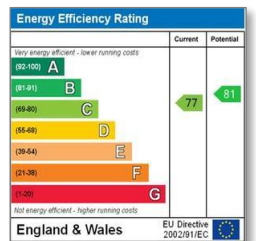




## West Essex and East Hertfordshire Strategic Housing Market Assessment

Affordable Housing Update  
July 2017





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# 1. Introducing the Study

## Background to the project and wider policy context

- 1.1 Opinion Research Services (ORS) was jointly commissioned by the local authorities of West Essex (Epping Forest, Harlow and Uttlesford) and East Hertfordshire to update the affordable housing analysis undertaken from the original Strategic Housing Market Assessment (SHMA) that was published in September 2015.
- 1.2 The National Planning Policy Framework (NPPF) sets out government's planning policies for England and how these are expected to be applied. The Framework acts as guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications.
- 1.3 Paragraph 47 of the National Planning Policy Framework identifies that local planning authorities should meet *“the full, objectively assessed needs for market and affordable housing”*. Furthermore, paragraph 159 of the Framework identifies that they should *“prepare a Strategic Housing Market Assessment to assess their full housing needs”* which identifies *“the need for all types of housing, including affordable housing”*.
- 1.4 Planning Practice Guidance (PPG) on the assessment of housing and economic development needs was published in March 2014. Previous Strategic Housing Market Assessment Guidance (2007) and related documents were rescinded at that time, so the approach taken in preparation of this report is focused on meeting the requirements of the NPPF and PPG.

## Approach to Assessing Affordable Housing Needs

- 1.5 The PPG includes advice on how calculate affordable housing needs at ID 2a-022 to 029, and the key steps are summarised at ID2a-022:

### ***How should affordable housing need be calculated?***

*Plan makers working with relevant colleagues within their local authority (e.g. housing, health and social care departments) will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.*

*This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*

**Planning Practice Guidance (March 2014), ID 2a-022**

- 1.6 The PPG approach largely reflects that in chapter 5 the 2007 CLG SHMA Practice Guidance:<sup>1</sup>

*“The first part of this chapter explains how to estimate the number of current and future households in housing need. It then looks at the available stock and requirements of existing affordable housing tenants for different sizes of properties. In so doing, the approach*

<sup>1</sup> “Strategic Housing Market Assessments Practice Guidance Version 2”, CLG 2007 (now rescinded), page 40

*outlines how to develop an evidence base that can inform decisions about a range of policy responses to housing need, including: setting targets for affordable housing, changing allocations policies and using the private rented sector.”*

- 1.7 The 2007 CLG SHMA Practice Guidance was in turn based on the approach set out in “*Local Housing Needs Assessment: A Guide to Good Practice*”, published by the Department for the Environment, Transport and the Regions (DETR) in 2000.<sup>2</sup> This presented “*a basic needs assessment model which all local authorities should try to follow, so far as is practicable*” (pages 21-22):

Table 2a: Outline of basic model
B: BACKLOG OF EXISTING NEED (times a quota) plus N: NEWLY ARISING NEED minus S: SUPPLY OF AFFORDABLE UNITS equals NET SHORTFALL (SURPLUS) affordable units per year

- 1.8 Given this context, it is evident that the key elements of the PPG approach reflect a long-established approach for assessing affordable housing need (PPG ID 2a-022 cf. DETR 2000 Table 2a):

- » “*This calculation involves adding together the current unmet housing need and the projected future housing need*” → B: BACKLOG OF EXISTING NEED plus N: NEWLY ARISING NEED
- » “*and then subtracting this from the current supply of affordable housing stock*” → minus S: SUPPLY OF AFFORDABLE UNITS equals NET SHORTFALL (SURPLUS)

- 1.9 On this basis, the standard approach to modelling affordable housing needs that was originally set out in the 2000 DETR Guide to Good Practice and which is reflected by PPG at ID 2a-022 to 029 comprises:

- » A backlog of **current unmet need** for affordable housing, which includes:
  - Established households (who already live in market or affordable housing that is unsuitable for their needs); together with
  - Suppressed households (such as concealed families or homeless households) who need their own home; plus the
- » **Projected future housing need** for affordable housing (i.e. newly arising need), which is based on a proportion of future household growth; less the
- » **Supply of affordable housing.**

- 1.10 All of the established households counted as part of the current unmet need for affordable housing, and in moving to affordable housing they will vacate their existing dwelling – so no additional dwellings are needed and these needs will not add to the overall Objectively Assessed Need (OAN). Nevertheless, these household moves will impact on the overall mix of housing needed.

<sup>2</sup> “*Local Housing Needs Assessment: A Guide to Good Practice*”, DETR 2000 (now rescinded)

- <sup>1.11</sup> By definition, the full OAN will include all projected household growth for the area – so any proportion of the growth where households need affordable housing will not add to the OAN. The only households that would add to the OAN based on household projections would be suppressed households (such as concealed families or homeless households) that are not captured by the household projections. The needs of these households must be counted as part of the affordable housing OAN, and therefore they must also be included within the full OAN. Given this context, all households that need affordable housing will already be included within the household projections that inform the OAN (so will not increase the OAN); except for suppressed households counted within the current unmet need for affordable housing.
- <sup>1.12</sup> The Planning Advisory Service Good Plan Making Guide clearly identifies that SHMAs must take account of any unmet need for housing that still exists at the start of the new plan period, which it describes as ‘backlog’ (page 49):<sup>3</sup>

*“Make sure however that the Strategic Housing Market Assessment takes account of ‘backlog’ which is unmet need for housing that still exists at the start of the new plan period (for example, the needs of the homeless and other households living in unacceptable accommodation). The Strategic Housing Market Assessment should show all those in need.”*

- <sup>1.13</sup> Therefore, the PAS Good Plan Making Guide confirms that the only households included within the affordable housing OAN that are not included within the household projections that inform the overall OAN have to be counted separately when establishing the overall OAN. On this basis, **all households counted within the affordable housing OAN must also be counted within the overall OAN: affordable housing need will not add to the overall OAN.**

## High Court Judgements

- <sup>1.14</sup> There have been a number of Judicial Reviews of Planning Inspector decisions which have also helped to clarify the relationship between the overall OAN and the need for Affordable Housing:

### ***Satnam Millennium v Warrington BC Judgement***

*Mr Justice Stewart surmised that “The NPPF requires full affordable housing needs to be identified as part of the OAN” before concluding that “The assessed need for affordable housing was 477 dpa” and “This assessed need was never expressed or included as part of the OAN” leading to the judgement that there had not been compliance with Policy.*

### ***Oadby and Wigston v Bloor Homes Judgement***

*Mr Justice Hickinbottom concluded that “on the basis of the SHMA, the Council was working to a purportedly policy off housing requirement figure of 80-100 dpa – but the SHMA itself assessed ... the full affordable housing need alone at a net 160 dpa” and therefore this was inevitably a “policy on” figure.*

### ***Borough Council of Kings Lynn and West Norfolk v Elm Park Holdings Ltd Judgement***

*Mr Justice Dove stated “At the second stage described by the second sub-bullet point in paragraph 159, the needs for types and tenures of housing should be addressed. That includes the assessment of the need for affordable housing ... The Framework makes clear these needs should be addressed in determining the FOAN”.*

<sup>3</sup> <http://www.pas.gov.uk/documents/332612/6363137/Pages+from+FINAL+PAS+Good+Plan+Making+6.pdf>

- 1.15 It is clear that NPPF considers that the full, objectively assessed needs for housing will include the need for affordable housing and this is now supported by a sequence of High Court Judgements. Therefore, both the Framework and the High Court Judgements identified above confirm that affordable housing need must be a component of the full, objectively assessed needs for housing.
- 1.16 Given this context, as the demographic projections provide the basis for identifying the overall OAN it is evidently important to ensure that the same demographic projections are used at the core of establishing the need for all types of housing, including both market housing and affordable housing. Nevertheless, it is important to ensure the affordable housing assessment also considers any unmet need for housing that still exists at the start of the new plan period.

## Planning Practice Guidance for Affordable Housing Needs

- 1.17 PPG notes that affordable housing need is based on households “*who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market*” (ID 2a-022) and identifies a number of different types of household which may be included:

### ***What types of households are considered in housing need?***

*The types of households to be considered in housing need are:*

- » *Homeless households or insecure tenure (e.g. housing that is too expensive compared to disposable income)*
- » *Households where there is a mismatch between the housing needed and the actual dwelling (e.g. overcrowded households)*
- » *Households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ*
- » *Households that lack basic facilities (e.g. a bathroom or kitchen) and those subject to major disrepair or that are unfit for habitation*
- » *Households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move*

Planning Practice Guidance (March 2014), ID 2a-023

- 1.18 PPG also suggests a number of data sources for assessing past trends and recording current estimates for establishing the need for affordable housing (ID 2a-024):
- » Local authorities will hold data on the number of homeless households, those in temporary accommodation and extent of overcrowding.
  - » The Census also provides data on concealed households and overcrowding which can be compared with trends contained in the English Housing Survey.
  - » Housing registers and local authority and registered social landlord transfer lists will also provide relevant information.
- 1.19 In relation to assessing future need, PPG identifies needs should be assessed based on a “**gross annual estimate**” (ID 2a-025, emphasis added); however in establishing “*the total need for affordable housing*”, PPG identifies that the figure should be based on “*the total **net** need*” (ID 2a-029, emphasis added).



<sup>1.20</sup> The basic approach to assessing affordable housing need set out at PPG ID 2a-022 to 029 covers five key groups of households: two relate to assessing current need (ID 2a-024) and three relate to assessing future need (ID 2a-025). Figure 1 describes each of these groups and differentiates between their gross need and net need. It also sets out the impact that each group has on the assessment of affordable housing need and the full OAN.

**Figure 1: Summary of household groups identified by PPG for assessing affordable housing need**

Group	Description	Impact on needs assessment
<b>Current needs of homeless and concealed households</b>	These households should have a dwelling at the start of the Plan period, but they don't and they are unable to afford market housing.	The needs of these households should be counted as affordable housing need and also within the full OAN.
<b>Current needs of existing households</b>	These households have a dwelling at the start of the Plan period, but it isn't suitable for their needs (for example, due to overcrowding) and they are unable to afford market housing.	The needs of these households should be counted as affordable housing need, but as they already occupy a dwelling their need will not add to the full OAN.
<b>Future needs of new households unable to afford: Newly forming households</b>	<p>These new households are projected to form based on past trends, but they are unable to afford market housing. This will represent the gross need.</p> <p>The net need offsets those existing households previously assessed to need affordable housing that are projected to dissolve (either as existing households combine or following death of all household members).</p> <p>Such households no longer need a dwelling, so they should also be discounted from the affordable housing need. It is important that this need is discounted regardless of whether or not the dissolving household previously occupied affordable housing.</p>	<p>The overall number of newly forming households and household dissolutions should be consistent with the household projections on which the full OAN is based.</p> <p>This will ensure that the affordable housing need is consistent with the full OAN.</p> <p>Whilst it is necessary to identify the gross need, it should only be the net need that is counted when establishing the need for additional affordable housing.</p>
<b>Future needs of new households unable to afford: Migrant households</b>	<p>These new households are projected to move to the area based on past trends (in-migrant households), but they are unable to afford market housing. This will represent the gross need.</p> <p>The net need offsets those existing households previously assessed to need affordable housing that are projected to move away from the area (out-migrant households).</p> <p>Such households no longer need a dwelling in the area, so they should also be discounted from the affordable housing need. It is important that this need is discounted regardless of whether or not the out-migrant household previously occupied affordable housing.</p>	<p>The overall number of in-migrant households and out-migrant households should be consistent with the household projections on which the full OAN is based.</p> <p>This will ensure that the affordable housing need is consistent with the full OAN.</p> <p>Whilst it is necessary to identify the gross need, it should only be the net need that is counted when establishing the need for additional affordable housing.</p>
<b>Future needs of existing households falling into need</b>	<p>These households have a suitable dwelling that they are able to afford, but their circumstances change such that their existing dwelling is no longer suitable and they are unable to afford market housing. This will represent the gross need.</p> <p>The net need offsets those existing households previously assessed to need affordable housing whose circumstances improve such that they no longer need affordable housing.</p> <p>Such households will continue to occupy a dwelling in the area, but no longer need affordable housing. It is important that this affordable housing need is discounted regardless of whether or not the household occupied affordable housing.</p>	<p>The needs of these households should be counted as affordable housing need, but as they already occupy a dwelling their need will not add to the full OAN.</p> <p>Whilst it is necessary to identify the gross need, it should only be the net need that is counted when establishing the need for additional affordable housing.</p>



