23 Given this context, although some households will choose to pay a higher proportion of their income to rent their home (and others might be forced to do so due to the lack of any other housing options), taking the initial assumption of a 35% income multiplier provides a reasonable benchmark to establish the rental income needed. Based on this assumption, Figure 9 shows the gross household incomes needed to afford median and lower quartile private rent, affordable rent and social rent.

Figure 9: Annual income required to afford to rent properties at the lower quartile and median price based on 35% income multiplier by property size (Source: ORS based on Valuation Office Agency data Oct 2020 to Sept 2021)

Annual Income £	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
EAST HERTFORDSHIRE				
1 bedroom	£28,286	£26,571	£20,057	£14,480
2 bedrooms	£37,543	£33,429	£24,949	£16,985
3 bedrooms	£48,000	£42,857	£30,407	£19,419
4+ bedrooms	£65,143	£54,857	£36,741	£21,388

- 2.24 Although a rental income multiplier is helpful for benchmark purposes, it does not take account of the disposable income available to households after their housing costs have been paid.

2.25 Considering some examples of disposable income:

- » A single person household with a gross income of £20,000 from employment would have £16,880 (£324 per week) after income tax and national insurance contributions. Therefore, housing costs at 35% of gross income would represent 41.4% of their net income, which would leave £9,880 (£189 per week) as disposable income to cover their other living expenses. The maximum amount of weekly income that a single person household can receive before their income starts to affect their housing benefit is currently £73.10 for those aged 25 or over and £57.90 for those aged 16-24; so, on this basis, this household could afford to pay at least 35% of their income on housing costs and still have sufficient disposable income;
- » A couple with two children with a gross income of £20,000 from employment would have up to £19,559 (£375 per week) after income tax and national insurance contributions (assuming both earned £10,000). Therefore, housing costs at 35% of gross income would represent 35.8% of their net income, which would leave £12,559 (£241 per week) as disposable income to cover their other living expenses. The maximum amount of weekly income that a couple with two children can receive before their income starts to affect their housing benefit is currently £248.65 (if one or both are aged 18 or over); so this household could not afford to pay 35% of their income on housing costs as it would not leave them with sufficient disposable income.

2.26 When assessing affordable housing need, it is not appropriate to adopt a simplistic income multiplier as this does not take account of different household circumstances. It is better to consider housing benefit eligibility criteria set by the Department for Work and Pensions, which take full account of the different amounts of disposable income for different types of household on different incomes, based on the rents for suitable housing in terms of the number of bedrooms needed.

2.27 Eligibility for housing benefit will differ based on the type of household and the number of bedrooms needed. Figure 10 sets out the incomes for housing benefit eligibility for different types of households.

Figure 10: Maximum annual income for households in receipt of housing benefit support by household type (Source: ORS based on Department for Work and Pensions data)

Maximum Annual Income for HB support		East Hertfordshire
ROOM ONLY	Single person aged 16-24	£9,607
	Single person aged 25-34	£10,400
1 BEDROOM PROPERTIES	Single person aged 35+	£17,670
	Couple (both aged under 18)	£18,421
	Couple (one or both aged 18 or over)	£19,848
2 BEDROOM PROPERTIES	Lone parent (aged 18 or over) with 1 child	£24,394
	Lone parent (aged 18 or over) with 2 children	£27,885
	Couple (aged 18 or over) with 1 child	£26,572
	Couple (aged 18 or over) with 2 children	£30,063

Income Needed for Other Types of Housing

2.28 Another housing option that could be made available in East Hertfordshire, thereby increasing the variety of products available, is Build to Rent. Build to Rent is defined by the NPPF Glossary as:

Build to Rent: purpose-built housing that is typically 100% rented out.

Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

NPPF 2021(Glossary)

- 2.29 Build to Rent housing tends to be somewhat more expensive than median rents (typically more comparable to upper quartile rents). Occupants tend to be those that can afford these higher rents, but are not currently seeking to own a property, since the income required to service such rents is typically in excess of that required to get onto the housing ladder through Low Cost Home Ownership options.
- 2.30 The National Planning Policy Framework states that affordable housing on build to rent schemes should be provided in the form of affordable private rent. The PPG offers a “generally suitable” benchmark that 20% of any given build to rent scheme should be provided as affordable rent (maintained in perpetuity). In terms of setting affordable rent levels, national affordable housing policy requires a rent discount of at least 20% for affordable private rent homes relative to local market rents (inclusive of service charges).
- 2.31 However, the affordability of these affordable Build to Rent options is highly dependent on the rent being discounted. Research by JLL⁴ shows that the average Build to Rent option is 9.3% more expensive than the median rent. If it is assumed that these rent levels were to be the case in East Hertfordshire, and a discount of 20% were to be applied to these rents (as is suggested by the NPPF) for the affordable units, then the range of rental costs available would be as Figure 11:

Figure 11: Weekly rent thresholds in East Hertfordshire (Source: Valuation Office Agency 2020-21; SDR 2021, JLL)

Weekly Rent £	Upper Quartile Private Rent	Build to Rent (Median + 9.3%)	Median Private Rent	Local Housing Allowance	Lower Quartile Private Rent	Affordable Build to Rent (20% discount)	Affordable Rent	Social Rent
1 bedroom	£205.83	£207.38	£189.73	£172.60	£178.23	£165.90	£134.54	£97.13
2 bedrooms	£275.98	£275.25	£251.83	£212.88	£224.23	£220.20	£167.35	£113.93
3 bedrooms	£344.97	£351.91	£321.97	£276.16	£287.47	£281.53	£203.96	£130.26
4+ bedrooms	£528.95	£477.60	£436.96	£322.19	£367.97	£382.08	£246.45	£143.46

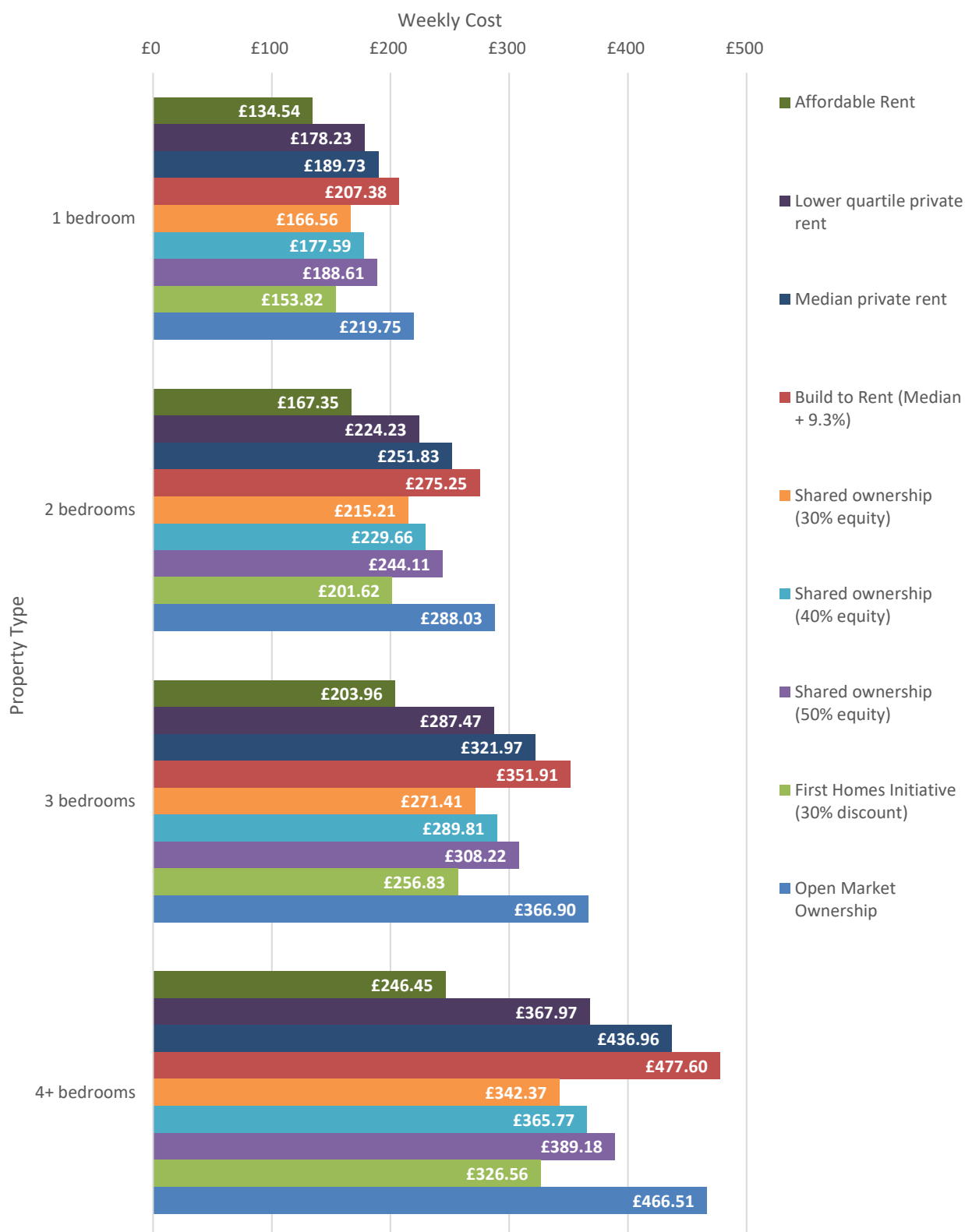
- 2.32 The local housing allowance would not be sufficient to cover the costs of affordable Build to Rent units for any dwelling types except for 1 bedroom properties.
- 2.33 In terms of pricing, build to rent options in East Hertfordshire are roughly equivalent to upper quartile private rent, but remain more accessible than affordable home ownership options.

Summary of Housing Costs

- 2.34 This chapter has considered in some detail the cost of housing depending on tenure type and property size. Figure 12 summarises these costs for each property size.

