



North Herts District and Stevenage Borough Councils:

SHMA PART II UPDATE INCLUDING IMPACT OF FIRST HOMES 2023

Report of Findings

November 2023



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Executive Summary

Summary of Key Findings and Conclusions

Introduction

1. In 2016, Opinion Research Services (ORS) was commissioned by North Hertfordshire District Council (henceforth North Herts) and Stevenage Borough Council, to prepare a Strategic Housing Market Assessment (SHMA) Part II Update. This considered the needs of both authorities for the period 2011-2031 to identify the size, type and tenure of homes that would be needed in the future, and the housing needs of different groups, including affordable housing.
2. The North Herts Local Plan 2011-2031 was adopted in November 2022. The overall requirement for housing amounts to 11,600 across the authority without accounting for a 1,400 unmet need accepted from Luton. This figure can be annualised to give a three-stepped approach to delivery of 350 homes per year between 2011-2020, 500 per year from 2020-2024 and 1,120 per year between 2024-2031. However, since that time, in the period 2011-2022 a total of 3,712 dwellings have been delivered in North Herts. This leaves a total of 7,888 remaining for the period 2022-2031 of the Local Plan.
3. The Stevenage Borough Local Plan was adopted in May 2019. The plan seeks to provide 7,600 new homes between 2011 and 2031. This can be annualised to give a figure of 380 new homes per year. To date, the Council have already made progress towards this target. On 01 June 2022, the Council recorded that 2,325 new homes had been completed since the start of the plan period. This leaves a residual requirement of 5,275 new homes to be developed up to the end of the plan period, 2031.
4. Since 2016, new data has been released which underpins the affordable housing needs figures and also new guidance has been released for policy issues such as First Homes. This current study represents an update for North Herts and Stevenage to consider the current level of affordable housing need in light of the 7,888-dwelling requirement for the remainder of the Local Plan period in North Herts, the 5,275 dwellings required in Stevenage, and the introduction of First Homes.

Establishing Current Unmet Need for Affordable Housing

5. To assess the current need for affordable housing, we initially calculated the number of households in North Herts and Stevenage who are not suitably housed and who are unable to afford market housing. These include; all households that are currently homeless, those who are currently housed in temporary accommodation, concealed families living as part of another household, households overcrowded in social or private rent, and people otherwise not counted who are in a reasonable preference category on the housing register.

6. 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 an estimated **1,908 households in North Herts are currently living in unsuitable housing and are unable to afford their own housing**. Of these households, 681 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 1,227 households in North Herts (1,908 less 681 = 1,227) that currently need affordable housing and do not currently occupy affordable housing.**
7. **Meanwhile, our analysis has concluded that an estimated 1,612 households in Stevenage are currently living in unsuitable housing and are unable to afford their own housing**. Of these households, 802 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. **There is, therefore, a net need from 810 households in Stevenage (1,612 less 802 = 810) that currently need affordable housing and do not currently occupy affordable housing.**

Future Need for Affordable Housing

8. In addition to those who cannot currently afford market housing, it is also necessary to consider those households who will arise in the future; and households that can afford market rents but aspire to home ownership. The following tables (Figure 1 and Figure 2) summarise the overall impact for those who cannot afford market rents of:
- » New households adding to housing need;
 - » The households no longer present reducing housing need; and
 - » The changes in circumstances impacting existing households.

Figure 1: Summary annual components of Household Growth in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	4,140	3,034	1,106
All households no longer present	3,658	2,701	957
Change in existing households	-	6	-6
Future affordable housing need 2022-31 (Annual average)	+482	+339	+144

Figure 2: Summary annual components of Household Growth in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	2,495	1,551	944
All households no longer present	2,248	1,448	800
Change in existing households	-	34	-34
Future affordable housing need 2022-31 (Annual average)	+247	+137	+110

9. Overall reviewing the contribution of each element amounts to an additional 144 households needing affordable housing in North Herts and 110 households needing affordable housing in Stevenage annually over the 9-year period 2022-31.