- 1.21 The PPG suggests that the “*total net need*” should be based on a calculation to “*subtract total available [affordable housing] stock from total gross need*” (ID 2a-029) – but not all households included within the total gross need will be allocated affordable housing, so it is important to consider this when deriving net need. Although the PPG does not explicitly state that the needs of dissolving households and out-migrant households that have been counted within the gross need for affordable housing should be discounted from the net need regardless of whether or not the household ever occupied affordable housing, it is clear that these households will not need housing in the housing market area – so it stands to reason that they will no longer need affordable housing either, otherwise these households would be counted within the affordable housing need despite not being counted in the full OAN.
- 1.22 From a real-life perspective, any household that needs an affordable dwelling will also need a dwelling; but equally important, any household that does not need a dwelling will not need an affordable dwelling – so these needs must be discounted when establishing the total need for affordable housing, as this should be based on the “*total net need*” (ID 2a-029). Understanding this very simple concept is central to producing a robust needs assessment.
- 1.23 Similarly, PPG does not explicitly state that the needs of existing households climbing out of need should be discounted, regardless of whether or not the household ever occupied affordable housing. Nevertheless, PPG identifies that “*care should be taken ... to include only those households who cannot afford to access suitable housing in the market*” (ID 2a-024); so it is evident that the needs of households whose circumstances improve such that they can “*afford to access suitable housing in the market*” should not be included in the total need for affordable housing.
- 1.24 Whilst the PPG does not provide specific guidance on either of these points, it is important to recognise that the PPG is not a framework which either could or should be applied mechanistically. Indeed, the PPG on housing and economic development needs states at the outset:

#### ***Can local planning authorities use a different methodology?***

*There is no one methodological approach or use of a particular dataset(s) that will provide a definitive assessment of development need. But the use of this standard methodology set out in this guidance is strongly recommended because it will ensure that the assessment findings are transparently prepared. Local planning authorities may consider departing from the methodology, but they should explain why their particular local circumstances have led them to adopt a different approach where this is the case. The assessment should be thorough but proportionate, building where possible on existing information sources outlined within the guidance.*

**Planning Practice Guidance (March 2014), ID 2a-005**

- 1.25 There are a number of areas where PPG does not provide specific guidance; such as the need to consider commuting patterns when considering how employment trends are taken into account, and the need to consider vacancies and second homes when establishing housing need based on household projections. In this regard, in the *Borough Council of Kings Lynn and West Norfolk v Elm Park Holdings Ltd* Judgement Mr Justice Dove stated:

*41. The PPG does not provide any specific guidance on this point related to vacancies and second homes. That is to my mind unsurprising, as it could not begin to address every conceivable point which might arise in this exercise. However, I have no doubt that the inclusion of vacancies and second homes is an adjustment based on statistical data of a kind*

*similar to those which are contemplated in the PPG. The absence of this issue from the PPG does not therefore dissuade me from the view which I have reached.*

- 1.26 Whilst PPG does not provide any specific guidance about the treatment of households that no longer need housing in the housing market area that have been counted in the gross need for affordable housing, it is still appropriate to discount their needs from the affordable housing need.

## Starter Home Initiative

- 1.27 The NPPF definition of affordable housing identifies that it is *“provided to eligible households whose needs are not met by the market”* (Annex 2) and PPG confirms that affordable housing need should be counted based on those *“who cannot afford to meet their needs in the market”* (ID 2a-022) and notes that *“care should be taken ... to only include those households who cannot afford to access suitable market housing”* (ID 2a-024).
- 1.28 Neither the NPPF nor PPG make specific reference to tenure in terms of the overall affordable housing need; however, PPG states that when considering affordable housing need in the context of new household formation, it is necessary to consider *“the proportion of newly forming households unable to buy or rent in the market area”* (ID 2a-025). On this basis, such households are considered to be able to afford market housing where they can either afford to buy or they can afford to rent suitable housing.
- 1.29 Given this context, the assessment of affordable housing need in this update is based on those households unable to afford to rent market housing. Where households could afford to rent privately without housing benefit support, they are not counted as part of the affordable housing need; it is only households unable to afford market rent that are assessed to need affordable housing. Households able to afford market rent are counted within the need for market housing, regardless of whether or not they wanted to own or rent or whether they could or could not afford home ownership.
- 1.30 However, the NPPF also identifies that local authorities should seek to *“widen opportunities for home ownership”* (paragraph 50). Given this context, the Housing and Planning Act 2016 furthers this policy of encouraging home ownership through promoting Starter Homes to provide properties that are more affordable for first time buyers. The Act includes clauses stating that local authorities will have a general duty to promote the supply of Starter Homes through planning.
- 1.31 The Act defines a Starter Home as a new dwelling, only available for purchase by qualifying first-time buyers, which is to be sold at a discount of at least 20% of the market value and for less than the price cap (of £250,000 outside Greater London), and is subject to restrictions on sale or letting for the initial 5-year period of occupancy. The Government Housing White Paper *“Fixing our broken housing market”* (published by the previous Government in February 2017) identified a likely change in the definition of affordable housing to include Starter Homes.
- 1.32 The costs associated with Starter Homes can be notably higher than low cost home ownership and also much higher than median private sector rents, and therefore they are unlikely to be affordable to those households identified as being unable to afford market housing considered by this update. Nevertheless, the initiative could help to widen opportunities for homeownership for those households able to afford market rents but unable to afford to buy housing in the HMA.
- 1.33 On this basis, the provision of Starter Homes should be considered as being additional to (and not part of) the affordable housing need identified by this update.

## 2. Affordable Housing Indicators

### Trends and estimates of affordable housing need

#### Local Authority Data: Homelessness and Temporary Accommodation

- 2.1 Local authorities hold data on the number of homeless households and those in temporary accommodation. In West Essex and East Hertfordshire, the annual number of households accepted as being **homeless** and in priority need has seen a downward trend over the period 2006 to 2016. There were 617 such households in 2006 (3.7 per 1,000 households) which reduced to 320 households by 2016 (1.7 per 1,000 households) (Figure 2). This is compared the rate for England (2.5 per 1,000).
- 2.2 There has also been a reduction in households living in **temporary accommodation** from Quarter 1 2006 to Quarter 1 2016 (net reduction of 321 households) and a reduction in the number of households accepted as homeless without temporary accommodation provided (from 23 households to 0). Of the households in temporary accommodation in Quarter 1 2016, 122 were accommodated in bed & breakfast accommodation or hostels, 124 were in Local Authority or RSL stock and a further 71 in private sector accommodation.

Figure 2: Households accepted as homeless and in priority need (Source: CLG P1E returns March 2006 and March 2016)

		West Essex and East Hertfordshire			England 2016
		2006	2016	Net change 2006-16	
<b>Number accepted homeless and in priority need during year</b>		<b>617</b>	<b>320</b>	<b>-297</b>	-
<i>Rate per 1,000 households</i>		3.7	1.7	-2.0	2.5
<b>Households in temporary accommodation</b>	Bed and breakfast	32	39	+7	-
	Hostels	123	83	-40	-
	Local Authority or RSL stock	437	124	-313	-
	Private sector leased (by LA or RSL)	32	16	-16	-
	Other (including private landlord)	14	55	+41	-
	<b>TOTAL</b>	<b>638</b>	<b>317</b>	<b>-321</b>	-
	<i>Rate per 1,000 households</i>	3.8	1.7	-2.1	3.1
Households accepted as homeless but without temporary accommodation provided		23	0	-23	-

- 2.3 It is evident that homelessness has not become significantly worse in West Essex and East Hertfordshire over the last decade, and might be notably better, but this does not necessarily mean that fewer households risk becoming homeless. Housing advice services provided by the council limit the number of homeless presentations through helping people threatened with homelessness find housing before they become homeless. Housing allocation policies can also avoid the need for temporary housing if permanent housing is available sooner; however, many households facing homelessness are now offered private rented housing.
- 2.4 Changes to the Law in 2011 mean private sector households can now be offered accommodation in the Private Rented Sector and this cannot be refused, provided it is a reasonable offer. Prior to this change,

Local Authorities could offer private sector housing to homeless households (where they have accepted a housing duty under Part 7 of the Housing Act 1996) but the applicant was entitled to refuse it. The Localism Act 2011 means refusal is no longer possible providing the offer is suitable. While the change aims to reduce the pressures on the social housing stock, an indirect result is that there are further demands on the private rented sector as Councils seek to house homeless households.

## Census Data

- 2.5 The Census provides detailed information about households and housing in the local area. This includes information about **concealed families** (i.e. couples or lone parents) and **sharing households**. These households lack the sole use of basic facilities (e.g. a bathroom or kitchen) and have to share these with their “host” household (in the case of concealed families) or with other households (for those sharing).

### Concealed Families

- 2.6 The number of **concealed families** living with households in West Essex and East Hertfordshire increased from 961 to 1,695 over the 10-year period 2001-11, a change of 734 households (76%).
- 2.7 Although many concealed families do not want separate housing (in particular where they have chosen to live together as extended families), others are forced to live together due to affordability difficulties or other constraints – and these concealed families will not be counted as part of the CLG household projections. Concealed families with older family representatives will often be living with another family in order to receive help or support due to poor health. Concealed families with younger family representatives are more likely to demonstrate un-met need for housing.
- 2.8 When we consider the growth of 734 families over the period 2001-11 (Figure 3), **almost four-fifths of these families (575) have family representatives aged under 55**, with substantial growth amongst those aged under 35 in particular (in line with national trends).

Figure 3: Concealed families in West Essex and East Herts by age of family representative (Source: Census 2001 and 2011)

	2001	2011	Net change 2001-11
Aged under 25	113	368	+255
Aged 25 to 34	318	539	+221
Aged 35 to 44	152	163	+11
Aged 45 to 54	59	148	+89
<b>Sub-total aged under 55</b>	<b>642</b>	<b>1,218</b>	<b>+575</b>
Aged 55 to 64	64	129	+66
Aged 65 to 74	151	203	+52
Aged 75 or over	104	145	+41
<b>Sub-total aged 55 or over</b>	<b>319</b>	<b>477</b>	<b>+159</b>
<b>All Concealed Families</b>	<b>961</b>	<b>1,695</b>	<b>+734</b>

### Sharing Households

- 2.9 The number of **sharing households** reduced from 232 to 43 over the 10-year period 2001-11 (Figure 4), a change of 189 households (81%).

**Figure 4: Shared Dwellings and Sharing Households in West Essex and East Herts (Source: Census 2001 and 2011)**

	2001	2011	Net change
Number of shared dwellings	62	20	-42
Number of household spaces in shared dwellings	268	87	-181
<b>All Sharing Households</b>	<b>232</b>	<b>43</b>	<b>-189</b>
Household spaces in shared dwellings with no usual residents	36	44	+8

- 2.10 Figure 5 shows that the number of **multi-adult households** living in the area increased from 5,407 to 6,590 households over the same period, an increase of 1,183 (22%). These people also have to share basic facilities, but are considered to be a single household (by the census definition) as they also share a living room, sitting room or dining area. This includes **Houses in Multiple Occupation (HMOs) with shared facilities**, as well as **single people living together as a group** and **individuals with lodgers**.