⁴ <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf>

Figure 12: Comparison of weekly housing costs by property size (Source: VOA 2020-2021, Land Registry, ORS model)



^{2.35} Unsurprisingly, for each property size affordable rent is the cheapest and open market ownership the most expensive in terms of weekly costs. Lower quartile market rent is more expensive than a 70% First Homes mortgage in every property size above single bedroom. A First Homes mortgage is cheaper than median rent for all property sizes.

- ^{2.36} The cost of shared ownership predictably varies depending on the equity size purchased, however the fact that it is more expensive on a weekly basis than First Homes for all three equity levels illustrated is evidence of the significance of the rent payable on the equity retained (along with service charges) on weekly costs. Nonetheless, 40% shared ownership is meaningfully cheaper on most properties. It is also much more flexible than First Homes and therefore may meet the needs of different households.
- ^{2.37} The cost of occupying a Build-to-Rent property is more expensive than all forms of affordable home ownership shown; and is comparable to the weekly cost of owner occupation. This underscores that occupants of Build-to-Rent typically have sufficient income to access home ownership options; yet choose not to.
- ^{2.38} Overall, compared to rental options, the range of affordable home ownership products shown appear to be relatively accessible, however it should be noted that the chart takes no account of the initial cost of a deposit on a property, which is a barrier to many households that seek to get onto the housing ladder. Furthermore, despite the weekly costs being cheaper, the underlying income necessary to obtain a mortgage on a First Home will be meaningfully higher than the underlying income required to rent a property due to the constraint of mortgage income multipliers discussed previously.

3. Affordable Housing Need

Identifying households who cannot afford market housing

Introduction

- 3.1 The definition of affordable housing was changed by the NPPF 2019, with a specific emphasis now placed on affordable homeownership. This was retained in the NPPF 2021 update and does not explicitly include First Homes. Annex 2 of the Revised NPPF now defines affordable housing as being:

Affordable housing

Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers)

Revised NPPF 2021, Annex 2

- 3.2 To reflect this change, paragraphs of PPG were updated in February 2019. These were further updated with a new set of guidance on “Housing needs of different groups” published on 22nd July 2019⁵, which covered:
- » Addressing the need for different types of housing
 - » Affordable housing
 - » Rural Housing
- 3.3 Further guidance to reflect the need to consider First Homes was then added on May 24th 2021.
- 3.4 The changes between the archived PPG and the current revision are highlighted below:

How can the current unmet gross need for affordable housing be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing (sic) past trends and current estimates of:

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in over-crowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and*
- » *the number of households from other tenures in need and those that cannot afford their own homes, **either to rent, or to own, where that is their aspiration.***

Planning Practice Guidance, ID: 2a-020-20190220

Emphasis added shows change first introduced in September 2018

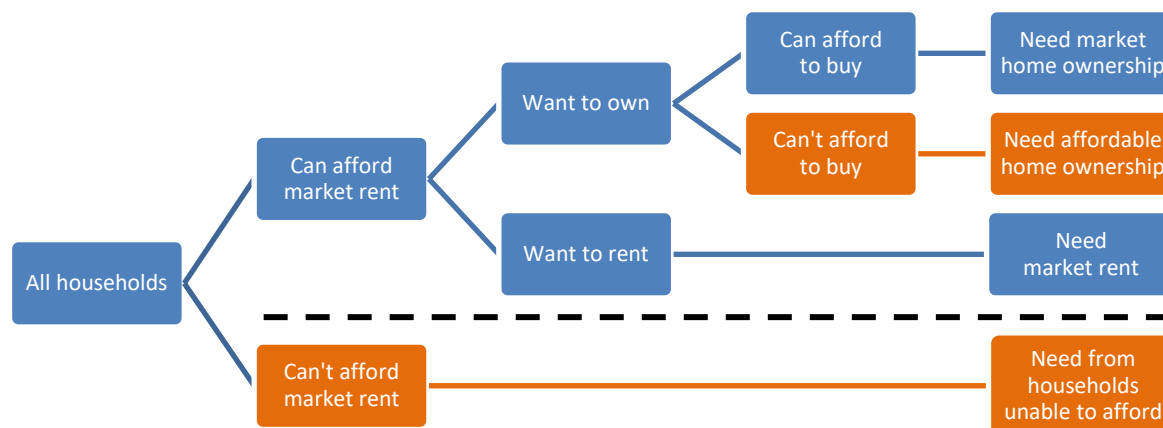
⁵ <https://www.gov.uk/guidance/housing-needs-of-different-groups#affordable-housing>

- 3.5 On this basis, it is clear that the assessment of affordable housing need must now consider those households who would like to own but are unable to do so, in addition to those households unable to afford to own or rent which have formed the longstanding basis for assessing affordable housing needs.

Establishing the Need for Affordable Housing to Rent and to Own

- 3.6 Demographic projections provide the basis for identifying the housing need for all types of housing, including both market housing and affordable housing. There is a well-established method for assessing the needs of households who cannot afford to own or rent suitable market housing; however, when considering the needs of households who can afford to rent but would prefer to own, it is necessary to further develop the existing methods given that PPG provides no additional guidance on how this need should be assessed.
- 3.7 Figure 13 illustrates the different groups of households that must now be considered when assessing the need for affordable housing. The needs of those households that can't afford market rent need to be added to the needs of those that can afford market rent but who want to own but can't afford to buy.

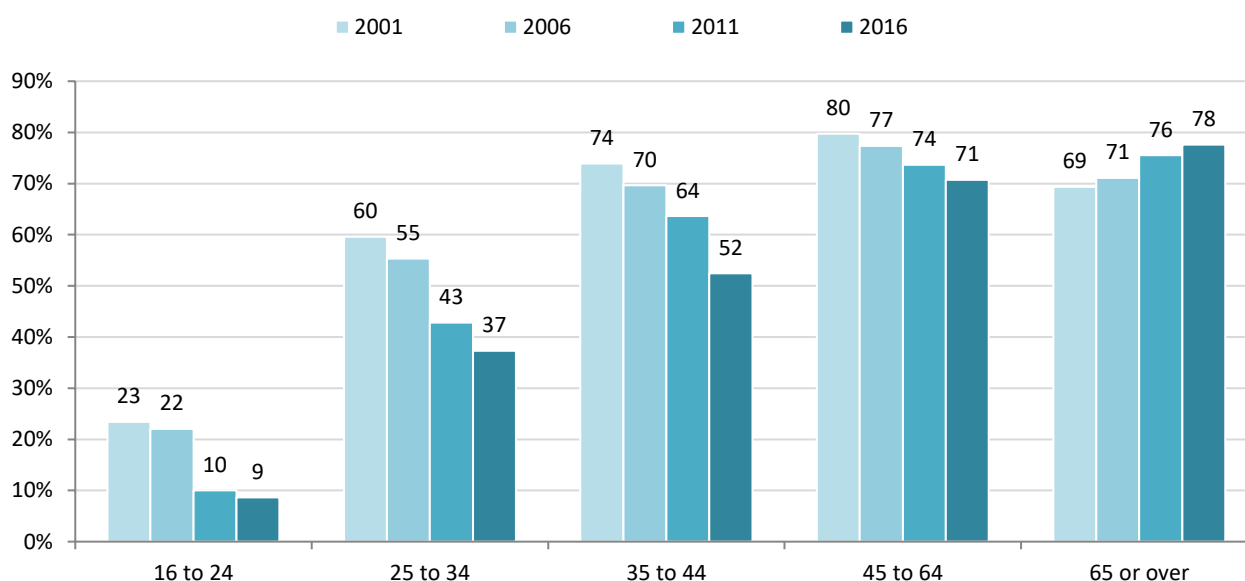
Figure 13: Establishing the need for market and affordable housing



Home Ownership Trends

- 3.8 The emphasis on households that cannot afford to own their home reflects the Government's concerns about the proportion of owner occupiers having reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 68.7% in 2006 to 65.3% in 2011 and reduced yet further to 62.6% by 2016. Over the same period 2006-2016, the proportion of households renting from a social landlord also reduced from 19.0% to 17.1% whilst the proportion renting privately increased from 12.3% to 20.3%. This in part is likely to be due to people becoming accidental landlords when they are unable to sell a property they own and instead rent it out privately.
- 3.9 The proportion of owner occupiers also varies notably by age. Younger age groups have typically been less likely to own their home than older households; however, the proportions of younger households owning their homes has reduced at a faster pace. The most likely explanations for this are the impact of affordability pressures and greater restrictions on borrowing following the financial crash of 2008. In contrast, the proportion of older households (aged 65 or over) owning their home has been increasing (Figure 14).

Figure 14: Percentage of Owner Occupiers by Age Group (England) 2001-2016 (Source: English Housing Survey)



Affordable Housing Need: Households Unable to Afford

- ^{3.10} PPG notes that affordable housing need is based on households “*who lack their own housing or who cannot afford to meet their housing needs in the market*” [ID 67-006-20190722]; though goes on to say that this should include the needs of those that can afford market rent but who want to own but can’t afford to buy. Given this context, the following section firstly considers the needs of those households who cannot afford to meet their housing needs, either through buying or renting. The additional needs of those who can afford to rent but who want to own will be considered in the next section.
- ^{3.11} PPG sets out the framework for this calculation, considering both the current unmet housing need and the projected future housing need in the context of the existing affordable housing stock:

How is the total annual need for affordable housing calculated?

The total need for affordable housing will need to be converted into annual flows by calculating the total net need (subtract total available stock from total gross need) and then converting total net need into an annual flow based on the plan period.

Planning Practice Guidance, ID 67-008-20190722

Current Unmet Need for Affordable Housing

- 3.12 In terms of establishing the **current** unmet need for affordable housing, the PPG draws attention again to those types of households considered to be in housing need; whilst also emphasising the need to avoid double-counting and including only those households unable to afford their own housing.

How can the current unmet gross need for affordable housing be calculated?