Needs of Households Aspiring to Homeownership

10. The government have placed an emphasis on households that cannot afford to own their home reflecting concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years.
11. Based on an analysis of EHS and local level household data, we can estimate that there are likely to be 4,358 households who cannot afford to buy their own home and aspire to home ownership in North Herts and 2,138 households in Stevenage who cannot afford to buy their own home and aspire to home ownership over the period 2022-31.
12. The government have recently introduced a new housing product entitled First Homes, which are properties to be sold with at least a 30% discount to first time buyers. While the figure of 4,358 households who aspire to home ownership in North Herts and 2,138 households who aspire to homeownership in Stevenage sets an upper threshold for the number who could seek to access First Homes, it would still be the case that these households would require a deposit and to be able to afford to service the cost of a mortgage.

Figure 3: Assessing total need for affordable housing 2022-2031 – North Herts (Source: ORS Housing Model)

North Herts	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2022	1,227	3,212	4,439
Future housing need 2022-31	1,292	1,147	2,439
TOTAL HOUSING NEED	2,519	4,358	6,877

Figure 4: Assessing total need for affordable housing 2022-2031 –Stevenage (Source: ORS Housing Model)

Stevenage	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2022	810	1,434	2,244
Future housing need 2022-31	992	703	1,695
TOTAL HOUSING NEED	1,802	2,138	3,940

13. Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to home ownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could afford home ownership products if they were provided.
14. Given this context, we assessed affordability for households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent, those households with income that would be insufficient to afford 50% of newbuild prices at the lower quartile for the local area, and those households with savings of less than £5,000. After all these households have been discounted from those initially identified as aspiring to home ownership, there were only 591 households in North Herts and 312 households in Stevenage who:

- » Aspire to home ownership but cannot afford to purchase on the open market;
- » Have incomes sufficient to afford a property at 50% of market value;
- » Have at least £5,000 in savings.

Figure 5: Affordable home ownership housing mix by household affordability in North Herts 2022-2031 (Source: ORS Housing Model)

North Herts	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	851	130	722	256	465	275	190
2 bedrooms	1,890	168	1,722	703	1,019	739	279
3 bedrooms	1,309	133	1,176	725	451	329	122
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	4,050	431	3,620	1,684	1,935	1,343	591

Figure 6: Affordable home ownership housing mix by household affordability in Stevenage 2022-2031 (Source: ORS Housing Model)

Stevenage	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	515	90	425	127	298	194	103
2 bedrooms	795	113	681	194	487	362	125
3 bedrooms	752	67	685	479	206	122	84
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	2,062	270	1,791	800	991	678	312

15. Whilst it will be a policy decision as to how much of the additional need for affordable home ownership comes from households able to afford market rent should be provided, it would seem appropriate to only plan for the needs of those 591 households in North Herts and 312 households in Stevenage likely to form an effective demand (i.e. those able to afford the various products that will potentially be available), in addition to the 2,519 households in North Herts and 1,802 households in Stevenage unable to afford to rent or own market housing.

16. Figure 7 and Figure 8 provide a breakdown of the planned affordable housing on this basis.

Figure 7: Overall need for Affordable Housing 2022-31 in North Herts, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Affordable Housing (Households)
1 bedroom	242	190	432
2 bedrooms	671	279	951
3 bedrooms	1,307	122	1,429
4+ bedrooms	299	-	299
TOTAL HOUSING NEED	2,519	591	3,110

Figure 8: Overall need for Affordable Housing 2022-31 in Stevenage, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	Affordable Housing Need Households unable to afford	Affordable Housing Need Households aspiring to home ownership	Affordable Housing (Households)
1 bedroom	94	103	197
2 bedrooms	442	125	567
3 bedrooms	993	84	1,077
4+ bedrooms	272	-	272
TOTAL HOUSING NEED	1,802	312	2,114

Policy Issues for First Homes

17. In terms of the other policy issues relating to First Homes, we would note the following conclusions:
- » Minimum discount – House prices are below the £250,000 price cap for 1 and 2-bedroom First Homes in both North Herts and Stevenage with a 30% discount, it would require a 50% discount to allow for 3-bedroom properties under First Homes. Therefore, there is a case to consider a 50% discount, but this would impact upon wider viability.
 - » Price caps – The case for a price cap on First Homes is to ensure that the selling price represents a genuine discount on locally available housing costs. If First Homes includes 3-bedroom properties then £250,000 would be a large discount in both North Herts and Stevenage, so there is no case for a lower price cap.
 - » Eligibility criteria – The need for affordable home ownership in North Herts and Stevenage is insufficient to justify a 25% target within affordable housing delivery and does not reach 10% of the outstanding Local Plan delivery target if a 30% discount is applied. It is not sufficiently high that additional eligibility criteria should be considered to ensure only a particular subset of the population can benefit from First Homes.