**Figure 5: Multi-adult Households in West Essex and East Herts (Source: Census 2001 and 2011)**

	2001	2011	Net change 2001-11
Owned	3,334	3,806	472
Private rented	1,351	1,985	634
Social rented	722	799	77
<b>All Households</b>	<b>5,407</b>	<b>6,590</b>	<b>1,183</b>

- 2.11 The growth in multi-adult households was focused particularly in the private rented sector, with an increase in single persons choosing to live with friends together with others living in HMOs. This growth accounts for 634 households (an increase from 1,351 to 1,985 households over the period).
- 2.12 Nevertheless, shared facilities are a characteristic of HMOs and many people living in this type of housing will only be able to afford shared accommodation (either with or without housing benefit support). Extending the Local Housing Allowance (LHA) Shared Accommodation Rate (SAR) allowance to cover all single persons up to 35 years of age has meant that many more young people will only be able to afford shared housing, and this has further increased demand for housing such as HMOs.
- 2.13 There is therefore likely to be a continued (and possibly growing) role for HMOs in housing under 35's, with more of the existing housing stock possibly being converted. Given this context, it would not be appropriate to consider households to need affordable housing only on the basis of them currently sharing facilities (although there may be other reasons why they would be considered as an affordable housing need).

## Overcrowding

- 2.14 The Census also provides detailed information about occupancy which provides a measure of whether a household's accommodation is **overcrowded or under occupied**:

*“There are two measures of occupancy rating, one based on the number of rooms in a household's accommodation, and one based on the number of bedrooms. The ages of the household members and their relationships to each other are used to derive the number of rooms/bedrooms they require, based on a standard formula. The number of rooms/bedrooms required is subtracted from the number of rooms/bedrooms in the household's accommodation to obtain the occupancy rating. An occupancy rating of -1*

*implies that a household has one fewer room/bedroom than required, whereas +1 implies that they have one more room/bedroom than the standard requirement.”*

2.15 When considering the number of rooms required, the ONS use the following approach to calculate the room requirement:

- » A one person household is assumed to require three rooms (two common rooms and a bedroom); and
- » Where there are two or more residents it is assumed that they require a minimum of two common rooms plus one bedroom for:
  - each couple (as determined by the relationship question)
  - each lone parent
  - any other person aged 16 or over
  - each pair aged 10 to 15 of the same sex
  - each pair formed from any other person aged 10 to 15 with a child aged under 10 of the same sex
  - each pair of children aged under 10 remaining
  - each remaining person (either aged 10 to 15 or under 10).

2.16 For West Essex and East Hertfordshire, **overcrowding** increased from 8,899 to 11,583 households (an increase of 2,684) over the 10-year period 2001-11 (Figure 6). This represents a percentage growth of 22%, which is slightly lower than the national percentage increase for England (23%).

2.17 When considered by tenure, overcrowding has increased by 44 households in the owner occupied sector, although there was a percentage decrease of 1%. Overcrowding increased by 906 households in the social rented sector; however the largest growth has been in the private rented sector where the number of overcrowded households has increased from 1,690 to 3,424, a growth of 1,734 households over the 10-year period. The percentage of overcrowded households in the private rented sector has also increased from 11.0% to 14.7% (a percentage increase of 33%). The percentage of overcrowded households in the social rented sector increased from 13.1% to 16.3% (a percentage increase of 24%).

**Figure 6: Proportion of overcrowded households 2011 and change 2001-11 by tenure (Note: Overcrowded households are considered to have an occupancy rating of -1 or less. Source: Census 2001 and 2011)**

	Occupancy rating (rooms)						Occupancy rating (bedrooms) 2011	
	2001		2011		Net change 2001-11		N	%
	N	%	N	%	N	%		
<b>WEST ESSEX AND EAST HERTFORDSHIRE</b>								
Owned	3,277	2.8%	3,321	2.7%	+44	-1%	2,043	1.7%
Private rented	1,690	11.0%	3,424	14.7%	+1,734	+33%	1,322	5.7%
Social rented	3,932	13.1%	4,838	16.3%	+906	+24%	2,395	8.0%
<b>All Households</b>	<b>8,899</b>	<b>5.4%</b>	<b>11,583</b>	<b>6.6%</b>	<b>+2,684</b>	<b>+22%</b>	<b>5,760</b>	<b>3.3%</b>
<b>ENGLAND</b>								
Owned	-	3.3%	-	3.3%	-	-3%	-	2.3%
Private rented	-	16.4%	-	20.2%	-	+23%	-	8.8%
Social rented	-	14.9%	-	16.9%	-	+14%	-	8.9%
<b>All Households</b>	<b>-</b>	<b>7.1%</b>	<b>-</b>	<b>8.7%</b>	<b>-</b>	<b>+23%</b>	<b>-</b>	<b>4.6%</b>

## English Housing Survey Data

### Overcrowding

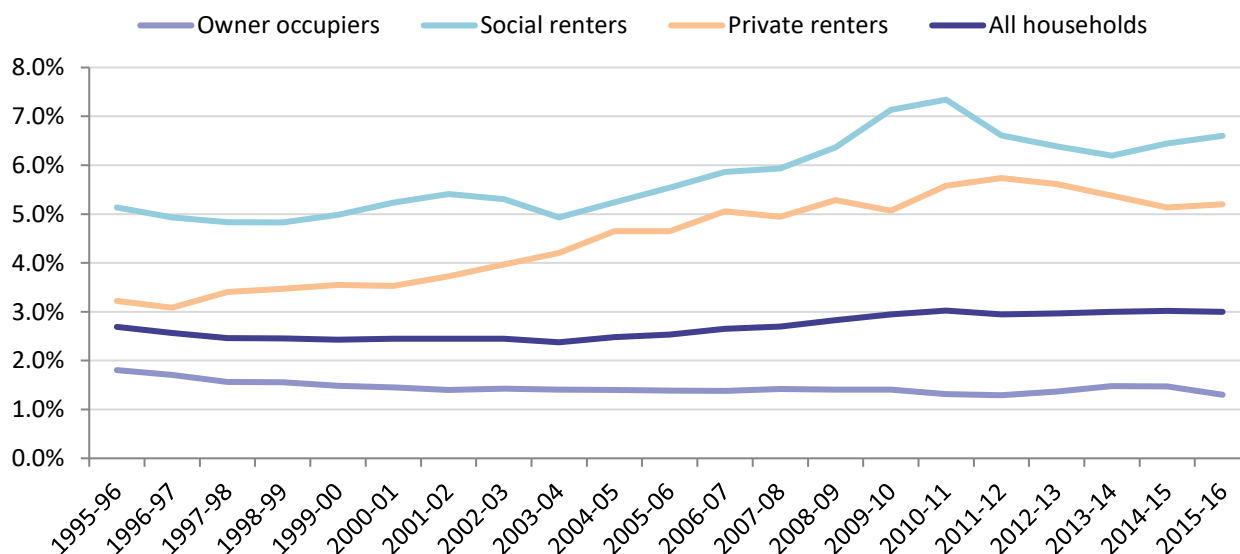
- <sup>2.18</sup> The English Housing Survey (EHS) does not provide information about individual local authorities, but it does provide a useful context about these indicators in terms of national trends between Census years.
- <sup>2.19</sup> The measure of overcrowding used by the EHS provides a consistent measure over time **however the definition differs from both occupancy ratings provided by the Census**. The EHS approach<sup>4</sup> is based on a “*bedroom standard*” which assumes that adolescents aged 10-20 of the same sex will share a bedroom, and only those aged 21 or over are assumed to require a separate bedroom (whereas the approach used by the ONS for the Census assumes a separate room for those aged 16 or over):

*“The ‘bedroom standard’ is used as an indicator of occupation density. A standard number of bedrooms is calculated for each household in accordance with its age/sex/marital status composition and the relationship of the members to one another. A separate bedroom is allowed for each married or cohabiting couple, any other person aged 21 or over, each pair of adolescents aged 10-20 of the same sex, and each pair of children under 10. Any unpaired person aged 10-20 is notionally paired, if possible, with a child under 10 of the same sex, or, if that is not possible, he or she is counted as requiring a separate bedroom, as is any unpaired child under 10.*

*“Households are said to be overcrowded if they have fewer bedrooms available than the notional number needed. Households are said to be under-occupying if they have two or more bedrooms more than the notional needed.”*

- <sup>2.20</sup> Nationally, overcrowding rates have increased for households in both social and private rented housing, although the proportion of overcrowded households has declined in both sectors since 2011. Overcrowding rates for owner occupiers have remained relatively stable since 1995 (Figure 7).

**Figure 7: Trend in overcrowding rates by tenure (Note: Based on three-year moving average, up to and including the labelled date. Source: Survey of English Housing 1995-96 to 2007-08; English Housing Survey from 2008-09)**



<sup>4</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/595785/2015-16\\_EHS\\_Headline\\_Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/595785/2015-16_EHS_Headline_Report.pdf)



- 2.21 Whilst the EHS definition of overcrowding is more stringent than the Census, the measurement closer reflects the definition of statutory overcrowding that was set out by Part X of the Housing Act 1985 and is consistent with statutory Guidance<sup>5</sup> that was issued by CLG in 2012 to which authorities must have regard when exercising their functions under Part 6 of the 1996 Housing Act (as amended). This Guidance, “Allocation of accommodation: Guidance for local housing authorities in England”, recommends that authorities should use the bedroom standard when assessing whether or not households are overcrowded for the purposes of assessing housing need:

*4.8 The Secretary of State takes the view that the bedroom standard is an appropriate measure of overcrowding for allocation purposes, and recommends that all housing authorities should adopt this as a minimum. The bedroom standard allocates a separate bedroom to each:*

- married or cohabiting couple
- adult aged 21 years or more
- pair of adolescents aged 10-20 years of the same sex
- pair of children aged under 10 years regardless of sex

- 2.22 The bedroom standard therefore provides the most appropriate basis for assessing overcrowding. By considering the Census and EHS data for England, together with the Census data for the local area, we can estimate overcrowding using the bedroom standard. Figure 8 sets out this calculation based on the Census occupancy rating for both rooms and bedrooms. Based on the bedroom standard, it is estimated that **1,114 owner occupied, 663 private rented and 1,706 social rented households were overcrowded** locally in 2016. Student households in the private rented sector have been excluded from this calculation given that their needs are assumed to be transient.