Strategic policy-making authorities will need to estimate the current number of households and projected number of households who lack their own housing or who cannot afford to meet their housing needs in the market.

The unmet (gross) need for affordable housing by assessing (sic) past trends and current estimates of:

- » *the number of homeless households;*
- » *the number of those in priority need who are currently housed in temporary accommodation;*
- » *the number of households in over-crowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings); and*
- » *the number of households from other tenures in need and those that cannot afford their own homes, either to rent, or to own, where that is their aspiration.*

Care should be taken to avoid double-counting, which may be brought about with the same households being identified on more than one transfer list, and to include only those households who cannot afford to access suitable housing in the market.

Planning Practice Guidance, ID 67-006-20190722

Establishing Current Unmet Need for Affordable Housing for Households Unable to Afford

- 3.13 Households assumed to be unable to afford housing include:
- » All households that are currently **homeless**;
 - » All those currently housed in **temporary accommodation**; and
 - » People in a **reasonable preference category** on the housing register, where their needs have not already been counted.
- 3.14 Given this context, our analysis counts the needs of all these households when establishing the need for affordable housing at a base date of March 31st 2021.
- 3.15 The analysis counts the needs of all households living in overcrowded rented housing when establishing the need for affordable housing, (which could marginally overstate the affordable housing need) but it does not count the needs of owner occupiers living in overcrowded housing (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in East Hertfordshire.
- 3.16 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household; and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by

improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.

- 3.17 Concealed families are defined as, “family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”⁶. When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with another family, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).
- 3.18 Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged 18-54 years (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home). The needs of these households are counted when establishing the need for affordable housing.
- 3.19 Figure 15 sets out the assessment of current affordable housing need for East Hertfordshire.

Figure 15: Assessing current unmet gross need for affordable housing (Sources: CLG P1E returns; Census 2001 and 2011; English Housing Survey; DWP Housing Benefit; CLG Local Authority Housing Statistics)

EAST HERTFORDSHIRE	Affordable Housing			Increase in Overall Need
	Gross Need	Supply	Net Need	
Homeless households in priority need [Source: CLG P1E returns]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	45		45	45
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	7		7	
Currently in temporary accommodation in affordable housing (Local Authority or RP stock)	0	0	0	
Households accepted as homeless but without temporary accommodation provided	15		15	15
Concealed households [Source: Census 2001 and 2011]				
Growth in concealed families with family representatives aged under 55	157		157	157
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]				
Households living in overcrowded private rented housing	238		238	
Households living in overcrowded social rented housing	469	469	0	
Other households living in unsuitable housing that cannot afford their own home [Source: CLG LAHS]				
People who need to move on medical or welfare grounds, including grounds relating to a disability	900	98	802	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship	44	5	39	
TOTAL	1,875	572	1,303	217

- 3.20 Based on a detailed analysis of the past trends and current estimates of households considered to be in housing need, our analysis has concluded that **1,875 households in East Hertfordshire are currently living in**

⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

unsuitable housing and are unable to afford their own housing. This assessment is based on the criteria set out in the PPG and avoids double-counting (as far as possible). The equivalent figure in the West Essex and East Hertfordshire Strategic Housing Market Assessment Affordable Housing Update 2017 was 1,698 households, so the figure has risen marginally since the 2016 baseline for that study.

- 3.21 Of these households, 572 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 1,303 households in East Hertfordshire (1,875 less 572 = 1,303) that currently need affordable housing and do not currently occupy affordable housing** (although a higher number of new homes may be needed to resolve all the identified overcrowding).
- 3.22 These numbers include a total of households that would not be counted by the household projections because of their being homeless or concealed households.

Projected Future Affordable Housing Need

- 3.23 In terms of establishing **future** projections of affordable housing need, the PPG draws attention to new household formation (in particular the proportion of newly forming households unable to buy or rent in the market area) as well as the number of existing households falling into need.

How can the number of newly arising households likely to be in affordable housing need be calculated (gross annual estimate)?

Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need. This process will need to identify the minimum household income required to access lower quartile (entry level) market housing (strategic policy-making authorities can use current costs in this process, but may wish to factor in anticipated changes in house prices and wages). It can then assess what proportion of newly-forming households will be unable to access market housing.

Planning Practice Guidance, ID 2a-021-20190220

- 3.24 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Local Housing Need (LHN). The Model uses a range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population.⁷ The Model provides robust and credible evidence about the required mix of housing over the full planning period, and recognises how key housing market trends and drivers will impact on the appropriate housing mix.
- 3.25 Whilst PPG identifies that "Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need." [ID: 2a-021-20190220], **the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ by age.** Therefore, the appropriate proportion is determined separately for each household type and age group.

⁷ Detailed data from CLG 2014-based household projections and sources identified in Figure 8, Figure 15 and Figure 16

- 3.26 The affordability percentages in Figure 16 are calculated using detailed information from the 2011 Census alongside data published by DWP about housing benefit claimants. For each type of household in each age group, the table identifies the percentage of households unable to afford their housing costs. This is the proportion of households in each group that either occupy affordable housing or receive housing benefit to enable them to afford market housing.

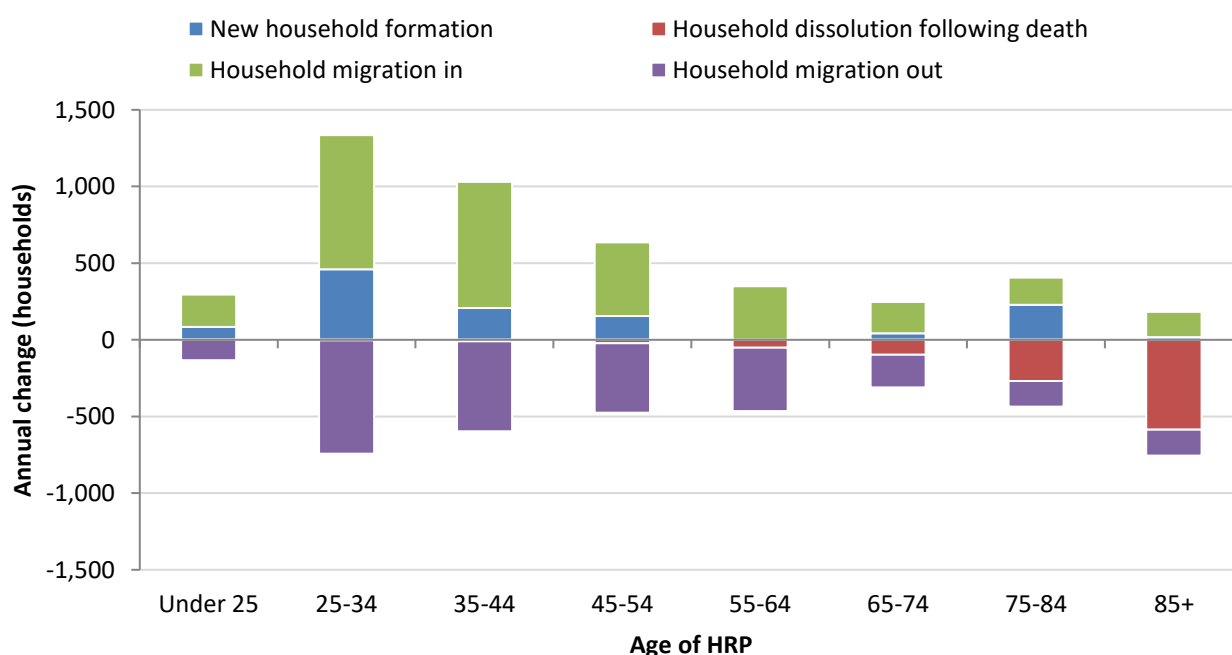
Figure 16: Assessing affordability by household type and age (Source: Census 2011 and DWP)

Percentage unable to afford market housing	Under 25	25-34	35-44	45-54	55-64	65+
EAST HERTFORDSHIRE						
Single person household	33%	12%	17%	23%	23%	30%
Couple family with no dependent children	11%	4%	4%	8%	7%	13%
Couple family with 1 or more dependent children	82%	30%	12%	6%	11%	6%
Lone parent family with 1 or more dependent children	90%	88%	52%	31%	31%	48%
Other household type	16%	13%	30%	22%	18%	14%

Establishing the Future Affordable Housing Need for Households Unable to Afford

- 3.27 When considering the number of newly arising households likely to be in affordable housing need, the PPG recommends a “*gross annual estimate*” [ID 2a-021-20190220] suggesting that “*the total need for affordable housing should be converted into annual flows*” [ID 2a-024-20190220].
- 3.28 Figure 17 shows the age structure of each of the components of household change. Note that this analysis is based on changes within each age cohort, so comparisons are based on households born in the same year and relate to their age at the end of the period. Therefore, all new households are properly counted, rather than only counting the increase in the number of households in each age group.

Figure 17: Annual change in East Hertfordshire household numbers in each age cohort by age of Household Representative Person (Source: ORS Housing Model)



- 3.29 Together with information on household type, this provides a framework for the model to establish the proportion of households who are unable to afford their housing costs. The following tables look at the impact of different types of household.

Figure 18: Newly forming and in-migration: Annual components of Household Growth 2021-33 in East Hertfordshire (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

East Hertfordshire	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	1,190	934	256	22%
Households migrating into the area	3,282	2,642	639	19%
All new households	4,472	3,577	895	20%

- 3.30 The ORS Model identifies 1,190 new households projected to form in East Hertfordshire each year, of which 22% will be unable to afford their housing costs. This amounts to 256 households each year.
- 3.31 The model also considers new households migrating to the area. The projection is for 3,282 households per annum of which 19% (639 households) will be unable to afford their housing costs.
- 3.32 **This results in a total of 895 new households in need of affordable housing per annum.**
- 3.33 PPG identifies that “there will be a current supply of housing stock that can be used to accommodate households in affordable housing need” and that it is necessary to establish “the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need” (ID 2a-022).