Local Housing Need (LHN)

18. The final dwelling targets are set by the Local Plans 2011-2031, and these require a total of 7,888 dwellings for the period 2022-2031 in North Herts and 5,275 dwellings in Stevenage. Whilst recent trends provide the starting point, the model aligns household growth with the Local Plan targets through aggregating key assumptions:
- » Households' growth over the 9-year plan period calculated on trend-based projections;
 - » Institutional population growth over the 9-year plan period needing communal accommodation;
 - » Dwellings without a usually resident household; either vacant homes, second homes or holiday lets (drawn from the 2011 Census). This includes any properties which are temporarily vacant due to households moving out before a new household moves in, as well as properties which have no usual resident due to them being second homes or holiday lets;
 - » Household formation rates for younger households are adjusted on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001. The period 2001 has been chosen because it represents a point in time when the housing market was much less constrained and younger households could form more easily; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the LHN target.
19. It is only at this point in our reporting we are referring to dwellings rather than households. Figure 9 and Figure 10 show the final result of applying a vacancy rate to all housing needs, and further disaggregating those who aspire to home ownership, into those that can afford First Homes with a 30% discount and those that can afford First Homes with a 50% discount, but not with a 30% discount.

Figure 9: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market rents	Unable to afford market ownership but able to afford First Homes with a 50% discount, but not a 30% discount	Unable to afford market ownership but able to afford First Homes with a 30% discount	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	244	77	132	453	335	787
2 bedrooms	676	86	221	983	677	1,660
3 bedrooms	1,317	134	-	1,451	2,191	3,642
4+ bedrooms	301	-	-	301	1,343	1,644
DWELLINGS	2,538	297	353	3,190	4,540	7,734
Dwellings to Reconcile Population and Households	-	-	-	-	154	154
LHN	2,538	297	353	3,190	4,694	7,888

Figure 10: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

	Unable to afford market rents	Unable to afford market ownership but able to afford First Homes with a 50% discount, but not a 30% discount	Unable to afford market ownership but able to afford First Homes with a 30% discount	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	94	8	108	210	503	713
2 bedrooms	444	19	121	584	607	1,191
3 bedrooms	997	94	-	1,091	1,779	2,871
4+ bedrooms	274	-	-	274	197	471
DWELLINGS	1,810	76	274	2,160	3,086	5,246
Dwellings to Reconcile Population and Households	-	-	-	-	29	29
LHN	1,810	76	274	2,160	3,115	5,275

20. As an overall conclusion, the study identifies a need for 40.4% affordable housing in North Herts and 40.9% in Stevenage. However, this figure includes many provisos. The affordable housing needs figures calculated in this study would address all current and potential future affordable housing needs in North Herts and Stevenage, including the needs of those who aspire to own and are able to access First Homes. However, they do not include over 3,500 households in North Herts and 1,700 households in Stevenage who aspire to own, but who cannot access First Homes because they lack savings or cannot get a mortgage to cover the cost of a First Home. Many of these households could potentially benefit from Shared Ownership or similar housing products, where the initial purchase cost is lower. Therefore, there is a clear case to continue providing Shared Ownership alongside any provision of First Homes, with a more balanced overall mix between affordable to own and affordable to rent. However, delivering Shared Ownership or First Homes in areas such as North Herts and Stevenage can be challenging given the relatively high house prices and the impact of the £80,000 household income cap.
21. The figures set out in detail in Figure 64 and Figure 65 show a very large potential need for affordable housing to rent, with the vast majority of this required for households who will require support with their housing costs in the form of housing benefit, and a large majority of these households will require social rent. Social rent has lower weekly rents than affordable rent, but for most households the cost of either will be supported by housing benefit and the delivery of social rent compared to affordable rent has adverse impacts upon viability. While on a single site it should be the case that only social rent or affordable rent are provided, across the entire housing mix both could have a role to play because their funding streams do tend to be different. Implementing the recommendations set out in the North Hertfordshire District Council Tenancy Strategy and 2023 Developer Contributions SPD would ensure the maximum affordability of affordable rent, notably that affordable rents should not exceed the Local Housing Allowance rate.