**Figure 8: Estimate of the number of overcrowded households in West Essex and East Hertfordshire by tenure based on the bedroom standard (Source: EHS; UK Census of Population 2011)**

	Owned		Private Rented		Social Rented	
<b>ENGLAND</b>						
<b>EHS bedroom standard 2011</b>						
Percentage of households overcrowded [A]	1.3%		5.6%		7.3%	
<b>Census occupancy rating</b>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>
Percentage of households overcrowded [B]	2.3%	3.3%	8.8%	20.2%	8.9%	16.9%
Proportion of these overcrowded households based on bedroom standard [C = A ÷ B]	57%	40%	64%	28%	83%	43%
<b>WEST ESSEX &amp; EAST HERTFORDSHIRE</b>						
<b>Census occupancy rating</b>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>	<i>Bedrooms</i>	<i>Rooms</i>
Number of overcrowded households [D]	2,043	3,321	1,322	3,424	2,395	4,838
Full-time student households [E]	306	306	359	564	207	204
Overcrowded households (excluding students) [F = D - E]	1,737	3,015	963	2,860	2,188	4,634
Estimate of overcrowded households based on the bedroom standard [G = C × F]	<b>990</b>	<b>1,207</b>	<b>616</b>	<b>800</b>	<b>1,817</b>	<b>1,993</b>
<b>Estimate of overcrowded households in 2011 based on the bedroom standard (average)</b>	<b>1,099</b>		<b>708</b>		<b>1,904</b>	
<b>EHS bedroom standard</b>						
Change in overcrowding from 2011 to 2016	+1%		-6%		-10%	
<b>Estimate of overcrowded households in 2016 based on the bedroom standard</b>	<b>1,114</b>		<b>663</b>		<b>1,706</b>	

<sup>5</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/5918/2171391.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5918/2171391.pdf)

## Housing Condition and Disrepair

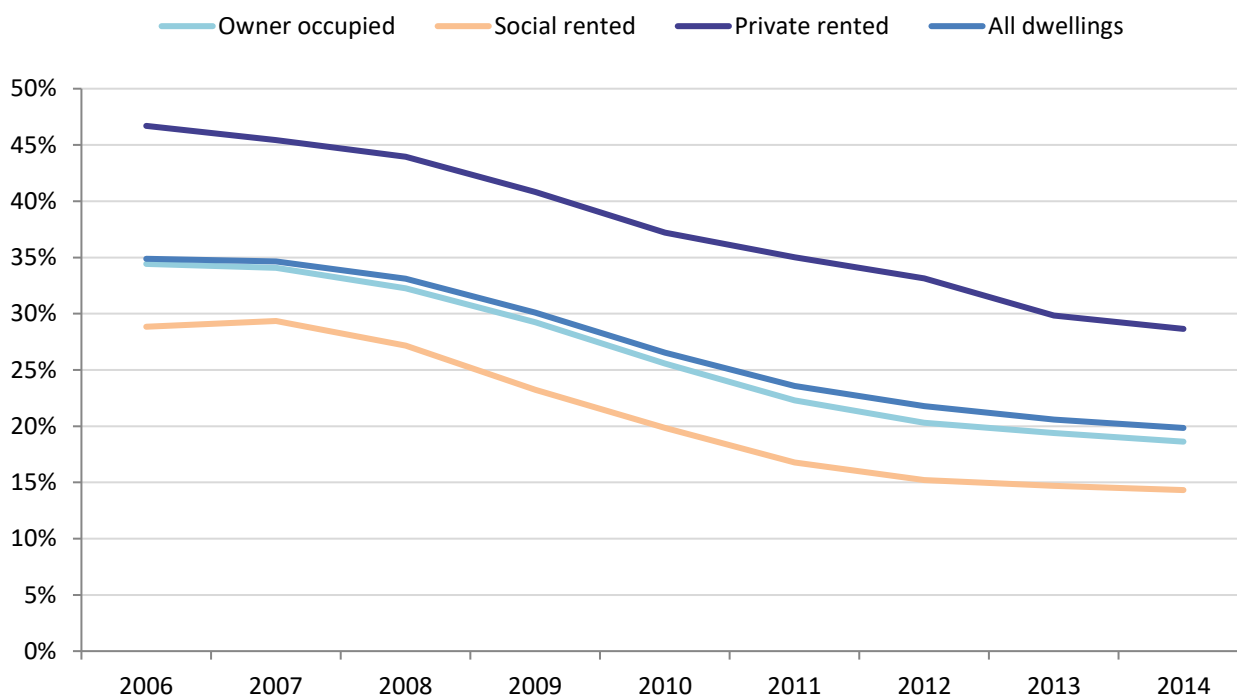
2.23 The EHS also provides useful information about **housing condition**. The Decent Homes Standard provides a broad measure which was intended to be a minimum standard that all housing should meet, and that to do so should be easy and affordable. It was determined that in order to meet the standard a dwelling must achieve all of the following:

- » Be above the legal minimum standard for housing (currently the Housing Health and Safety Rating System, HHSRS); and
- » Be in a reasonable state of repair; and
- » Have reasonably modern facilities (such as kitchens and bathrooms) and services; and
- » Provide a reasonable degree of thermal comfort (effective insulation and efficient heating).

2.24 If a dwelling fails any one of these criteria, it is considered to be “non-decent”. A detailed definition of the criteria and their sub-categories are described in the ODPM guidance: “A Decent Home – The definition and guidance for implementation” June 2006.

2.25 Figure 9 shows the national trends in non-decent homes by tenure. It is evident that conditions have improved year-on-year (in particular due to energy efficiency initiatives), however whilst social rented properties are more likely to comply with the standard, over a quarter of the private rented sector (29.8%) currently remains non-decent. This is a trend that tends to be evident at a local level in most areas where there are concentrations of private rented housing, and there remains a need to improve the quality of housing provided for households living in the private rented sector.

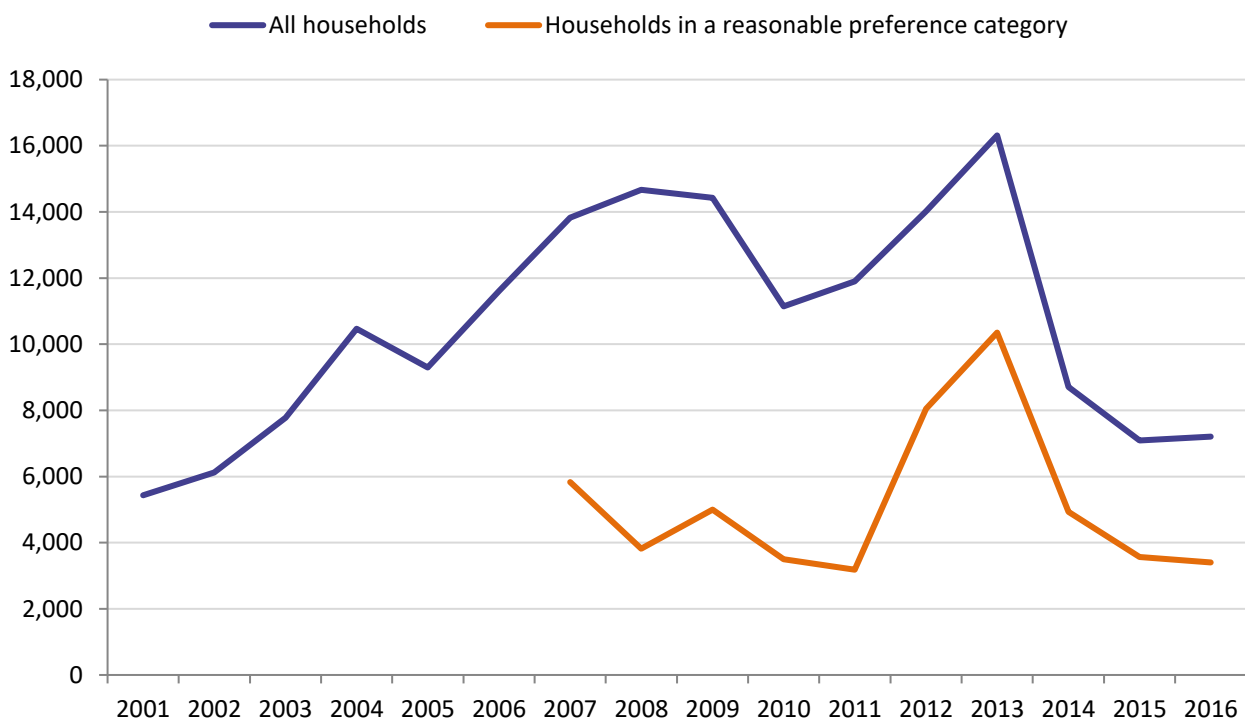
**Figure 9: Trend in non-decent homes by tenure in England (Source: English House Condition Survey 2006 to 2007; English Housing Survey 2008 onwards)**



## Housing Register Data

- 2.26 The local authority **housing register** and **transfer lists** are managed through individual HomeChoice local Choice Based Lettings schemes managed by each of the four local authorities in West Essex and East Hertfordshire. Households apply for a move via the scheme and ‘bid’ for homes along with applicants from various sources, including homeless households, housing register and transfer applicants.
- 2.27 Figure 10 shows the trend in households on the housing register over the period since 2001. Whilst the overall number of households on the housing register has varied over the period, it steadily increased between 2001 and 2013, after a minor dip in 2009. There was a substantial drop between 2013 and 2014, and the level has remained relatively constant between 2014 and 2016.
- 2.28 Figure 10 also shows the number recorded in a reasonable preference category since 2007. Reasonable preference categories are defined in the Housing Act 1996, which requires “reasonable preference” for housing to be given to people who are:
- » Legally homeless;
  - » Living in unsatisfactory housing (as defined by the Housing Act 2004);
  - » Need to move on medical/welfare grounds; or
  - » Need to move to a particular area to avoid hardship.
- 2.29 However, the number in a reasonable preference category has recently reduced back to levels recorded in 2010 and 2011, suggesting that the underlying number of households needing affordable housing in the area has not been substantially increasing.

**Figure 10: Number of households on local authority housing registers in West Essex and East Hertfordshire 2001-16 (Source: LAHS and HSSA returns to CLG)**



2.30 Figure 11 provides further detailed information for the last five years.

**Figure 11: Number of households on local authority housing registers in West Essex and East Hertfordshire at 1<sup>st</sup> April (Source: LAHS returns to CLG) (\* denotes missing data)**

	2012	2013	2014	2015	2016
Total households on the housing waiting list	14,024	16,312	8,706	7,086	7,210
<b>Total households in a reasonable preference category</b>	<b>8,046</b>	<b>10,351</b>	<b>4,930</b>	<b>3,563</b>	<b>3,403</b>
People currently living in temporary accommodation who have been accepted as being homeless (or threatened with homelessness)	66	*	102	85	*
Other people who are homeless within the meaning given in Part VII of the Housing Act (1996), regardless of whether there is a statutory duty to house them	*	382	*	467	*
People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions	1,712	2,310	1,781	1,414	*
People who need to move on medical or welfare grounds, including grounds relating to a disability	2,424	3,095	1,756	1,311	1,493
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	*	*	42	26	97

2.31 The number of people recorded by the housing register as homeless or owed a duty under the Housing Act appears to be broadly consistent with the local authority data about homelessness.

2.32 The number of people recorded as “*occupying insanitary or overcrowded housing or otherwise living in unsatisfactory housing conditions*” in 2015 was 1,414. We previously estimated that there were around 3,483 overcrowded households in West Essex and East Hertfordshire in 2016, based on the bedroom standard (Figure 8). This discrepancy suggests that the local authorities either have a more generous standard for measuring overcrowding than the bedroom standard, or that many in this category are there due to other unsatisfactory conditions than overcrowding, such as insanitary housing or similar (issues which may be corrected by improvements to the current stock, without generating additional housing need). In defining need this report uses the CLG recommended bedroom standard for consistency as previously discussed.

2.33 When considering the types of household to be considered in housing need, the PPG also identified “households containing people with social or physical impairment or other specific needs living in unsuitable dwellings (e.g. accessed via steps) which cannot be made suitable in-situ” and “households containing people with particular social needs (e.g. escaping harassment) which cannot be resolved except through a move”. It is only through the housing register that we are able to establish current estimates of need for these types of household, and not all would necessarily be counted within a reasonable preference category.

2.34 In 2016 there were 1,493 people registered “*who need to move on medical or welfare grounds, including grounds relating to a disability*” with 97 registered “*who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)*”. However, some of these households are seeking to move within the social housing sector and hence will also be included in the supply of dwelling vacated.