Figure 19: Dissolution and out-migration: Annual components of Household Growth in East Hertfordshire 2021-33 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

East Hertfordshire	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Household dissolutions following death	1,035	790	245	24%
Households migrating <u>out</u> of the area	2,866	2,325	541	19%
All households no longer present	3,901	3,115	786	20%

- 3.34 In East Hertfordshire, the model identifies 1,035 households are likely to dissolve following the death of all household members. Many of these households will own their homes outright however, 245 of these are likely to have been unable to afford market housing and will mostly be living in social rented housing.
- 3.35 In addition, some households that are unable to afford housing will migrate away from the area, so their needs should be discounted to ensure consistency with the household projections. The model identifies that 2,866 households will migrate out of the area each year, including 541 households who are unable to afford their housing costs. A proportion of these will vacate rented affordable housing (which will become available for another household) whereas others that have not yet been allocated an affordable home will reduce the number of households waiting. (It should be noted that some might have chosen to stay if housing costs were cheaper or more affordable housing was available).
- 3.36 **Altogether, there are 786 households per annum who will vacate affordable dwellings or will no longer be waiting for a home in East Hertfordshire.**

- 3.37 PPG also identifies that it is important to estimate “the number of existing households falling into need” (ID 2a-021). Whilst established households that continue to live in the local authorities will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the model, and it is estimated that 262 established households in East Hertfordshire will fall into need each year.
- 3.38 However, established households’ circumstances can also improve. For example:
- » When two single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately).
 - » Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period.
- 3.39 These improved circumstances can therefore reduce the need for affordable housing over time. The model identifies that the circumstances of 227 in East Hertfordshire will improve such that they become able to afford their housing costs having previously being unable to afford.
- 3.40 Therefore, considering the changing needs of existing households overall, **there is a net increase of 34 existing households needing affordable housing each year in East Hertfordshire** (Figure 20).

Figure 20: Existing households: Annual components of Household Growth in East Hertfordshire 2021-33 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

East Hertfordshire	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Existing households falling into need	-	-262	262	100%
Existing households climbing out of need	-	227	-227	0%
Change in existing households	-	-34	34	-

- 3.41 The following tables (Figure 21) summarise the overall impact of:
- » new households adding to housing need,
 - » the households no longer present reducing housing need and
 - » the changes in circumstances impacting existing households.

Figure 21: Summary annual components of Household Growth in East Hertfordshire 2021-33 (Source: ORS Housing Model)

East Hertfordshire	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	4,472	3,577	895
All households no longer present	3,901	3,115	786
Change in existing households	-	-34	34
Future affordable housing need 2021-33 (Annual average)	571	427	144

- 3.42 Overall reviewing the contribution of each element amounts **to an additional 144 households needing affordable housing in East Hertfordshire annually over the 12-year period 2021-33.**

Overall Affordable Housing Need for Households Unable to Afford

- 3.43 Figure 22 brings together the information on assessing the unmet need for affordable housing in 2021 and the associated impact on market housing, together with the future need for market and affordable housing arising over the 12-year period 2021-33.

Figure 22: Assessing total need for market and affordable housing for East Hertfordshire (Source: ORS Housing Model)

East Hertfordshire	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
Unmet need for affordable housing in 2020 (see Figure 15)			
Total unmet need for affordable housing (a)	-	1,875	1,875
Supply of housing vacated (b)	1,086	572	1,658
Current housing need (c) = (a) - (b)	-1,086	+1,303	+217
Projected future housing need 2021-33 (see Figure 21)			
Average annual housing need (d)	+427	+144	+571
Future housing need (e) = (d) x 12	+5,122	+1,731	+6,853
Total need for market and affordable housing (f) = (c) + (e)	+4,036	+3,034	+7,070
Average annual household growth (g) = (f) / 12	+336	+253	+589
Proportion of overall need for market and affordable housing	57%	43%	100%

- 3.44 Overall, in East Hertfordshire, there is a need to provide affordable housing for 3,034 households unable to afford to rent or buy over the Plan period 2021-33 (43% of the projected growth) which equates to **253 households per year**. The equivalent figure in the West Essex and East Hertfordshire Strategic Housing Market Assessment Affordable Housing Update 2017 was 217 households per annum, so the figure has risen marginally since that study baseline for that study. This is largely due to addressing the backlog of need over 12 years in the current, study compare with the 17 year of the SHMA update.

Summary for Households Unable to Afford Market Housing

- 3.45 In East Hertfordshire, the housing mix analysis identified a need to provide additional affordable housing for 3,034 households over the 12-year period 2021-33. **This is equivalent to 253 households per year.**
- 3.46 These levels would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but any future losses from the current stock (such as demolition, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.
- 3.47 The analysis also assumes that the level of housing benefit support provided to households living in the private rented sector remains constant. Private rented housing (with or without housing benefit) does not meet the definitions of affordable housing and is not counted as affordable housing supply; however households in receipt of housing benefit are assumed be able to afford their housing costs, so they are not counted towards the need for affordable housing. Nevertheless, if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.
- 3.48 As policy decisions about housing benefit support provided to households living in the private rented sector are determined by the Government, it will be necessary for the local planning authorities to consider the

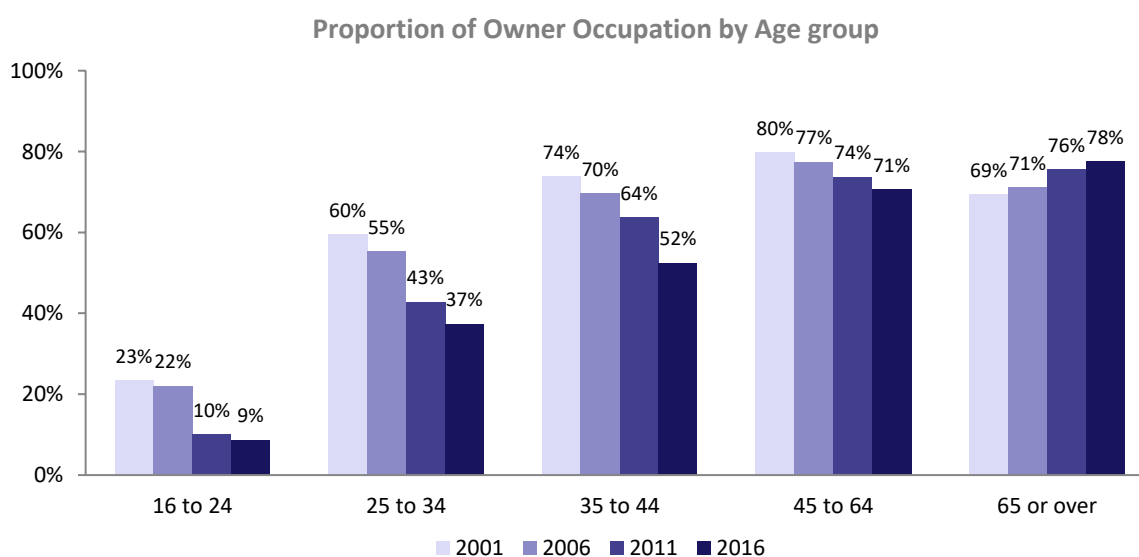
possible impact of any changes when determining the most appropriate affordable housing targets for the area. This will also need to take account of the latest information from the local authority housing registers. Furthermore, given the net unmet need from 531 households needing affordable housing at the start of the Plan period, it will be appropriate to maximise affordable housing delivery in the early years of the Plan, providing that this does not unduly compromise overall levels of housing delivery in the area.

Needs of Households Aspiring to Homeownership

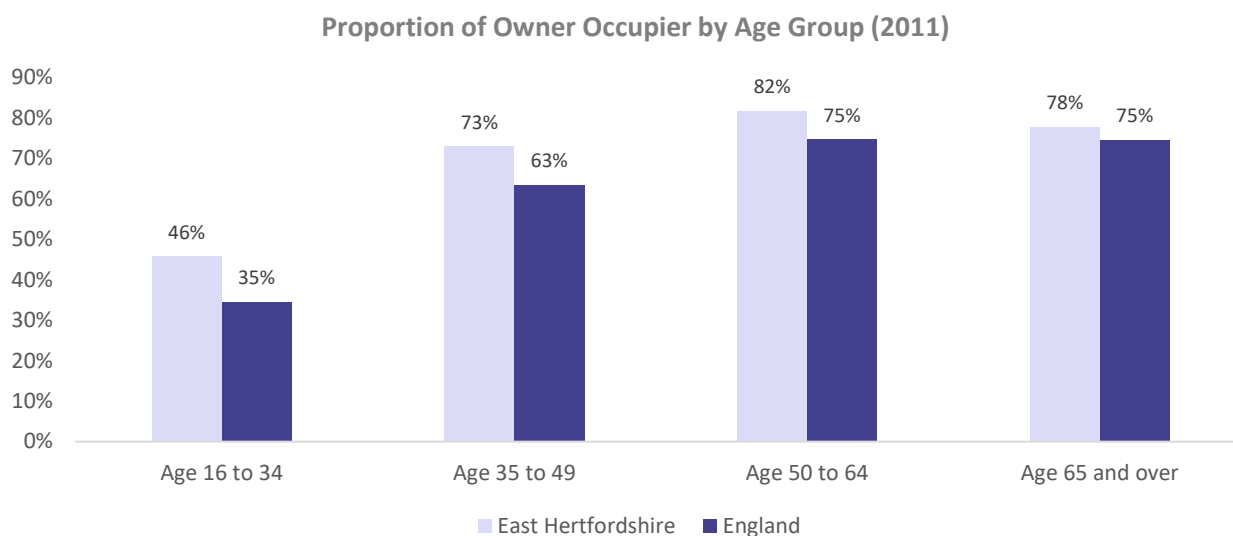
Home Ownership Trends

- 3.49 The new emphasis on households that cannot afford to own their home reflects Government concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 69% in 2006 to 65% in 2011 and to 63% by 2016. Over the same period the proportion of households renting from a social landlord also reduced from 19% to 17% whilst the proportion renting privately increased from 12% to 20%.
- 3.50 The proportion of owner occupiers varies by age with younger age groups less likely to own their home than older households. The real change is in the extent to which younger age groups owning their property has fallen over recent years whilst at the upper end of the age scale (aged 65 or over) home ownership has been increasing (Figure 14).