22. More generally, First Homes are shown to make up a relatively high proportion of need in both authorities. In North Herts, setting the discount at 50% sees the need for First Homes to be 20% of the need for affordable housing. Similarly, in Stevenage, First Homes with a 50% discount would form 21% of the total affordable housing need and 6.6% of the overall need. When allowing for the impact of smaller sites which do not deliver affordable housing, this is a position which could be reconciled within national policy requirements.
23. In terms of the discounts on First Homes, there is very little difference in the number of households who can afford First Homes in Stevenage at 30% and 50% discounts, so this would support using the 30% discount in Stevenage. However, in North Herts, house prices are generally higher, and this would support using the 50% discount to allow more households to be able to afford First Homes.

Older Persons and Adapted Homes

24. If current rates of dedicated older persons housing provision were to continue, a further 398 specialist older person dwellings would be required in North Herts and 238 dwellings would be required in Stevenage. However, using aspirational national models the figure could be as high as 2,399 units in North Herts and 845 units in Stevenage, but we do not recommend this approach.
25. In July 2022, the government issued their response to a consultation run in 2020 on the future of accessibility standards. Previously, local authorities were required to assess the need to M4(2) accessible homes in their local area and develop policies to deliver these the properties. The government are now proposing that all homes be delivered to M4(2) standard and therefore this evidence is no longer required.
26. However, local authorities are still required to assess the need for the higher M4(3) standard which covers the need for wheelchair adapted and adaptable homes. The minimum need for M4(3) dwellings in North Herts is 430, which is 5.5% of the total need and in Stevenage the figure is 250 dwellings or 4.9% of the total housing need.

Self and Custom Housebuilding

27. North Herts and Stevenage are currently not providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. In North Herts, Policy SP8 of the Local Plan sets a target to provide 100 plots for self-build development over the plan period, including a requirement on strategic sites that 1% of plots will be reserved for people with a local connection who wish to build their own home. In Stevenage, Policy SP7 requires 1% of all new homes on large urban extensions to be self-build. These are much lower figures than many other local authorities who seek up to 10% of large sites to be self and custom built, with 5% being a more typical lower end requirement.

1. Introducing the Study

Background to the project and wider policy context

Introduction

- 1.1 In 2016, Opinion Research Services (ORS) was commissioned by North Hertfordshire District Council (henceforth North Herts) and Stevenage Borough Council, to prepare a Strategic Housing Market Assessment (SHMA) Part II Update. This considered the needs of both authorities for the period 2011-2031 to identify the size, type and tenure of homes that would be needed in the future, and the housing needs of different groups, including affordable housing.
- 1.2 Figure 28 of the SHMA Part II Update 2016 sets out the need for market and affordable housing need in each local authority area. This has been reproduced below as Figure 11 and this showed a need for 28% of the total housing need to be affordable housing in North Herts and 44% of the total housing need of Stevenage required to be affordable housing.

Figure 11: Housing mix of OAN for market and affordable housing by local authority in SHMA Update 2016 (Source: ORS Housing Model. Note: Figures may not sum exactly due to arithmetic rounding)

		Stevenage	North Hertfordshire	TOTAL
MARKET HOUSING				
Flat	1 bedroom	30	200	230
	2+ bedrooms	30	360	390
House	2 bedrooms	320	840	1,160
	3 bedrooms	2,960	5,300	8,260
	4 bedrooms	520	2,540	3,050
	5+ bedrooms	40	790	830
Total Market Housing		3,900	10,000	13,900
AFFORDABLE HOUSING				
Flat	1 bedroom	550	740	1,280
	2+ bedrooms	300	470	760
House	2 bedrooms	840	1,010	1,850
	3 bedrooms	1,470	1,810	3,280
	4+ bedrooms	250	330	580
Total Affordable Housing		3,400	4,400	7,800
TOTAL		7,300	14,400	21,700

- 1.3 The North Herts Local Plan 2011-2031 was adopted in November 2022. The overall requirement for housing amounts to 11,600 across the Authority without accounting for a 1,400 unmet need accepted from Luton. This figure can be annualised to give a three-stepped approach to delivery of 350 homes per year between 2011-2020, 500 per year from 2020-2024 and 1,120 per year between 2024-2031. However, since that time, in the period 2011-2022 a total of 3,712 dwellings have been delivered in North Herts. This leaves a total of 7,888 remaining for the period 2022-2031 of the Local Plan.