## Housing Benefit Claimants

2.35 The PPG emphasises in a number of paragraphs that affordable housing need should only include those households that are unable to afford their housing costs:

*Plan makers ... will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market (ID 2a-022, emphasis added)*

*Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording current estimates of ... those that cannot afford their own homes. Care should be taken to avoid double-counting ... and to include only those households who cannot afford to access suitable housing in the market (ID 2a-024, emphasis added)*

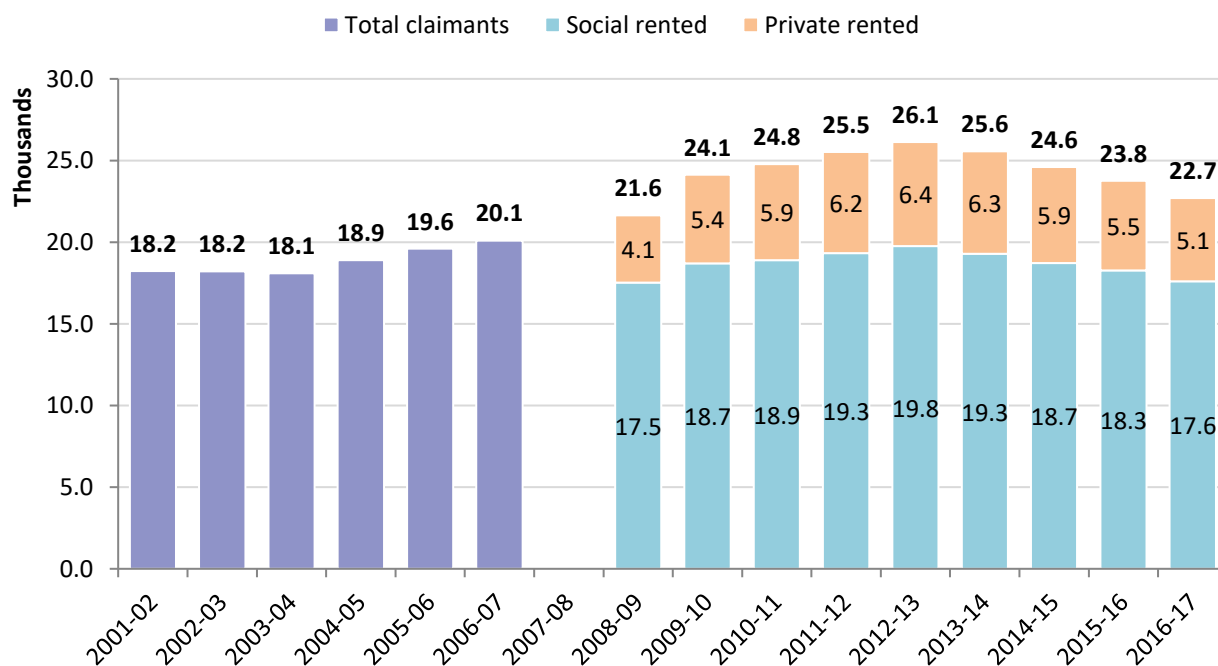
*Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area (ID 2a-025, emphasis added)*

Planning Practice Guidance (March 2014), ID 2a-022-025

2.36 Housing benefit data from the Department for Work and Pensions (DWP) provides reliable, consistent and detailed information about the number of families that are unable to afford their housing costs in each local authority area. Data was published annually from 2001-02 to 2006-07 which identified the total number of claimants in receipt of housing benefit, and more detailed information has been available since 2008-09, including more detailed information about claimants and the tenure of their home.

2.37 Figure 12 shows the trend in the number of housing benefit claimants in West Essex and East Hertfordshire.

**Figure 12: Number of claimants in receipt of housing benefit in West Essex and East Hertfordshire by tenure (Source: DWP. Note: No breakdown by tenure is available for 2001-07; no data was published for 2007-08)**



- 2.38 Considering the information on tenure, it is evident that the number of claimants in social rented housing increased from 17,500 to 18,300 over the period 2008-09 to 2015-16 – an increase of 750 families (4%). Over the same period the number of claimants in private rented housing also increased from 4,100 to 5,500 families – also an increase of 1,400 families (33%).
- 2.39 This increase in housing benefit claimants, in particular those living in private rented housing, coincides with the increases observed on the housing register during the period 2001-02 to 2012-13. Subsequently the numbers on the housing register reduced to significantly lower levels. Indeed, it is likely that many households applying for housing benefit would have also registered their interest in affordable housing. Nevertheless, many of them will have secured appropriate housing in the private rented sector which housing benefit enabled them to afford.
- 2.40 The information published by DWP provides the detailed information needed for understanding the number of households unable to afford their housing costs. Of course, there will be other households occupying affordable housing who do not need housing benefit to pay discounted social or affordable rents but who would not be able to afford market rents. Similarly there will be others who are not claiming housing benefit support as they have stayed living with parents or other family or friends and not formed independent households. However, providing that appropriate adjustments are made to take account of these exceptions, **the DWP data provides the most reliable basis for establishing the number of households unable to afford their housing costs and estimating affordable housing need.**

# 3. Affordable Housing Need

## Establishing current and future affordable housing need

- 3.1 In establishing the Objectively Assessed Need for affordable housing, it is necessary to draw together the full range of information that has already been considered in this report.
- 3.2 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 should affordable housing need be calculated?***

*This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.*

Planning Practice Guidance (March 2014), ID 2a-022

## Current Unmet Need for Affordable Housing

- 3.3 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 should the current unmet gross need for affordable housing be calculated?***

*Plan makers should establish unmet (gross) need for affordable housing by assessing past trends and recording 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 overcrowded housing;*
- » *the number of concealed households;*
- » *the number of existing affordable housing tenants in need (i.e. householders currently housed in unsuitable dwellings);*
- » *the number of households from other tenures in need and those that cannot afford their own homes.*

*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 (March 2014), ID 2a-024

- 3.4 Earlier sections of this report set out the past trends and current estimates for relevant households based on the data sources identified by PPG (using data for 2016 as a reference point where possible). Although this evidence does not provide the basis upon which to establish whether or not households can afford to



access suitable housing, we believe that it is reasonable to assume that certain households will be unable to afford housing, otherwise they would have found a more suitable home.

## Establishing the Current Unmet Need for Affordable Housing

- 3.5 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.
- 3.6 When assessing overcrowded housing, it is likely that most owner occupiers living in overcrowded conditions would not qualify for rented affordable housing (due to the equity in their current home); but it is reasonable to assume that households living in overcrowded rented housing are unlikely to be able to afford housing, otherwise they would have found a more suitable home.
- 3.7 Our analysis counts the needs of all households living in overcrowded rented housing when establishing the OAN 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 living in private rented housing are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in West Essex and East Hertfordshire.
- 3.8 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 Council has a range of statutory enforcement powers to improve housing conditions.
- 3.9 When considering **concealed families**, it is important to recognise that some will not want separate housing. For example, concealed families with older family representatives may 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 be experiencing affordability difficulties or other constraints (although not all will want to live independently).
- 3.10 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 under 55 (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).
- 3.11 The long term increase in concealed households aged under 55 is used in place of the total number of concealed households aged under 55 as this increase in need is a likely consequence of housing affordability problems. PPG identifies that this among other indicators “*demonstrate un-met need for*

housing” and that “longer term increase in the number of such households may be a signal to consider increasing planned housing numbers” (ID 2a-019).

- 3.12 Therefore, the needs of these households are counted when establishing the OAN for affordable housing and they also add to the OAN for overall housing, as concealed families are not counted by the CLG household projections.
- 3.13 Figure 13 sets out the assessment of current affordable housing need:

**Figure 13: Assessing current unmet gross need for affordable housing in West Essex and East Hertfordshire (Source: CLG returns, Census, EHS; Note: totals may not sum due to rounding)**

	Affordable Housing		Increase in Overall Housing Need not counted by projections
	Gross Need	Supply	
<b>Homeless households in priority need</b> (see Figure 2)			
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	122		122
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	124	124	
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	71		
Households accepted as homeless but without temporary accommodation provided	0		0
<b>Concealed households</b> (see Figure 3)			
Growth in concealed families with family representatives aged under 55	575		575
<b>Overcrowding based on the bedroom standard</b> (see Figure 8)			
Households living in overcrowded private rented housing	663		
Households living in overcrowded social rented housing	1,706	1,706	
<b>Other households living in unsuitable housing that cannot afford their own home</b> (see Figure 11)			
People who need to move on medical or welfare grounds, including grounds relating to a disability	1,493	123	
People who need to move to a particular locality in the district of the authority, where failure to meet that need would cause hardship (to themselves or to others)	97	6	
<b>TOTAL</b>	<b>4,851</b>	<b>1,959</b>	<b>697</b>

- 3.14 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 **4,851 households are in affordable housing need in West Essex and East Hertfordshire and 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).
- 3.15 Of these households, 1,959 currently occupy affordable housing that does not meet the households' current needs, mainly due to overcrowding. 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 2,892 households (4,851 less 1,959 = 2,892) who currently need affordable housing and do not currently occupy affordable housing in West Essex and East Hertfordshire** (although a higher number of new homes may be needed to resolve all of the identified overcrowding).

- 3.16 This number includes **697** households that would not be counted by the household projections. There is, therefore, a need to increase the housing need based on demographic projections to accommodate these additional households.
- 3.17 Providing the net additional affordable housing needed will release back into the market (mainly in the private rented sector) the dwellings occupied by a total of 2,195 households (2,892 less 697) that are currently in affordable housing need who are unable to afford their own housing.

## Projected Future Affordable Housing Need

- 3.18 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 should the number of newly arising households likely to be in housing need be calculated?*

*Projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need. This process should identify the minimum household income required to access lower quartile (entry level) market housing (plan makers should use current cost in this process, but may wish to factor in changes in house prices and wages). It should then assess what proportion of newly-forming households will be unable to access market housing.*

Planning Practice Guidance (March 2014), ID 2a-025

- 3.19 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 Objectively Assessed Need. 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.
- 3.20 The Model uses a wide 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. A range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the Model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.
- 3.21 The Housing Mix Model considers the future number and type of households based on the household projections alongside the existing dwelling stock. Whilst the Model considers the current unmet need for affordable housing (including the needs of homeless households, those in temporary accommodation, overcrowded households, concealed households, and established households in unsuitable dwellings or that cannot afford their own homes), it also provides a robust framework for projecting the future need for affordable housing.

## Households Unable to Afford their Housing Costs

- 3.22 PPG identifies that “projections of affordable housing need will need to take into account new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimation of the number of existing households falling into need” (ID 2a-025); **however, 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 between age cohorts.** Therefore, the appropriate proportion is determined separately for each household type and age group.

<sup>3.23</sup> The affordability percentages in Figure 14 are calculated using data published by DWP about housing benefit claimants alongside detailed information from the 2011 Census. There are several **assumptions** underpinning the Model:

- » Where households are claiming housing benefit, it is assumed that they cannot afford market housing; and the Model also assumes that households occupying affordable housing will continue to do so;
- » Households occupying owner occupied housing and those renting privately who aren't eligible for housing benefit are assumed to be able to afford market housing; so the Model only allocates affordable housing to those established households that the Government deems eligible for housing support through the welfare system; and
- » The Model separately considers the needs of concealed families and overcrowded households (both in market housing and affordable housing) which can contribute additional affordable housing need.

**Figure 14: Assessing affordability by household type and age (Source: ORS Model based on Census 2011 and DWP)**

	Under 25	25-34	35-44	45-54	55-64	65+
<b>Percentage unable to afford market housing</b>						
Single person household	39%	16%	22%	26%	29%	31%
Couple family with no dependent children	14%	5%	8%	10%	9%	13%
Couple family with 1 or more dependent children	62%	27%	13%	9%	12%	21%
Lone parent family with 1 or more dependent children	88%	78%	55%	40%	41%	64%
Other household type	23%	16%	25%	22%	19%	17%

## Components of Projected Household Growth

<sup>3.24</sup> PPG identifies that the CLG household projections “should provide the starting point estimate for overall housing need” (ID 2a-015) and that “the 2012-2037 Household Projections ... are the most up-to-date estimate of future household growth” (ID 2a-016). **However, when considering the number of newly arising households likely to be in affordable housing need,** the PPG recommends a “gross annual estimate” (ID 2a-025) suggesting that “the total need for affordable housing should be converted into annual flows” (ID 2a-029).