Figure 23: Percentage of Owner Occupiers in England by Age Group 2001-2016 (Source: English Housing Survey)



- 3.51 The English Housing Survey does not contain robust data on owner occupation by age group at the local level, however an indication of the comparison between owner occupation levels by age in East Hertfordshire versus the national average can be gathered from the 2011 Census (Figure 24).

Figure 24: Proportion of Owner Occupation by age group 2011 (Source: Census 2011)

- 3.52 It can be seen from Figure 24 that there are higher rates of owner occupation in East Hertfordshire than the national average in all age groups reported on by the Census 2011, with the proportion increasing with the age of the household reference person.

Establishing the number of households aspiring to home ownership

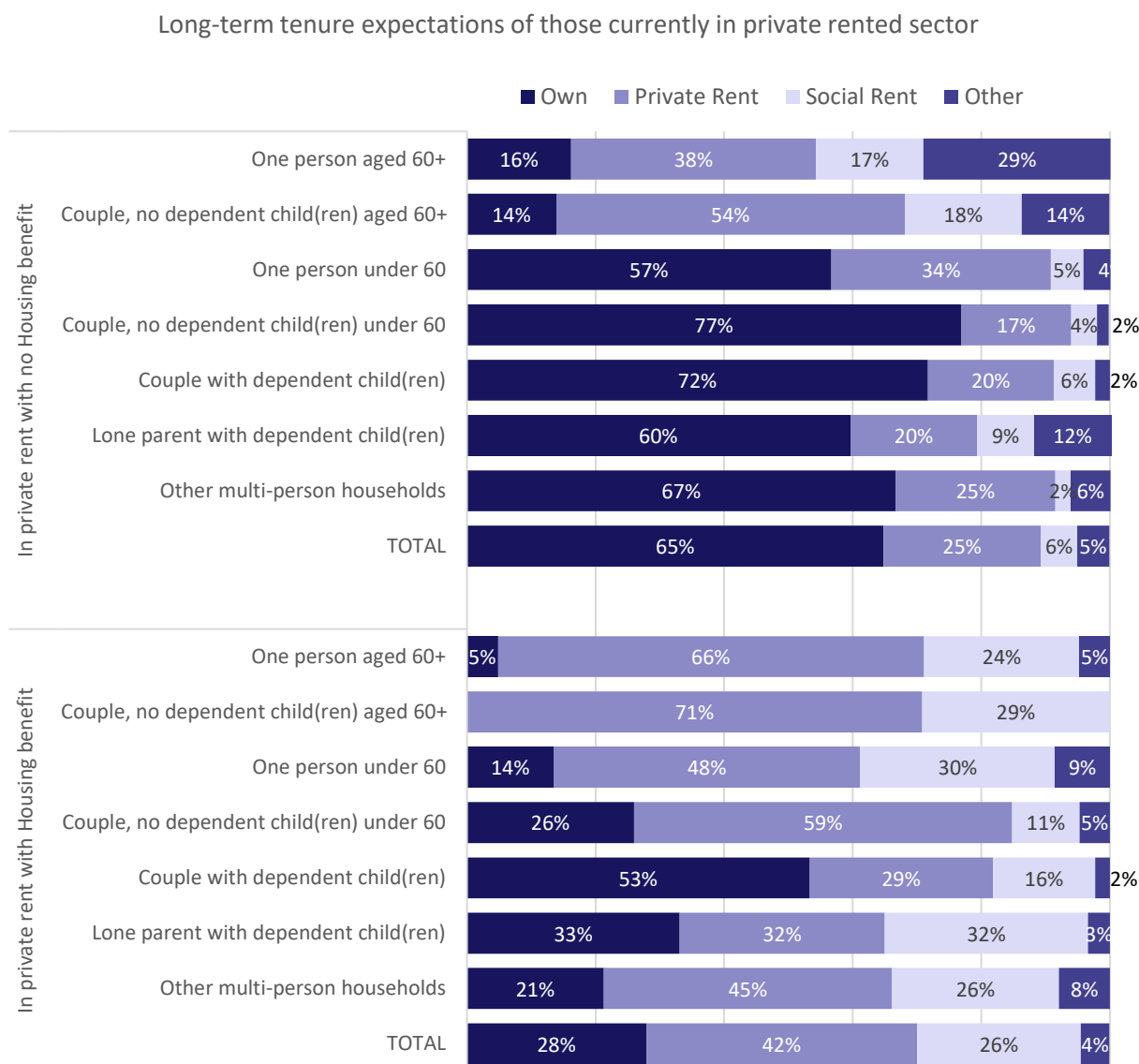
- 3.53 English Housing Survey data shows that, unsurprisingly, 96% of households who currently own their property wish to stay as owner occupiers in the long term. In terms of potential demand over half (54%) of households who rent privately and almost a fifth (18%) of those in social rented housing aspire to homeownership.

Figure 25: Long-term aspirations for England (Source: English Housing Survey 2013/4)

Current Tenure	Long-term Tenure Plan				
	Owner Occupier	Shared Ownership	Rent from Private Landlord	Rent from Social Landlord	Other
Owner occupied	96.1%	0.4%	0.7%	1.1%	1.6%
Private rent	53.5%	2.6%	28.8%	11.4%	3.8%
Social rent	18.1%	1.8%	1.9%	77.0%	1.1%

- 3.54 These figures relate to aspirations only and there is no test within the data as to whether this aspiration is affordable. It is therefore worth considering the responses of those currently in private rent in more detail with a view to understanding the types of household aspiring to buy.
- 3.55 The following chart (Figure 26) shows long-term tenure aspirations of those in private rent by household type as well as whether they are currently in receipt of housing benefit.
- 3.56 Almost two in three (65%) of those who are currently renting privately and NOT receiving housing benefit wish to buy their own home in the future. The proportion is much lower for those households with an Household Representative Person (HRP) over 60 (averaging 15%) and slightly higher amongst couples under 60 (77% and 72% depending on whether or not there are dependent children in the household).
- 3.57 Just under three in ten (28%) of those households in the private rented sector and in receipt of housing benefit wish to buy their own home in the future. This increases to 53% of couples with dependent children.

Figure 26: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support
 (Source: English Housing Survey 2013-14. Note: Own includes shared ownership)



Additional Need for Affordable Homeownership

^{3.58} Through combining data on the number of households of each type in each age group living in private rented housing and paying their own rent with the aspiration data from the EHS 2013-14, Figure 27 establishes the number of existing households likely to aspire to home ownership that have not been counted in the affordable housing need. It is important to recognise that all of these households are able to meet their own housing costs in the private rented sector, so would typically not be considered for social or Affordable Rent.

Figure 27: Households currently living in the Private Rented Sector and paying their own rent that aspire to home ownership
(Note: Figures may not sum due to rounding)

Household Type	Age of Household Representative						TOTAL
	15-24	25-34	35-44	45-54	55-64	65+	
Single person	55	578	384	119	87	21	1243
Couple without children	39	647	176	159	105	21	1147
Families with child(ren)	2	122	361	165	0	0	651
Other households	205	219	10	23	9	0	466
Total	301	1,565	930	467	201	42	3,507
<i>Percentage of households</i>	9%	45%	27%	13%	6%	1%	100%

- 3.59 Based on this analysis, we can estimate that there is a total of around 3,507 households currently resident in East Hertfordshire who cannot afford to own their own home but would aspire to do so. Just over half of these households (54%) are aged 15-34 with the substantial majority (81%) aged under 45.
- 3.60 In addition to the current need, it is also important to consider new households that are projected to form over the period 2021-2033. Through combining this data with the aspiration data from the EHS, we can conclude that it is likely that there would be a further 2,563 households that form over the 12-year period who will be able to afford to pay market rent but unable to afford to own, despite that being their aspiration. **Overall, there are likely to be 6,043 households who aspire to homeownership but who cannot afford to buy their own home over the period 2021-33, a net annual need of 504 per year.** The vast majority of this group of private renters can be assumed to be potential first-time buyers, as it is far more common for a renter to become a homeowner (i.e. as a first-time buyer) than the reverse (i.e. entering the rental market having previously owned a home).
- 3.61 As noted earlier in Chapter 2, the government have recently introduced a new housing product entitled First Homes, which are properties to be sold with at least a 30% discount to first-time buyers. While the figure of 6,043 households who aspire to homeownership in East Hertfordshire sets an upper threshold for the number who could seek to access First Homes, it would still be the case that these households would require a deposit and to be able to afford to service the cost of a mortgage. We explore the importance of this point below.

Identifying the Overall Affordable Housing Need

- 3.62 Figure 28 brings together the information on assessing the unmet need for affordable housing in 2020 together with the future need for affordable housing and those aspiring to home ownership arising over the 12-year period 2021-33. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options.

Figure 28: Assessing total need for affordable housing 2021-2033 (Source: ORS Housing Model)

	Affordable Housing Need		Overall Affordable Housing Need
	Households unable to afford	Households aspiring to home ownership	
Current housing need in 2020	1,303	3,507	4,810
Future housing need 2021-33	1,731	2,563	4,267
TOTAL HOUSING NEED	3,034	6,043	9,077

3.63 On this basis, we can conclude that the overall need for affordable housing would comprise a total of 9,077 households over the 12-year period 2021-2033, equivalent to an average of 756 per annum.

3.64 This represents a figure close to the 1,003 dwellings per annum required by the East Hertfordshire Local Plan 2011-2033 for the period 2021-2033. This is due to a large proportion of this need being associated with the whole population as opposed to the projected new households, which is recognised by the PPG:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing local housing need identifies an overall minimum average annual housing need figure but does not break this down into the housing need of individual groups. This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people.