- 1.4 The Stevenage Borough Local Plan was adopted in May 2019. The plan seeks to provide 7,600 new homes between 2011 and 2031. This can be annualised to give a figure of 380 new homes per year. To date, the Council have already made progress towards this target. On 01 June 2022, the Council recorded 2,325 new homes had been completed since the start of the plan period. This leaves a residual requirement of 5,275 new homes to be developed up to the end of the plan period 2031.
- 1.5 Since 2016, new data has been released which underpins the affordable housing needs figures and also new guidance has been released for policy issues such as First Homes. This current study represents an update for North Herts and Stevenage to consider the current level of affordable housing need in light of the 7,888-dwelling requirement for the remainder of the Local Plan period in North Herts and the 5,275 dwellings required in Stevenage, and the introduction of First Homes. This Update adheres to the requirements of the new National Planning Policy Framework (NPPF) published in July 2021 and the associated Planning Practice Guidance (PPG), in particular the section on housing and economic needs assessment.
- 1.6 Although the figures set out in Chapter 3 are informed by the trend-based household projections, the final dwelling targets for both authorities are set by the Local Plans 2011-2031 and this amounts to a total of 7,888 dwellings for the period 2022-2031 in North Herts and 5,275 dwellings in Stevenage.

Summary of the ORS Approach to Modelling Housing Need

- 1.7 As noted above, the outstanding dwelling delivery target requires a total of 7,888 dwellings for the period 2022-2031 in North Herts and 5,275 dwellings in Stevenage. However, while the final outputs of this study are based upon the need for these dwellings over the period 2022-31, we achieve these outputs through a series of stages.
- 1.8 In Chapter 4, we consider the affordable housing needs for North Herts and Stevenage based on the latest official projections and cover the 9-year period 2022-2031. They are informed by the latest ONS mid-year estimates,¹ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. In particular, we focus upon the 2018 based 10-year migration trends, variant population and household projections. The data within these projections is then adjusted in light of the mid-year population estimates 2019 and 2020. The reason for choosing this set of projections is that they represent the best and most up-to-date information available for population and household growth trends currently published.
- 1.9 The figures contained within this chapter therefore reflect the need for affordable housing based upon much more recent trends than the data underwriting the dwelling delivery target within the Local Plans.

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

- ^{1.10} However, delivering the number of dwellings required by the Local Plans will require a different population and household growth than the trend-based population and household growth. This issue is reconciled in Chapter 5. To move from the household growth in Chapter 4 to the total need for dwellings in Chapter 5 requires a series of additional elements. These include:
- » The need to include the impact of vacant and second homes to uplift the household projection to become the need for dwellings. This is included because not every dwelling built will be occupied at any one time as some will be vacant and a small number may also become second or holiday homes. Therefore, to meet the needs of households it is necessary to build more dwellings than the household growth figures indicate;
 - » The need to include an allowance for additional population such as those residing in nursing homes to ensure that persons otherwise not included in the household projections are included within the overall dwelling target;
 - » Government policy seeks to address housing market pressures, so the ORS model adjusts household formation rates for younger households on the basis that the Government's objective of providing more homes will enable more households to form. The reason for choosing 2001 is that this is a time period when there was not a clear shortage of housing, so households who wanted to form could do so at that time. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001; and
 - » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the overall target.
- ^{1.11} When all relevant factors have been added, the outputs produced in Chapter 4 are consistent with the total dwelling target in Chapter 5. Therefore, the figures produced in Chapter 5 are the overall conclusions for housing need based upon the need for dwellings over the period 2022-31. The figures in Chapter 5 represent the net change required in the housing stock to meet the overall needs of the two areas.