<sup>3.25</sup> The demographic projections produced by the ORS Housing Model to inform the overall Objectively Assessed Need include annual figures for household growth, and these can therefore be considered on a year-by-year basis as suggested by the Guidance; but given that elements of the modelling are fundamentally based on 5-year age cohorts, it is appropriate to annualise the data using 5-year periods.

3.26 Figure 15 shows the individual components of annual household growth.

**Figure 15: Components of average annual household growth by 5-year projection period in West Essex and East Hertfordshire (Source: ORS Model)**

	Annual average based on 5-year period				Annual average 2016-33
	2016-21	2021-26	2026-31	2031-33	
New household formation	3,624	3,594	3,709	3,833	3,665
Household dissolution following death	2,684	2,769	2,941	3,121	2,836
<b>Net household growth within the area</b>	<b>+940</b>	<b>+825</b>	<b>+768</b>	<b>+712</b>	<b>+829</b>
Household migration in	9,535	9,745	10,052	10,276	9,836
Household migration out	8,456	8,709	8,907	9,102	8,739
<b>Net household migration</b>	<b>+1,079</b>	<b>+1,036</b>	<b>+1,145</b>	<b>+1,174</b>	<b>+1,097</b>
<b>Total household growth</b>	<b>+2,019</b>	<b>+1,861</b>	<b>+1,913</b>	<b>+1,885</b>	<b>+1,926</b>

3.27 Over the 5-year period 2016-21 the model shows that:

- » There are projected to be 3,624 new household formations each year; but this is offset against 2,684 household dissolutions following death – so there is an **average net household growth of 940 households** within the West Essex and East Hertfordshire area;
- » There are also projected to be 9,535 households migrating to West Essex and East Hertfordshire offset against 8,456 households migrating away from the area – which yields an **increase of 1,079 households attributable to net migration**;
- » The total household growth is therefore **projected to be 2,019 (940 plus 1,079) households each year** over the initial 5-year period of the projection.

3.28 During the course of the full 17-year projection period, annual net household growth is projected to decrease (from a gain of 2,019 households in 2016-21 to a gain of 1,885 households in 2031-33). This coincides with a larger number of household dissolutions in later years (consistent with a larger number of deaths). Net household migration is projected to remain relatively stable over the full period.

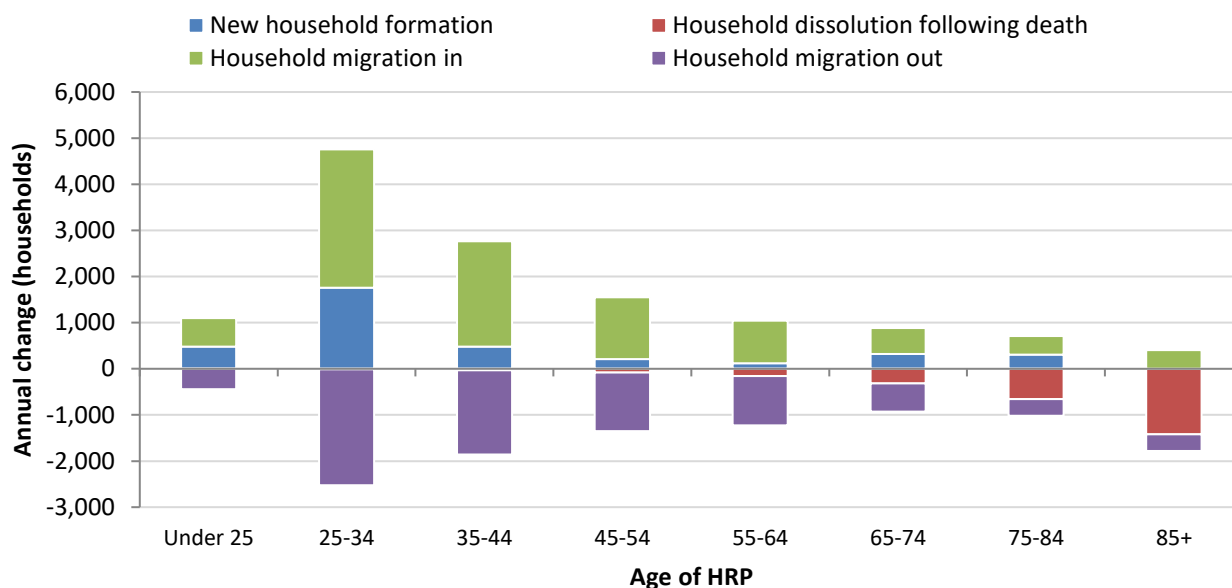
3.29 Over the 17-year Plan period 2016-33, total **household growth averages 1,926 households** each year.

## Change in Household Numbers by Age Cohort

3.30 To establish the **proportion of newly forming households unable to buy or rent** in the market area, it is necessary to consider the characteristics of the 2,019 new households projected to form in West Essex and East Hertfordshire each year over the period 2016-21 (Figure 15) alongside the detailed information about household affordability (Figure 14).

3.31 Figure 16 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 16: Annual change in household numbers in each age cohort by age of Household Representative Person (Source: ORS Model)



3.32 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.

3.33 The Model identifies that 26% of all newly forming households are unable to afford their housing costs, which represents 942 households each year (Figure 17). The Model shows that a smaller proportion of households migrating to the area are unable to afford (22%), which represents 2,015 households moving in to the area. Some of these households will be moving to social rented housing, but many others will be renting housing in the private rented sector with housing benefit support. **Together, there are 3,047 new households each year who are unable to afford their housing costs.**

Figure 17: Affordability of new households over the initial 5-year period 2016-21 (West Essex and East Hertfordshire) (Source: ORS Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,624	2,681	942	26%
Households migrating in to the area	9,535	7,430	2,105	22%
<b>All new households</b>	<b>13,160</b>	<b>10,111</b>	<b>3,047</b>	<b>23%</b>

3.34 Having established the need for affordable housing and the dwellings likely to be vacated, the PPG suggests that the total net need can be calculated by subtracting “total available stock from total gross need” (ID 2a-029), **but this over-simplifies what is a very complex system.**

3.35 It is essential to recognise that some households who are unable to buy or rent in the market area when they first form may become able to afford their housing costs at a later date – for example:

- » Two newly formed single person households may both be unable to afford housing, but together they might create a couple household that can afford suitable housing;
- » Similarly, not all households that are unable to afford housing are allocated affordable housing;

- » Some will choose to move to another housing market area and will therefore no longer require affordable housing.

- 3.36 In these cases, and others, the gross need will need adjusting.
- 3.37 The Model recognises these complexities, and through considering the need for affordable housing as part of a whole market analysis, it maintains consistency with the household projections and avoids any double counting.
- 3.38 Considering those components of household change which reduce the number of households resident in the area, the Model identifies **2,684 households are likely to dissolve** following the death of all household members. Many of these households will own their homes outright; however 24% are unable to afford market housing: most living in social rented housing.
- 3.39 When considering **households moving away** from West Essex and East Hertfordshire, the Model identifies that an average of 8,456 households will leave the area each year including 1,862 who are unable to afford their housing costs. Some will be leaving social rented housing, which will become available for another household needing affordable housing. Whilst others will not vacate a social rented property, those unable to afford their housing costs will have been counted in the estimate of current need for affordable housing or at the time they were a new household (either newly forming or migrating in to the area). Whilst some of these households might prefer to stay in the area if housing costs were less expensive or if more affordable housing was available, given that these households are likely to move from the area it is appropriate that their needs are discounted to ensure consistency with the household projections used to establish overall housing need.
- 3.40 Figure 18 summarises the total household growth. This includes the 3,047 new households on average each year who are unable to afford their housing costs, but offsets this against the 2,517 households who will either vacate existing affordable housing or who will no longer constitute a need for affordable housing in West Essex and East Hertfordshire (as they have moved to live elsewhere).

**Figure 18: Components of average annual household growth 2016-21 (Source: ORS Model)**

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,624	2,681	942	26%
Households migrating in to the area	9,535	7,430	2,105	22%
<b>All new households</b>	<b>13,160</b>	<b>10,111</b>	<b>3,047</b>	<b>23%</b>
Household dissolutions following death	2,684	2,030	654	24%
Households migrating out of the area	8,456	6,594	1,862	22%
<b>All households no longer present</b>	<b>11,140</b>	<b>8,624</b>	<b>2,517</b>	<b>23%</b>
<b>Average annual household growth 2016-21</b>	<b>+2,019</b>	<b>+1,488</b>	<b>+530</b>	<b>26%</b>

- 3.41 Overall, the Model projects that household growth will yield a net increase of 530 households on average each year (over the period 2016-21) that are unable to afford their housing, which represents 26% of the 2,019 overall annual household growth for this period.



## Projecting Future Needs of Existing Households

- 3.42 PPG also identifies that in addition to the needs of new households, it is also important to estimate “*the number of existing households falling into need*” (ID 2a-025). Whilst established households that continue to live in the HMA 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 an average of **685 established households fall into need each year** in West Essex and East Hertfordshire. This represents a rate of approximately 3.5 per 1,000 households falling into need each year.
- 3.43 Finally, whilst the PPG recognises that established households’ circumstances can deteriorate such that they fall into need, it is also important to recognise that **established households’ circumstances can improve**. For example:
- » When two people living as 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). Figure 14 showed that for those aged 25 to 34, the proportions were 16% and 5% respectively.
  - » 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. Figure 14 showed that 27% of couple families with dependent children aged 25 to 34 could not afford housing, compared to 13% of such households aged 35 to 44.
- 3.44 Given this context, it is clear that **we must also recognise these improved circumstances which can reduce the need for affordable housing over time**, as households that were previously counted no longer need financial support. The Model identifies that **the circumstances of 721 households improve each year** such that they become able to afford their housing costs despite previously being unable to afford. This represents a rate of 3.7 per 1,000 household climbing out of need each year.
- 3.45 Therefore, considering the overall changing needs of existing households, **there is an average net reduction of 35 households (721 - 685 = 35) needing affordable housing each year**.

## Projecting Future Affordable Housing Need (average annual estimate)

3.46 Figure 19 provides a comprehensive summary of all of the components of household change that contribute to the projected level of affordable housing need. More detail on each is provided earlier in this Chapter.

Figure 19: Components of average annual household growth 2016-21 for both new and existing households (Source: ORS Model)

	All households (annual average)	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	3,624	2,681	942	26%
Households migrating in to the area	9,535	7,430	2,105	22%
<b>All new households</b>	<b>13,160</b>	<b>10,111</b>	<b>3,047</b>	<b>23%</b>
Household dissolutions following death	2,684	2,030	654	24%
Households migrating out of the area	8,456	6,594	1,862	22%
<b>All households no longer present</b>	<b>11,140</b>	<b>8,624</b>	<b>2,517</b>	<b>23%</b>
<b>Average annual household growth 2016-21</b>	<b>+2,019</b>	<b>+1,488</b>	<b>+530</b>	<b>26%</b>
Existing households falling into need	-	-685	+685	100%
Existing households climbing out of need	-	+721	-721	0%
<b>Change in existing households</b>	<b>-</b>	<b>+35</b>	<b>-35</b>	<b>-</b>
<b>Average annual future need for market and affordable housing 2016-21</b>	<b>+2,019</b>	<b>+1,522</b>	<b>+496</b>	<b>25%</b>

3.47 Overall, there is a projected need from 3,047 new households who are unable to afford their housing costs (942 newly forming households and 2,105 households migrating to the area); however, 2,517 households will either vacate existing affordable housing or will no longer need affordable housing in West Essex and East Hertfordshire (as they have moved to live elsewhere) thereby reducing the new need to a net total of 530 households.

3.48 Considering the needs of existing households, there are 685 households expected to fall into need each year (a rate of 3.5 per 1000 households) but this is offset against 721 households whose circumstances are projected to improve. There is, therefore, an **average net reduction of 35 existing households that need affordable housing each year.**

3.49 Based on the needs of new households and existing households, there is a projected increase of 496 households each year on average for the initial period 2016-21 who will need affordable housing (530 less 35).