This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method. How can needs of different groups be planned for?

Strategic policy-making authorities will need to consider the extent to which the identified needs of specific groups can be addressed in the area, taking into account:

- » *the overall level of need identified using the standard method (and whether the evidence suggests that a higher level of need ought to be considered);*
- » *the extent to which the overall housing need can be translated into a housing requirement figure for the plan period; and*
- » *the anticipated deliverability of different forms of provision, having regard to viability.*

Planning Practice Guidance, ID 67-001-20190722

3.65 The size, type and tenure of homes also needs to be calculated separately from the standard method. PPG February 2019 states:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The standard method for assessing housing need does not break down the overall figure into different types of housing. Therefore the need for particular sizes, types and tenures of homes as well as the housing needs of particular groups should be considered separately.

Planning Practice Guidance, ID 2a-017-20190220

3.66 Given that the need for affordable housing and affordable home ownership in particular is very high, it is necessary to consider how this need can be addressed within the overall need established.

3.67 It will be important for the local authority to plan for the needs of **all** households unable to afford to rent or own market housing if they are going to avoid the number of housing benefit claimants living in private rented housing increasing. This represents a need from 3,034 households.

3.68 It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent. But these households would not necessarily choose new

build Affordable Home Ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. It is also important to recognise that the identified demand could only be realised if Affordable Home Ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes.

- 3.69 Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to homeownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly afford affordable homeownership products if they were provided. Whilst a range of affordable homeownership products are available, each with different costs and eligibility criteria, PPG for First Homes states at paragraph 2 that:

How does the housing need of particular groups relate to overall housing need calculated using the standard method?

The First Homes criteria are the minimum requirements a housing unit must meet in order to qualify as a First Home. Affordable Housing Update Written Ministerial Statement published on 24 May 2021, the national standards for a First Home are that:

- a) a First Home must be discounted by a minimum of 30% against the market value;*
- b) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London); and,*
- c) the home is sold to a person who meets the First Homes eligibility criteria, as set out in first 2 paragraphs under First Homes eligibility criteria.*

Planning Practice Guidance, ID: 70-002-20210524

- 3.70 It goes on at paragraph 4 to outline that:

Can the required minimum discount be changed?

In order to qualify as a First Home, a property must be sold at least 30% below the open market value. Therefore, the required minimum discount cannot be below 30%.

However, the First Homes Written Ministerial Statement does give local authorities and neighbourhood planning groups the discretion to require a higher minimum discount of either 40% or 50% if they can demonstrate a need for this. As part of their plan-making process, local planning authorities should undertake a housing need assessment to take into account the need for a range of housing types and tenures, including various affordable housing tenures (such as First Homes). Specific demographic data is available on open data communities which can be used to inform this process. The assessment will enable an evidence-based planning judgement to be made about the need for a higher minimum discount level in the area, and how it can meet the needs of different demographic and social groups.

In such circumstances, the minimum discount level should be fixed at either 40% or 50% below market value and should not be set at any other value. In each case, these percentages represent the minimum discount required for a home to qualify as a First Home. Developers who are able to offer higher discounts within their contributions should be free to do so but the local authority cannot require this. In such cases, whatever discount (as a percentage of market value) is given at the first disposal should be the same at each subsequent sale. These minimum discounts should apply to the entire local plan area (except if Neighbourhood Plans are in place in certain areas) and should not be changed on a site-by-site basis.

If local authorities or neighbourhood planning groups choose to revise their required minimum discounts in any future alterations to their plans, this should not affect the minimum discounts required for previously sold First Homes when they come to be resold, as these will be bound by the section 106 agreements entered into at the time of their first sale.

Planning Practice Guidance, ID: 70-004-20210524

- 3.71 Figure 5 shows that the current lower quartile new build prices for a 4-bedroom property in East Hertfordshire is around £497,000 so 50% of this price would be inside the cap limit, but a lower discount would sit outside the maximum cap. Similarly, a 3 bedroom property has a newbuild lower quartile price of £391,000, so a 30% reduction would sit outside the cap of £250,000, but a 50% discount would sit inside the limit.
- 3.72 For the purpose of establishing the plausibility of low-cost home ownership access, we have assumed a maximum discount of 50% on open market prices for properties which are compatible with the First Homes scheme. However, we then assess how many of these households can also afford at a 30% discount. Therefore, we have not applied any caps on the discount applied to First Homes based upon the maximum £250,000 value in our initial calculation, based upon a 50% discount, but the caps are important when we consider a 30% discount.
- 3.73 Given this context, Figure 29 identifies those households with income that would be insufficient to afford 50% of newbuild prices at the lower quartile for the local area, those households with savings of less than £5,000, and those households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent and also those whose incomes are over the £80,000 income cap. This is based on further analysis of the EHS data which considers the income distribution and savings data for households that rent privately but aspire to homeownership. This data has been updated to reflect current income levels and scaled for each local area using indices from the ONS gross disposable household income (GDHI) tables.
- 3.74 Of the 6,043 households who can afford to rent but who aspire to homeownership, there would be 595 that would be able to afford market home ownership but choose not to (but aspire to do so at some point in the future). There would be a further 1,827 households with insufficient income to have a realistic prospect of being able to afford at 50% of open market values (Figure 29). Of the remaining dwellings for households with incomes above the minimum threshold, there would be 2,696 where the household had savings of less than £5,000 and were therefore unable to afford the assumed deposit (nor the assorted up-front costs) of purchasing a home in the local area. A further 296 households would have incomes over the £80,000 maximum threshold.

Figure 29: Affordable homeownership housing mix by household affordability 2021-2033 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	MINUS Households with incomes over £80,000 threshold	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	1,248	231	1,016	292	724	503	0	221
2 bedrooms	2,801	329	2,472	736	1,736	1,345	170	221
3 bedrooms	1,555	34	1,521	543	977	736	94	148
4+ bedrooms	440	0	440	256	184	112	33	39
TOTAL	6,043	595	5,449	1,827	3,621	2,696	296	630

- 3.75 On this basis, 630 dwellings are needed for households that aspire to homeownership but cannot afford it, who also have at least £5,000 in savings and incomes below the relevant threshold. As previously noted, it is likely that the vast majority of these households would be first-time buyers.
- 3.76 Whilst it will be a policy decision as to how much of the additional need for affordable homeownership from households able to afford market rent should be provided, it would seem appropriate to only plan for the needs of those 630 households likely to form an effective demand (i.e. those able to afford the various products that will potentially be available) in addition to the 3,034 households unable to afford to rent or own market housing. Figure 30 provides a breakdown of the planned affordable housing on this basis.

Figure 30: Overall need for Affordable Housing 2021-33, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Housing Need		Affordable Housing (Households)
	Households unable to afford	Households aspiring to home ownership	
1 bedroom	605	221	826
2 bedrooms	999	221	1,220
3 bedrooms	1,133	148	1,281
4+ bedrooms	297	39	336
TOTAL HOUSING NEED	3,034	630	3,663

- 3.77 The LHNA identifies an overall affordable housing need from 3,663 households over the 12-year period 2021-33 (305 per annum). This includes the needs from all households unable to afford to rent or own market housing and also provides for those households who aspire to homeownership but who cannot afford to buy, where there is a realistic prospect of those households being able to access a 50% First Homes property.
- 3.78 However, it is important to recognise that there are many more households who aspire to homeownership who either do not have sufficient income or savings that would enable them to realise their aspiration. It is also important to recognise that these figures assume that the number of households in receipt of housing benefit to enable them to afford market housing in the private rented sector does not change.

4. Overall Housing Need

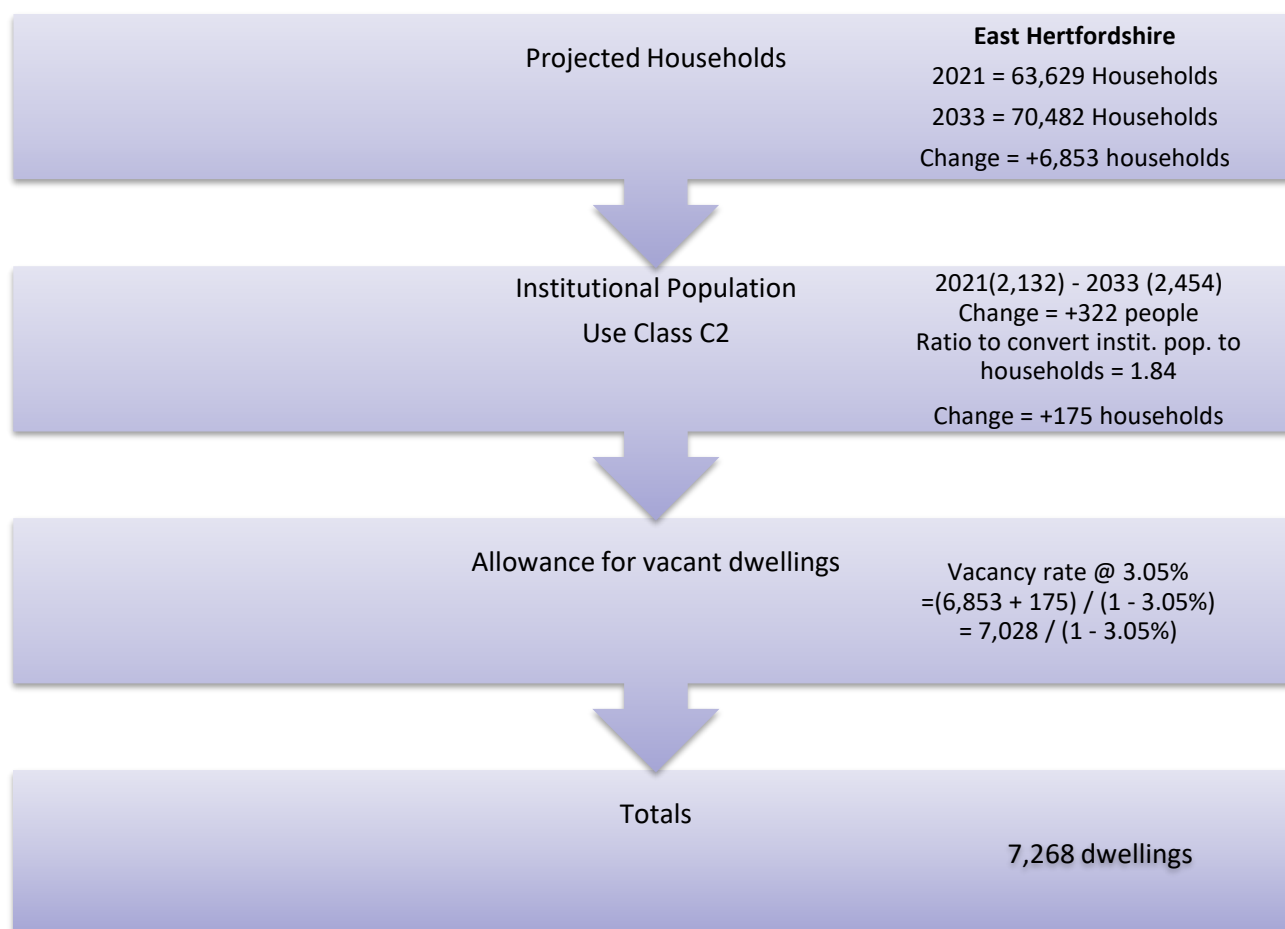
Local Housing Need based on the Local Plan Target