2. Demographic Projections

The starting point for establishing Local Housing Need

Chapter Summary

- 2.1 For the period 2022-31 for North Herts, the projected growth in the older population is almost the same as the total population growth. The growth in the older person (60+) population is 6,517 persons, from a total growth of 6,640 persons. This includes an increase of 2,739 persons aged 80 or over.
- 2.2 The situation in Stevenage is that there is a total projected population growth of 3,245 containing a projected population growth of 3,761 persons aged over 60 years.
- 2.3 In North Herts, families with dependent children represent 40% of the overall household growth while they represent 60% of the household growth in Stevenage. Single person households represent 20% of the overall 2022-31 household growth in North Herts and 27% in Stevenage. This includes a significant growth in those aged over 65 years in both authorities. Couples without dependent children represent over 30% of the household growth in North Herts but are projected to fall in Stevenage.

Projected Population Age Profile

- 2.4 The 2018-based ONS household projections represent the most up-to-date household projections at the time of writing, however since their publication a further set of Mid-Year Estimates (MYEs) of population have been released. By applying the 2018 household formation rates to these population estimates, a more up-to-date estimate of household numbers for 2022 can be derived. The projections presented below take account of these newly released figures by replacing the 2022 data in the household projections with these newly derived household numbers. The projection is then run based on this updated data to derive projected household change 2022-31 in North Herts and Stevenage.
- 2.5 Figure 12 and Figure 13 following show the projected change in North Herts and Stevenage population by 5-year age band for the 9-year period 2022-31. This period has been chosen to be consistent with the Local Plan.
- 2.6 Overall, for North Herts, the projected growth in the older population is almost the same as the total population growth. The growth in the older person (60+) population is 6,517 persons, and this is offset by a growth of younger persons (under 60) of just over 100 persons from a total growth of 6,640 persons. This includes an increase of 2,739 persons aged 80 or over.
- 2.7 The situation is even more stark in Stevenage, with a total projected population growth of 3,245 containing a projected population growth of 3,761 persons aged over 60 years, so the population aged under 60 years is projected to fall.

Figure 12: Population projections 2022-31 by 5-year age cohort for North Herts (Source: ONS 2018 based sub-national projections)