3.50 Using the approach outlined above for the initial 5-year period of the projection, the Model considers the need for affordable housing over the full 17-year projection period 2016-33. The Model identifies that **the number of households in need of affordable housing will increase by 8,909 households over the period 2016-33**, equivalent to an annual average of 524 households per year. This represents 27.2% (8,909/32,735) of the total household growth projected based on demographic trends.

## Assessing the Overall Need for Affordable Housing

3.51 Figure 20 brings together the information on assessing the unmet need for affordable housing in 2016 and the future affordable housing need arising over the 17-year period 2016-33.

**Figure 20: Assessing total need for market and affordable housing in West Essex and East Hertfordshire (Source: CLG returns, Census, EHS, ORS Housing Model)**

West Essex and East Hertfordshire	Housing Need (households)		Overall Housing Need
	Market housing	Affordable housing	
<b>Unmet need for affordable housing in 2016</b> (see Figure 13)			
Total unmet need for affordable housing	-	4,851	4,851
Supply of housing vacated	2,195	1,959	4,154
<b>Overall impact of current affordable housing need in 2016</b>	<b>-2,195</b>	<b>+2,892</b>	<b>+697</b>
<b>Projected future housing need 2016-33</b>			
Newly forming households	45,482	16,819	62,301
Household dissolutions following death	36,415	11,799	48,214
<b>Net household growth within West Essex and East Herts</b>	<b>+9,067</b>	<b>+5,020</b>	<b>+14,087</b>
Impact of existing households falling into need	-12,815	+12,815	-
Impact of existing households climbing out of need	+13,272	-13,272	-
Impact of households migrating to/from the area	+14,302	+4,345	+18,646
<b>Future need for market and affordable housing 2016-33</b>	<b>+23,827</b>	<b>+8,909</b>	<b>+32,735</b>
<b>Total need for market and affordable housing</b>			
Overall impact of current affordable housing need in 2016	-2,195	+2,892	+697
Future need for market and affordable housing 2016-33	+23,827	+8,909	+32,735
<b>Total need for market and affordable housing 2016-33</b>	<b>+21,632</b>	<b>+11,801</b>	<b>+33,432</b>
Average annual need for housing	1,272	694	1,967
<b>Proportion of overall need for market and affordable housing</b>	<b>64.7%</b>	<b>35.3%</b>	<b>100.0%</b>

- <sup>3.52</sup> Figure 13 estimated there to be **4,851 households in need of affordable housing at the start of the projection period in 2016**. However, as 1,959 of these already occupied an affordable home, our earlier conclusion was therefore a net need from 2,892 households (4,851 less 1,959 = 2,892) who need affordable housing and do not currently occupy affordable housing.
- <sup>3.53</sup> The 17-year projection period 2016-33 then adopts the approach that was previously outlined for the initial 5-year period of the projection. The Model identifies that **the number of households in need of affordable housing will increase by 8,909 households over the period 2016-33**, alongside a projected increase of 23,827 households able to afford market housing.
- <sup>3.54</sup> Overall, there will be a **need to provide additional affordable housing for a further 11,801 households** over the remaining Plan period 2016-33 (35.3% of the projected household growth). Data from DCLG Live tables identifies a vacancy rate of 1.4% for affordable housing in West Essex and East Hertfordshire, therefore the 11,801 households identified represent an **overall affordable housing need for around 11,969 dwellings over the period 2016-2033, an average of 704 dwellings per year**. Any losses from the current stock (such as demolition or clearance, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

## Need by Local Authority Area

- 3.55 Figure 21 sets out the current unmet need for affordable housing and projected future affordable housing need for the remaining 17-year period 2016-33.

Figure 21: Assessing affordable housing need for West Essex and East Herts by local authority (Source: ORS Model)

	Affordable Housing Need (households)				
	East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
<b>Unmet need for affordable housing in 2016</b>					
Total unmet need for affordable housing	1,698	1,187	1,379	587	4,851
Supply of housing vacated	494	522	742	201	1,959
<b>Overall impact of affordable housing need in 2016</b>	<b>1,204</b>	<b>665</b>	<b>637</b>	<b>386</b>	<b>2,892</b>
Future need for affordable housing 2016-33	2,481	2,186	2,461	1,781	8,909
<b>Total need for affordable housing 2016-33</b>	<b>3,685</b>	<b>2,851</b>	<b>3,098</b>	<b>2,167</b>	<b>11,801</b>
Average annual need for affordable housing	217	168	182	127	694
<b>Proportion of overall need for affordable housing</b>	<b>32%</b>	<b>35%</b>	<b>61%</b>	<b>26%</b>	<b>35%</b>

- 3.56 The highest level of affordable housing need is in East Hertfordshire (3,685 households) compared to 2,851 in Epping Forest, 3,098 in Harlow and 2,167 in Uttlesford. However, whilst the proportion of affordable housing need is 35% in Epping Forest, 32% in East Hertfordshire and 26% in Uttlesford, the percentage in Harlow is markedly higher at 61%.
- 3.57 Figure 22 sets out the housing mix over the remainder of the Plan period (2016-2033) broken down by property type, size and affordable housing tenure in each of the local authority areas.

Figure 22: Assessing affordable housing mix for West Essex and East Herts by local authority (Source: ORS Model. Note: Figures may not sum due to rounding)

		Affordable Housing Need (dwellings)				
		East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
<b>AFFORDABLE RENT</b>						
Flat	1 bedroom	660	490	240	260	<b>1,600</b>
	2+ bedrooms	360	320	460	190	<b>1,300</b>
House	2 bedrooms	930	510	800	470	<b>2,700</b>
	3 bedrooms	970	790	980	510	<b>3,300</b>
	4+ bedrooms	250	240	170	150	<b>800</b>
<b>Sub-Total</b>		<b>3,200</b>	<b>2,300</b>	<b>2,700</b>	<b>1,600</b>	<b>9,700</b>
<b>% of affordable housing</b>		<b>84%</b>	<b>81%</b>	<b>84%</b>	<b>71%</b>	<b>81%</b>
<b>INTERMEDIATE AFFORDABLE HOUSING</b>						
Flat	1 bedroom	80	50	30	40	<b>200</b>
	2+ bedrooms	70	100	90	90	<b>400</b>
House	2 bedrooms	180	160	160	230	<b>700</b>
	3 bedrooms	240	210	180	250	<b>900</b>
	4+ bedrooms	40	30	30	30	<b>100</b>
<b>Sub-Total</b>		<b>600</b>	<b>500</b>	<b>500</b>	<b>600</b>	<b>2,300</b>
<b>% of affordable housing</b>		<b>16%</b>	<b>19%</b>	<b>16%</b>	<b>29%</b>	<b>19%</b>
<b>TOTAL</b>		<b>3,800</b>	<b>2,900</b>	<b>3,200</b>	<b>2,100</b>	<b>12,000</b>

- 3.58 Across West Essex and East Hertfordshire, just over a quarter of the affordable housing need (29%) is a need for flats and three quarters for houses (29% 2-bedroom and 34% 3-bedroom). The balance between flats and houses suggested by the Model is based on the future mix of households (by type and age) and housing currently occupied by each of these groups in each area. Therefore, it may be necessary to take a judgement on this balance where the Model identifies a particularly high (or particularly low) proportion of flats (or houses).
- 3.59 Whilst the need for affordable housing with four or more bedrooms is less than 10% of the overall need, this still represents a need for around 900 large affordable homes that need to be provided over the remaining 17-year period 2016-33. Much of this need will be from existing households living in overcrowded accommodation.
- 3.60 When considering the need by affordable housing tenure, just over four-fifths (81%) of households in need of affordable housing need rented affordable housing (either social rent or affordable rent) and many would need housing benefit to pay their rent. Nevertheless, 19% could afford intermediate affordable housing products, such as shared equity or other forms of low cost home ownership. Marginally higher proportions of need for 2-3 bedroom properties (20-21%) is for intermediate affordable housing, but very few households that need 1 bedroom flats and houses with 4 or more bedrooms could afford the cost of intermediate affordable housing (11% and 13% respectively).

### Establishing Affordable Housing Need for the Full Plan Period 2011-2033

- 3.61 Whilst the study has identified the unmet need for affordable housing at a base date of 2016, it is important to recognise that there have already been a total of 1,603 net affordable housing completions across West Essex and East Hertfordshire between 2011 and 2016, and these dwellings have been provided during the Plan period.

Figure 23: Affordable housing completions 2011-2016 by LA (Source: Local Authority records)

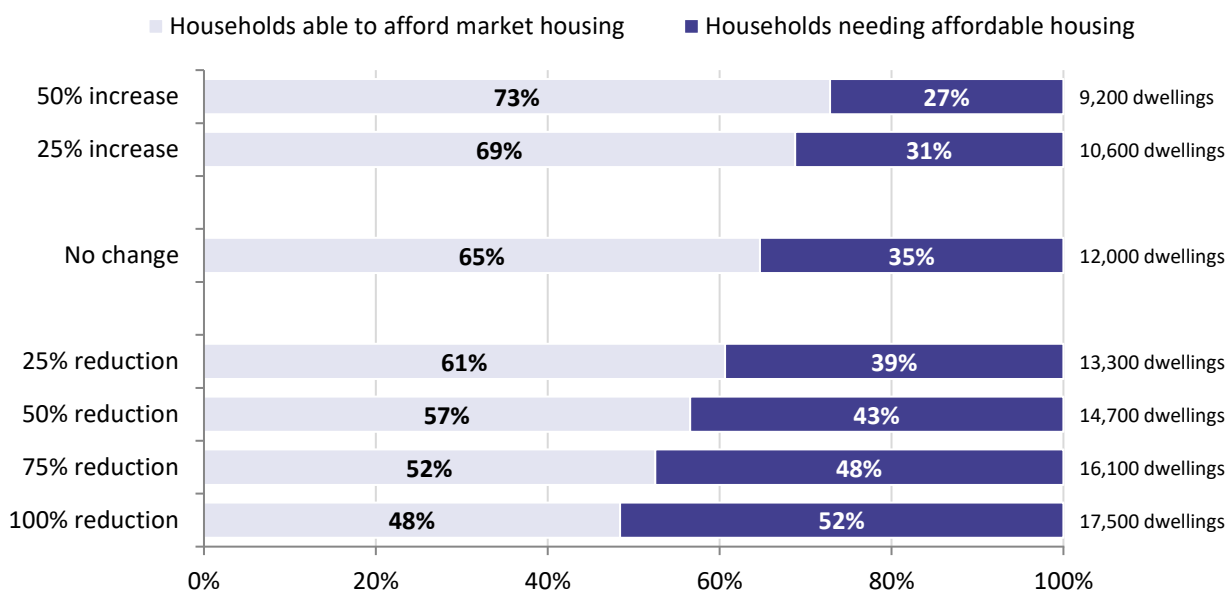
	Affordable Housing Supply (dwellings)				
	East Herts	Epping Forest	Harlow	Uttlesford	TOTAL
2011-2012	166	43	107	142	458
2012-2013	196	67	31	142	436
2013-2014	68	9	47	64	188
2014-2015	125	69	38	42	274
2015-2016	133	40	35	87	295
<b>Total affordable housing provision 2011-2016</b>	<b>688</b>	<b>228</b>	<b>258</b>	<b>477</b>	<b>1,651</b>

- 3.62 Without these completions, it is likely that there would have been a greater level of unmet need at the base date of 2016. Therefore, in establishing the need for the full plan period, it is important that these completions are also counted. On this basis, the overall affordable housing need for the full Plan period 2011-2033 represents around 13,600 dwellings. This comprises around:
- » 4,500 dwellings in East Hertfordshire;
  - » 3,100 dwellings in Epping Forest;
  - » 3,400 dwellings in Harlow; and
  - » 2,600 dwellings in Uttlesford.