Disaggregating the Minimum Local Housing Need figure

- 4.1 Although the figures set out in Chapter 3 are informed by the trend-based household projections, the final dwelling target for East Hertfordshire is set by the Local Plan 2011-2033 and this requires a total of 12,033 additional dwellings for the period 2021-2033.
- 4.2 Given this context, delivering the number of homes that the Local Plan identifies will yield a different population and household growth to that projected using past trends alone. In assessing the appropriate mix of housing, it is necessary to establish demographic projections to align with the number of homes identified by the standard method.
- 4.3 The demographic projections for the LHNAs are based on the latest official projections and cover the 12-year period 2021-2033. They are informed by the latest ONS mid-year estimates,⁸ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. Whilst recent trends provide the starting point, the model aligns household growth with the overall dwelling target through varying two key assumptions:
- » Household formation rates for younger households are adjusted on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the dwelling target.
- 4.4 Figure 31 sets out the separate elements that will contribute to the dwelling target. These include:
- » Households growth over the 12-year plan period calculated on trend-based projections;
 - » Institutional population growth over the 12-year plan period needing communal accommodation;
 - » Dwellings without a usually resident household (either vacant homes or second homes);
 - » Additional dwellings to respond to pent-up housing market pressure.

⁸ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements

Figure 31: Elements of housing need (Source: CLG, ONS, ORS; Note: All figures presented unrounded for transparency)

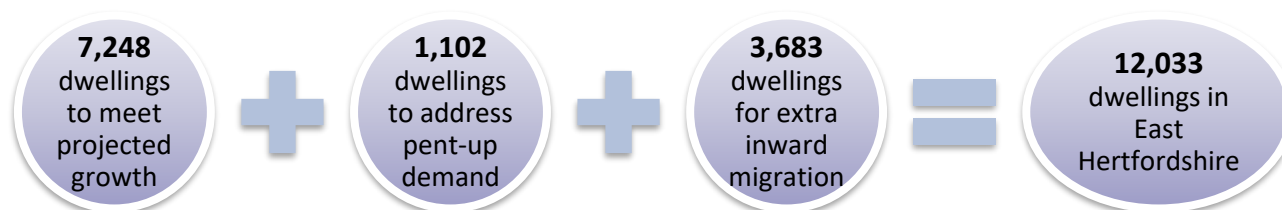


- 4.5 At this point in our reporting we are referring to dwellings rather than households. A dwelling is usually occupied by a single household although in some cases two households may share a dwelling. Importantly, we need to make an allowance for an inevitable base level of vacant properties and the word household becomes misleading.
- 4.6 Thus, the number of dwellings needed to deal with the projected household and institutional population growth is 7,028 in East Hertfordshire. However, if we assume that 3.05%⁹ of dwellings will be unoccupied at any one time this means that a total of 7,268 dwellings are required.
- 4.7 The overall housing need for 2021-2033 has already been identified as 1,003 dwellings per annum, which translates to 12,033 dwellings across the 12-year period. This leaves a difference between these housing need figures and the population projected need of 4,785 dwellings.
- 4.8 This additional need is made up from two elements:
- » Enabling more households to form¹⁰ (from the pent-up housing demand) = 506 dwellings
 - » Enabling more net inward migration¹¹ = 4,680 dwellings

⁹ Based on 2011 Census data at a local authority level

¹⁰ Based on the assumption that household formation rates for all age groups under 45 are currently constrained and allowing them to return to the equivalent rates recorded in 2001.

¹¹ Once household formation rates reach the 2001 level any additional uplift is assumed to provide housing for an additional population based on increased net migration.



- 4.9 These 12,033 overall dwellings can be separated into market and affordable housing. A component of affordable housing as outlined in Chapter 3 is affordable home ownership for those that aspire to own. Some of the 4,785 (1,102 + 3,683) extra dwellings for pent-up demand and in-migration to meet the projected growth will inevitably be occupied by residents that aspire to home ownership, and the impact of this group on the affordable housing numbers calculated in Chapter 3 is calculated below.

Figure 32: Extra households from pent-up demand and in-migration beyond projected (Local Plan scenario): Affordable homeownership housing mix by household affordability 2021-2033 (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	MINUS Households with incomes over threshold	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	133	25	109	31	77	54	0	24
2 bedrooms	299	35	264	79	185	144	18	24
3 bedrooms	166	4	162	58	104	79	10	16
4+ bedrooms	47	0	47	27	20	12	3	4
TOTAL	646	64	582	195	387	288	32	67

- 4.10 Figure 32 applies the same calculation to the extra residents as was presented in Figure 29 for households that formed projected growth. Dwellings suitable for 67 extra households are needed to accommodate those that aspire to homeownership that have at least £5,000 in savings, can afford a mortgage and have incomes below the relevant threshold.
- 4.11 The previous analysis (Figure 29) identified 630 households that could afford an affordable homeownership option and had savings of £5,000 or more. Combining this with the 67 extra households identified, this totals 697 households that will aspire to homeownership and have the financial means to be able to afford First Homes at a 50% discount. Application of the affordable vacancy rate (just over 1%)¹² yields 707 affordable homeownership dwellings (Figure 33).

¹² Affordable vacancy rate data from Regulator of Social Housing - Statistical Data Return 2019

Figure 33: Summary of households likely to be able to access affordable home ownership in Local Plan scenario (Source ORS Housing Model, Census)

	Households able to afford and have savings of £5,000 or more (Base Scenario)	Households able to afford and have savings of £5,000 or more (Uplift for Dwelling target)	Households	Dwellings (including a vacancy rate)
1 bedroom	221	24	245	248
2 bedrooms	221	24	245	248
3 bedrooms	148	16	164	166
4+ bedrooms	39	4	44	44
TOTAL	630	67	697	707

- 4.12 Figure 34 shows the result of applying the vacancy rate for affordable homes to the summary of households in Figure 30, and further disaggregating aspire to homeownership into those that can afford First Homes with a 30% discount and those that can afford First Homes with a 50% discount, but not with a 30% discount. This latter group will therefore require the provision of a more accessible product than 70% First Homes (e.g., a form of shared ownership, first homes with a larger discount, or similar). However, property prices at a 30% discount on a 70% First Homes will be above the £250,000 maximum cap, so we have assumed that none can be delivered at this price. These affordable homes are subtracted from the overall dwelling need calculated above, disaggregating the number of market homes implied by the dwelling target.
- 4.13 The figures also contain market needs which represents the need for Use Class C2 bedspaces, such as care homes, converted to dwellings. The Class C2 figure is outlined in Figure 31 which considers the projected growth in those in Class C2 in the population and household projections. It is important to note that we are not assuming that the equivalent of 180 dwellings in East Hertfordshire are delivered as Class C2 bedspaces. Instead, the population and household projections assume that the equivalent of 180 dwellings will be vacated by those moving to Class C2. If these moves do not occur because Class C2 bedspaces are not delivered, then 180 more Class C3 dwellings will be required. If Class C2 bedspaces are delivered they can be counted at a ratio of 1.84 bedspaces equals 1 dwelling.
- 4.14 Overall, the model identifies a need for a total of 3,784 affordable dwellings over the period 2021-2033, or 315 per annum. This represents a rise compared to West Essex and East Hertfordshire Strategic Housing Market Assessment Affordable Housing Update 2017 which showed a need for 224 affordable dwelling per annum. However, this growth is almost entirely due to the period to address the backlog of need being shorter and the introduction of those aspiring to own being considered as potentially being in affordable housing need.

Figure 34: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size
(Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	614	10	238	862	588	1,450
2 bedrooms	1,013	104	145	1262	1,560	2,822
3 bedrooms	1,148	166	0	1314	3,696	5,010
4+ bedrooms	301	46	0	347	2,223	2,570
DWELLINGS	3,076	326	383	3,784	8,068	11,853
C2 Dwellings	-	-	-	-	180	180
Dwelling Target	3,076	326	383	3,784	8,248	12,033

^{4.15} Figure 35 shows the components of housing need presented in Figure 34 as percentages of the 12,033 overall dwelling need.