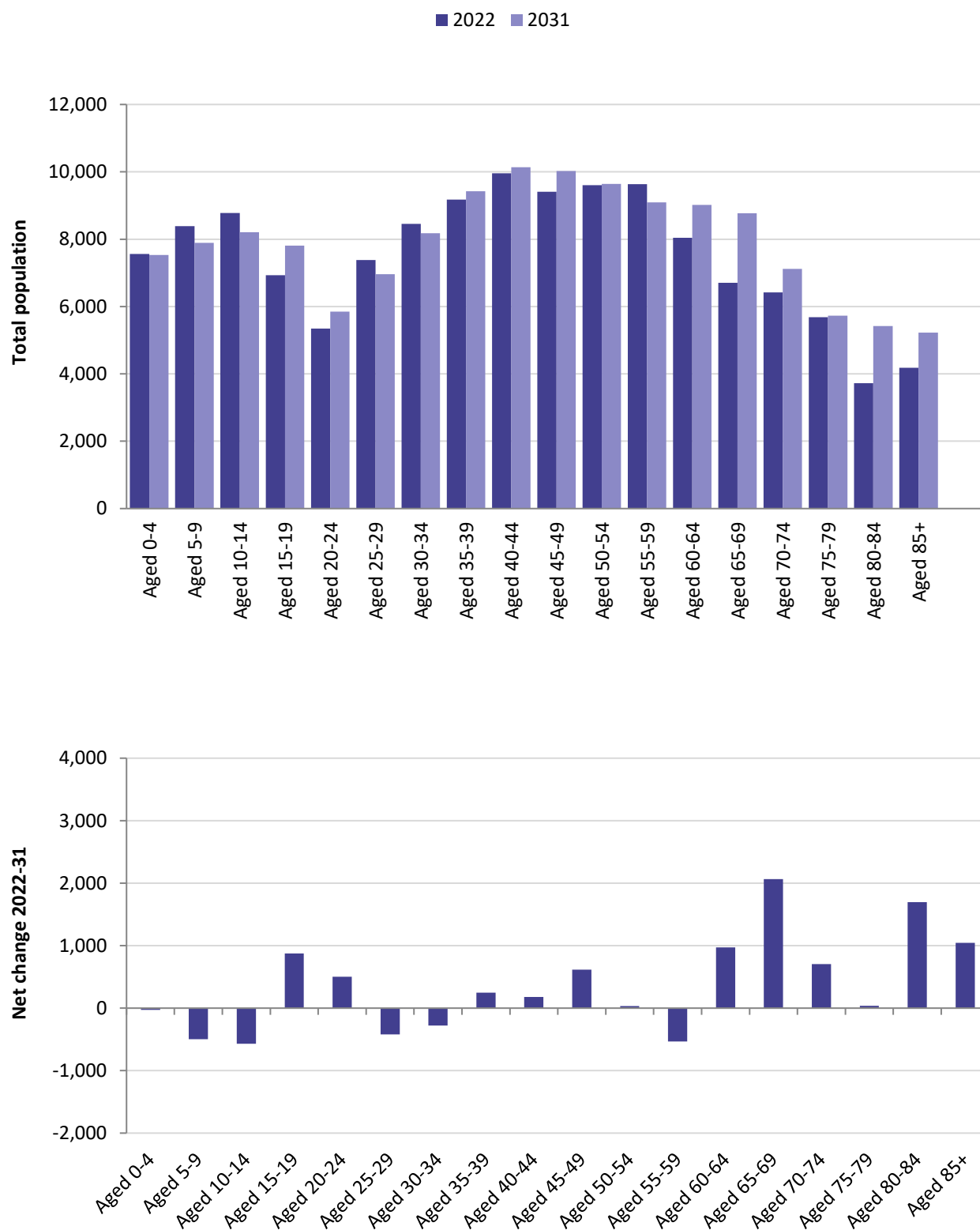
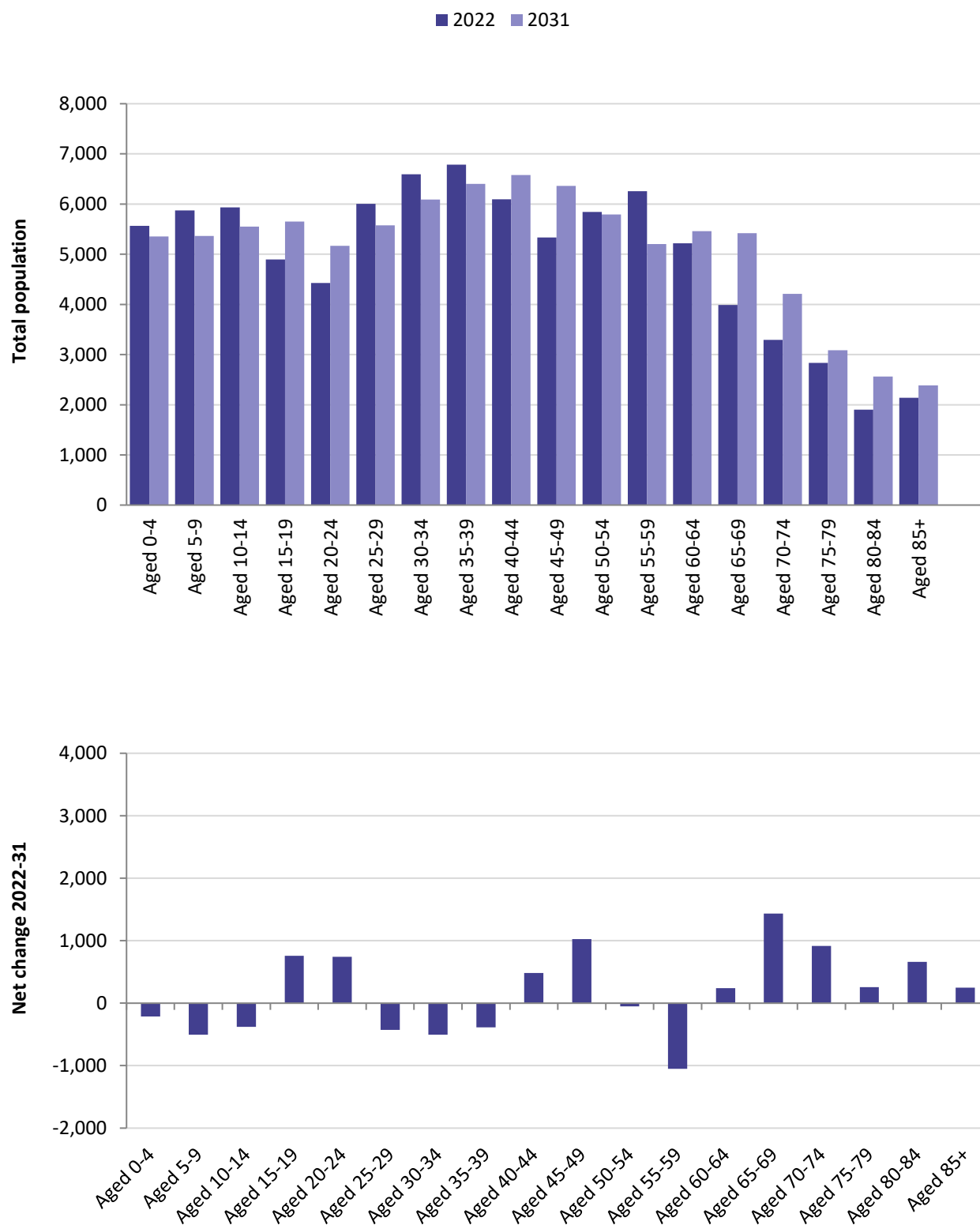