## Future Policy on Housing Benefit in the Private Rented Sector

- 3.63 The Model recognises **the importance of housing benefit and the role of the private rented sector**. The Model assumes that the level of housing benefit support provided to households living in the private rented sector will remain constant; however, this is a national policy decision which is not in the control of the Council.
- 3.64 It is important to note that private rented housing (with or without housing benefit) does not meet the definitions of affordable housing. However, many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. These households aren't counted towards the need for affordable housing (as housing benefit enables them to afford their housing costs), but 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.
- 3.65 The model adopts a neutral position in relation to this housing benefit support, insofar as it assumes that the number of claimants in receipt of housing benefit in the private rented sector will remain constant. **The model does not count any dwellings in the private rented sector as affordable housing supply**; however it does assume that housing benefit will continue to help some households to afford their housing costs, and as a consequence these households will not need affordable housing.
- 3.66 To sensitivity test this position, Figure 24 shows the impact of reducing (or increasing) the number of households receiving housing benefit to enable them to live in the private rented sector.
- 3.67 If no households were to receive housing benefit support in the private rented sector, just over half of the growth in household numbers would need affordable housing. In this scenario, it is also important to recognise that the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market, which is likely to have significant consequences on the housing market which are difficult to predict.

**Figure 24: Theoretical impact of reducing or increasing Housing Benefit support for households living in private rented housing: Balance between households able to afford market housing and households needing affordable housing 2016-33 and associated number of affordable dwellings**



## Conclusions

- <sup>3.68</sup> Based on the SHMA household projections, we have established the balance between the need for market housing and the need for affordable housing. This analysis has identified a need to increase the overall housing need by 697 households to take account of concealed families and homeless households that would not be captured by the household projections.
- <sup>3.69</sup> **The analysis identified a need to provide affordable housing for 11,801 households over the 17-year period 2016-33, equivalent to an affordable housing need of around 12,000 dwellings.** This would provide for the current unmet needs for affordable housing in 2016 in addition to the projected future growth in affordable housing need over the remainder of the Plan period 2016-2033, but assumes that the number of households in receipt of housing benefit support to enable them to afford private rented sector housing remains constant.
- <sup>3.70</sup> Providing sufficient affordable housing for all of these households would increase the need to around 17,500 affordable homes over the remainder of the Plan period 2016-33 (1,030 each year); but it is important to recognise that, in this scenario, the private rented housing currently occupied by households in receipt of housing benefit would be released back to the market and this is likely to have significant consequences which would be difficult to predict.
- <sup>3.71</sup> In establishing the affordable housing need for the full Plan period, it is important to also take account of affordable housing completions over the period 2011-2016, which total 1,650 dwellings across the combined area. On this basis, **the overall affordable housing need for the full Plan period 2011-2033 represents around 13,600 dwellings.**



## 4. Housing Requirements

### Considering the policy response to identified housing need

- 4.1 This update has identified a substantial need for additional affordable housing: a total of 13,600 dwellings across the West Essex and East Hertfordshire HMA over the 22-year period 2011-33. This includes 4,851 households in need of affordable housing in 2016 and 1,651 affordable housing completions between 2011 and 2016. The analysis also identified that a number of households unable to afford their housing costs are likely to move away from the area, and some might prefer to stay in the area if housing costs were less expensive or if more affordable housing was available.
- 4.2 Given the overall level of affordable housing need identified, it will be important to maximise the amount of affordable housing that can be delivered through market housing led developments throughout the remaining 17-year period. Key to this is the economic viability of such developments, as this will inevitably determine (and limit) the amount of affordable housing that individual schemes are able to deliver.
- 4.3 As part of their strategic planning and housing enabling functions, the Councils will need to consider the most appropriate affordable housing target in order to provide as much affordable housing as possible without compromising overall housing delivery. This target should provide certainty to market housing developers about the level of affordable housing that will be required on schemes, and the Councils should ensure that this target is achieved wherever possible in order to increase the effective rate of affordable housing delivery.
- 4.4 PPG identifies that Councils should also consider “an increase in the total housing figure” where this could “help deliver the required number of affordable homes”; although this would not be an adjustment to the OAN, but a policy response to be considered in the local plan:

*The total affordable housing need should then be considered in the context of its likely delivery as a proportion of mixed market and affordable housing developments, given the probable percentage of affordable housing to be delivered by market housing led developments. An increase in the total housing figures included in the local plan should be considered where it could help deliver the required number of affordable homes.*

Planning Practice Guidance (March 2014), ID 2a-029

- 4.5 It will therefore be important for the Councils to consider the need for any further uplift once the affordable housing target has been established. However, as confirmed by the Inspector examining the Cornwall Local Plan in his preliminary findings<sup>6</sup> (paragraphs 3.20-21):

*“National guidance requires **consideration** of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose.*

<sup>6</sup> <https://www.cornwall.gov.uk/media/12843214/ID05-Preliminary-Findings-June-2015-2-.pdf>

*Any uplift on the demographic starting point ... would deliver some additional affordable housing and can be taken into account in judging whether any further uplift is justified.”*

- 4.6 Given that the identified OAN already incorporates a significant uplift on the baseline household projections, this will contribute to increasing the supply of affordable homes through market housing led developments. The Councils will need to consider whether there is sufficient justification for any further increase in the total housing figures included in the local plan (beyond the identified OAN) as part of their policy response to meeting the identified need for affordable housing; although it will be important for them to consider the implications of providing a higher level of market housing than identified by the OAN, in particular the consequences on the balance between jobs and workers.
- 4.7 The contribution towards affordable housing delivery that can be achieved through market housing led developments shouldn't be considered in isolation. The Government has launched a series of new initiatives in the past 5 years to attempt to boost the supply of homes, including affordable homes. The key Homes and Communities Agency (HCA) investment programmes include:
- » **Affordable Homes Programme:** the flagship HCA investment programme(s) for new affordable homes – the 2015-18 programme intends to support the building of 43,821 new affordable homes across 2,697 schemes in England
  - » **Affordable Homes Guarantees Programme:** guaranteeing up to £10bn of housing providers' debt in order to bring schemes forward
  - » **Care and Support Specialised Housing Fund:** funding used to accelerate the development of the specialised housing market such as Older People and those with disabilities
  - » **Community Right to Build:** (Outside London) including some provision for affordable homes
  - » **Empty Homes programme** (now subsumed into the Affordable Homes Programme)
  - » **Estate Regeneration Programme:** often creating mixed tenure communities
  - » **Get Britain Building:** aiming to unlock locally-backed stalled sites holding planning permission and including affordable homes
- 4.8 However, there are currently a number of constraints that are affecting the delivery of new affordable housing; although there is also a range of other initiatives that may help increase delivery in future.

Constraints affecting the delivery of new affordable housing	Other initiatives potentially increasing the delivery of new affordable housing
<p><b>Welfare reform</b></p> <p>Most stakeholders (including private landlords, house builders, local authorities and RPs) are concerned at the impact of benefit reform and the risk to their revenue. Credit rating agency have also signalled concerns.</p> <p><b>Registered Providers</b></p> <p>Many RPs have become more risk averse in their approach to developing new homes. The move to Affordable Rent as opposed to Social Rent housing and the resultant reduction in grant rates has made delivery and viability issues more pronounced. Grant level reductions in the AHP 2015-18 have, arguably, increased risk perceptions further.</p> <p><b>Stock rationalisation by Registered Providers</b></p> <p>The new regulatory framework for RPs continues the emphasis on economic regulation. This could, potentially, reduce current supply of affordable housing. Already, sector trends indicate many associations are identifying under-performing stock with a view to rationalisation.</p> <p><b>Extension of Right to Buy (RTB) to Registered Providers</b></p> <p>The Government pledge to introduce an RTB for RP tenants mean many associations will need to assess the risk to their Business Plans and this might reduce appetite for new development.</p>	<p><b>Councils building more new homes</b></p> <p>Many Councils are now trying to bring new rental schemes forward following reform of the HRA system.</p> <p><b>New ‘for profit’ providers</b></p> <p>Over 30 ‘for profit’ providers to deliver AHP homes have so far registered with the HCA, mainly in order to deliver non-grant affordable housing. There is arguably potential for increased supply of affordable homes for rent by ‘for profit’ providers.</p> <p><b>Co-operative Housing</b></p> <p>Given current delivery constraints, co-operative housing has been identified as a further alternative supply for households unable to access ownership or affordable housing. The Confederation of Co-operative Housing, working with RPs, is currently trying to bring schemes forward. The HCA has held back funding for Co-operative Housing in the previous AHP.</p>

- 4.9 The Government also sees the growth in the private rented sector as positive. Whilst private rented housing (with or without housing benefit) does not meet the definitions of affordable housing, it offers a flexible form of tenure and meets a wide range of housing needs. The sector also has an important role to play given that many tenants that rent from a private landlord can only afford their housing costs as they receive housing benefit. If there isn't sufficient private rented housing available at a price these households can afford, the need for affordable housing would be even higher.
- 4.10 A Government task force was established in 2013 to encourage and support build-to-let investment<sup>7</sup>. The HCA also has several investment programmes to help bring schemes forward. These include a £1 billion Build to Rent Fund, which will provide equity finance for purpose-built private rented housing, alongside a £10 billion debt guarantee scheme to support the provision of these new homes. New supply of private rented housing therefore seems likely from various sources, despite current volumes being relatively low:
- » **Registered Providers** are potential key players in the delivery of new PRS supply and recently several have begun to enter the market in significant scale<sup>8</sup>, particularly in response to the Build to Rent Fund, although other institutional funding is also being sought. Overall, although interest is high, it remains unclear as to the scale of development which may deliver.
  - » **Local Authorities** can also enable new PRS supply to come forward investing local authority land, providing financial support (such as loan guarantees), and joint ventures with housing associations, developers or private investors under the Localism Act. Whilst LA initiatives may contribute to new build PRS, these will take time to deliver significant numbers of units.

<sup>7</sup> <https://www.gov.uk/government/publications/2010-to-2015-government-policy-rented-housing-sector/2010-to-2015-government-policy-rented-housing-sector#appendix-9-private-rented-sector>

<sup>8</sup> <http://www.insidehousing.co.uk/business/development/transactions/lq-to-launch-prs-subsiary/7009701.article>

- » **Local Enterprise Partnerships** are another potential source of new build PRS homes<sup>9</sup>. The Growing Places Fund provides £500 million to enable the development of local funds to promote economic growth and address infrastructure constraints in order to enable the delivery of jobs and houses. Any funding for housing, however, has to compete with other priorities e.g. skills and infrastructure. However, LEPs could potentially enable new PRS housing delivery and some attempts have been made in this regard to increase supply.
- » **Insurance companies** and **pension funds** have been expanding into property lending in recent years; especially schemes in London. Nearly a quarter of new UK commercial property finance came from non-bank lenders in 2013.

- <sup>4.11</sup> National Government policy is also focussed on improving the quality of both management and stock in the private rented sector, and local councils also have a range of enforcement powers. This is particularly important given the number of low income households that rent from a private landlord.
- <sup>4.12</sup> Whilst this update has identified an affordable housing need of 12,000 dwellings over the 17-year period 2016-33, this is based on the level of housing benefit support provided to households living in the private rented sector remaining constant. Without this support, a total of 17,500 affordable homes would need to be provided over the same period.
- <sup>4.13</sup> **Given the substantial need for affordable housing identified across West Essex and East Hertfordshire, the Councils will need to consider the most appropriate affordable housing target as part of their strategic planning and housing enabling functions. However, it will also be important for the Councils to consider all of the options available to help deliver more affordable homes in the area.**

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<sup>9</sup> <https://www.gov.uk/government/publications/growing-places-fund-prospectus>

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