Figure 35: Overall need for Market and Affordable Dwellings as percentages of the Local Plan (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	5.1%	0.1%	2.0%	7.2%	4.9%	12.1%
2 bedrooms	8.4%	0.9%	1.2%	10.5%	13.0%	23.5%
3 bedrooms	9.5%	1.4%	0%	10.9%	30.7%	41.6%
4+ bedrooms	2.5%	0.4%	0%	2.9%	18.5%	21.4%
DWELLINGS	25.6%	2.8%	3.2%	31.4%	67.1%	98.5%
C2 Dwellings	-	-	-	-	1.5%	1.5%
Dwelling Target	25.6%	2.8%	3.2%	31.4%	68.5%	100.0%

Sub-areas

- 4.16 The evidence set out above relates to the whole of East Hertfordshire. However the Council also consider the needs across 5 sub-areas, as defined by ward boundaries and set out in Figure 36.

Figure 36: Sub-areas of East Hertfordshire by Ward

Sub-Area	Ward
Bishop's Stortford and Sawbridgeworth	Bishop's Stortford All Saints Bishop's Stortford Central Bishop's Stortford Meads Bishop's Stortford Silverleys Bishop's Stortford South Sawbridgeworth
Buntingford	Buntingford
Hertford and Ware	Great Amwell Hertford Bengoe Hertford Castle Hertford Kingsmead Hertford Sele Ware St Mary Ware Trinity Ware Christchurch Ware Chadwell Stanstead Abbots
Rural East	Braughing Hunsdon Little Hadham Much Hadham Puckeridge Thundridge and Standon
Rural West	Datchworth and Aston Hertford Heath Hertford Rural North Hertford Rural South Mundens and Cottered Walkern Watton-at-Stone

- 4.17 To model the needs of sub-areas, a variety of approaches can be adopted. For this study our approach can be simplified to:

- » Council Tax records by dwelling size were used to generate the overall volume of dwellings and distribution of bedrooms by sub area;
- » The overall need for dwellings in East Hertfordshire was apportioned to each sub area based upon their existing number of dwellings;
- » Local area house price data, benefit claimants and rents were used to assess affordability for local rents;
- » The model was then extended to consider those who can afford rents, but who aspire to own, including removing any areas where 50% First Homes would not fall within the £250,000 threshold.

- 4.18 The outputs for each sub-area are then shown in Figure 37 to Figure 41 and show sharp differences in the level of affordable housing need required in each sub-area. The affordable housing needs are relatively

higher in Bishop's Stortford and Hertford and Ware. This is because these areas contain relatively cheaper properties, which means lower income households are able to reside in them. They are also more likely to fall within the First Home property caps.

Figure 37: Overall need for Market and Affordable Dwellings in Bishop's Stortford (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Bishop's Stortford	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	295	5	140	441	40	481
2 bedrooms	452	35	63	550	317	867
3 bedrooms	511	23	34	568	969	1,537
4+ bedrooms	168	0	41	208	778	986
DWELLINGS	1,426	63	278	1,766	2,105	3,871

Figure 38: Overall need for Market and Affordable Dwellings in Buntingford (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Buntingford	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	13	0	11	24	25	49
2 bedrooms	25	3	6	34	78	113
3 bedrooms	44	4	7	56	253	309
4+ bedrooms	10	0	5	15	121	136
DWELLINGS	93	8	29	129	477	606

Figure 39: Overall need for Market and Affordable Dwellings in Hertford and Ware (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Hertford and Ware	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	267	3	50	320	372	693
2 bedrooms	432	46	76	554	767	1,322
3 bedrooms	391	27	42	460	1,413	1,874
4+ bedrooms	70	0	0	70	586	656
DWELLINGS	1,160	75	169	1,405	3,139	4,544

Figure 40: Overall need for Market and Affordable Dwellings in Rural East (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Rural East	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	30	1	16	47	61	108
2 bedrooms	65	10	0	75	201	276
3 bedrooms	88	13	0	101	487	589
4+ bedrooms	30	0	0	30	356	386
DWELLINGS	213	24	16	253	1,105	1,358

Figure 41: Overall need for Market and Affordable Dwellings in Rural West (including affordable home ownership products) by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Rural West	Affordable Dwellings			Total Affordable Housing	Total Market Housing	Total Housing
	Unable to afford market rents	Unable to afford market ownership				
		Unable to afford 70% First Homes	Able to afford 70% First Homes			
1 bedroom	27	1	20	48	71	120
2 bedrooms	47	10	0	57	188	245
3 bedrooms	86	15	0	101	601	702
4+ bedrooms	25	0	0	25	381	406
DWELLINGS	185	27	20	232	1,241	1,473

Appendix A

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Appendix B

Glossary of Terms

Definitions

Affordability is a measure of whether housing may be afforded by certain groups of households.

Affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. For the purpose of this report we have used the definition in the Revised NPPF, which specifies the main categories of affordable housing to be: affordable housing for rent; starter homes; discounted market sales housing (sold at a discount of at least 20% below market value); shared ownership, relevant equity loans, other low cost homes for sale and rent to buy.

Affordable Rent is provided by social landlords and rented for less than would be paid if renting privately. It must be at least 20% cheaper than the equivalent private rent in the area and must also be below the value of the Local Housing Allowance in the area.

Census Output Area is the smallest area for which UK Census of Population statistics are produced. Each Census Output Area had a population of around 250 people with around 100 dwellings at the time of the 2011 Census.

Concealed families are defined as; *“family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”*¹³.

Equity is the difference between the selling price of a house and the value of the outstanding mortgage.

First Homes are discounted market sale units which must be sold with either a 30%, 40% or 50% discount in perpetuity to a person or persons meeting the First Homes eligibility criteria.

A household is one person living alone, or two or more people living together at the same address who share at least one meal a day together or who share a living room.

Household formation refers to the process whereby individuals in the population form separate households. ‘Gross’ or ‘new’ household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting ‘successor’ households, when the former head of household dies or departs). ‘Net’ household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

A Housing Association or Registered Provider is an independent not-for-profit body that primarily provides low-cost "social or affordable housing" for people in housing need.

Housing demand is the quantity of housing that households are willing and able to buy or rent.

Household income includes all salaries, benefits and pensions, before deductions such as tax and National Insurance.

House in Multiple Occupation are currently defined by the Housing Act 2004 as:

¹³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

- » an entire house or flat which is let to three or more tenants who form two or more households and who share a kitchen, bathroom or toilet;
- » a house which has been converted entirely into bedsits or other non-self-contained accommodation and which is let to three or more tenants who form two or more households and who share kitchen, bathroom or toilet facilities;
- » a converted house which contains one or more flats which are not wholly self-contained (i.e. the flat does not contain within it a kitchen, bathroom and toilet) and which is occupied by three or more tenants who form two or more households; and
- » a building which is converted entirely into self-contained flats if the conversion did not meet the standards of the 1991 Building Regulations and more than one-third of the flats are let on short-term tenancies.

Housing market areas are geographical areas in which a substantial majority of the employed population both live and work and where those moving house without changing employment choose to stay.

Housing need is the quantity of housing required for households who are unable to access suitable housing without financial assistance.

Housing requirements encompasses both housing demand and housing need, and is therefore the quantity of housing necessary for all households to have access to suitable housing, irrespective of their ability to pay.

Housing type refers to the type of dwelling, for example, flat, house, specialist accommodation.

Intermediate affordable housing is housing at prices and rents above those of social rent, but below market price or rents, and which meet the criteria for affordable housing set out above. These include shared equity products (e.g. HomeBuy), other low cost home ownership products and intermediate rent.

Lending multiplier is the number of times a household's gross annual income a mortgage lender will normally be willing to lend. The most common multipliers quoted are 3.5 times income for a one-income household and 2.9 times total income for dual income households.

Low cost home ownership is intermediate affordable housing designed to help people who wish to buy their own home, but cannot afford to buy outright (with a mortgage). Through this type of scheme you buy a share in the property with a Housing Association or other organisation.

Lower quartile means the value below which one quarter of the cases falls. In relation to house prices, it means the price of the house that is one-quarter of the way up the ranking from the cheapest to the most expensive.

Lower Super Output Area is a group of around 5-6 Census Output Areas and is the smallest geography for many Government statistics. Each Lower Super Output Area had a population of around 1,250 people with around 500 dwellings at the time of the 2001 Census.

Market housing is private housing for rent or for sale, where the price is set in the open market.

Market signals are indicators that supply and demand are not in balance for a local housing market. Possible market signals are listed in PPG and the following are the most pertinent; house prices, private sector rents, affordability, rate of development and overcrowding.

Migration is the movement of people between geographical areas. In this context it could be either local authority districts, or wider housing market areas. The rate of migration is usually measured as an annual number of individuals, living in the defined area at a point in time, who were not resident there one year

earlier. Gross migration refers to the number of individuals moving into or out of the authority. Net migration is the difference between gross in-migration and gross out-migration.

A projection of housing needs or requirements is a calculation of numbers expected in some future year or years based on the extrapolation of existing conditions and assumptions. For example, household projections calculate the number and composition of households expected at some future date(s) given the projected number of residents, broken down by age, sex and marital status, and an extrapolation of recent trends in the propensity of different groups to form separate households.

Registered Provider of Social Housing see Housing Association.

Secondary data is existing information that someone else has collected. Data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, national surveys).

Shared ownership see Low Cost Home Ownership.

Social rented housing is provided by social landlords and rented for less than would be paid if renting privately. It typically has lower rents than Affordable Rent.

Specialised housing refers to specially designed housing (such as mobility or wheelchair accommodation, hostels or group homes) or housing specifically designated for particular groups (such as retirement housing).

Acronyms and Initials

BRMA	Broad Rental Market Area
CLG	Department for Communities and Local Government (now MHCLG)
DWP	Department of Work and Pensions
LA	Local Authority
LHA	Local Housing Allowance
LHN	Local Housing Need
LHNA	Local Housing Needs Assessment
MHCLG	Ministry for Housing, Communities and Local Government
NPPF	National Planning Policy Framework
ONS	Office for National Statistics
ORS	Opinion Research Services
PPG	Planning Practice Guidance
RSL	Registered Social Landlord
SHMA	Strategic Housing Market Assessment