Figure 13: Population projections 2022-31 by 5-year age cohort for Stevenage (Source: ONS 2018 based sub-national projections)



Projected Household Types

- 2.8 When considering future need for different types of housing, it is important to recognise that households of different ages are likely to have different housing needs. Similarly, households of different types (singles, couples and families) within each age group will also have different housing needs.
- 2.9 Figure 14 and Figure 15 shows the household numbers for North Herts and Stevenage for 2022 and 2031 based on the trend-based projections by household type and age; together with the net change for each group.

Figure 14: Total projected households for 2022 and 2031 and summary of 9-year change by household type and age of household representative for North Herts (Note: Figures may not sum due to rounding. Source: ORS Model)

Year	Household Type	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	TOTAL
2022	Single person	280	1,730	2,180	2,270	2,160	2,000	3,840	1,970	16,400
2022	Couple without children	200	1,450	1,250	3,460	6,600	4,970	2,070	740	20,700
2022	Families with child(ren)	410	2,430	6,730	5,590	1,300	210	50	30	16,800
2022	Other households	70	580	360	290	630	390	610	250	3,200
2022	TOTAL	1,000	6,200	10,500	11,600	10,700	7,600	6,600	3,000	57,100
2031	Single person	270	1,660	2,310	2,330	2,000	2,120	4,260	2,350	17,300
2031	Couple without children	220	1,250	1,100	3,050	6,520	6,260	2,700	1,010	22,100
2031	Families with child(ren)	500	2,360	7,040	6,390	1,690	330	80	60	18,500
2031	Other households	60	660	380	180	670	490	820	340	3,600
2031	TOTAL	1,100	5,900	10,800	12,000	10,900	9,200	7,900	3,800	61,500
Change	Single person	-10	-60	+130	+60	-160	+120	+420	+370	+900
Change	Couple without children	+20	-200	-150	-410	-70	+1,290	+630	+270	+1,400
Change	Families with child(ren)	+90	-60	+310	+800	+390	+120	+30	+20	+1,700
Change	Other households	-10	+80	+20	-110	+40	+90	+210	+90	+400
Change	TOTAL	+100	-200	+300	+300	+200	+1,600	+1,300	+800	+4,300

Figure 15: Total projected households for 2022 and 2031 and summary of 9-year change by household type and age of household representative for Stevenage (Note: Figures may not sum due to rounding. Source: ORS Model)

Year	Household Type	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+	TOTAL
2022	Single person	260	1,670	1,310	1,350	1,870	1,660	1,950	1,080	11,100
2022	Couple without children	110	1,170	600	2,090	3,870	2,230	1,050	250	11,400
2022	Families with child(ren)	400	2,140	5,200	3,300	790	70	30	20	11,900
2022	Other households	100	200	180	310	630	490	470	330	2,700
2022	TOTAL	900	5,200	7,300	7,000	7,200	4,400	3,500	1,700	37,200
2031	Single person	290	1,650	1,240	1,400	1,710	2,170	2,130	1,130	11,700
2031	Couple without children	90	1,030	420	1,870	3,320	2,800	1,360	240	11,100
2031	Families with child(ren)	510	1,950	5,560	4,130	920	120	40	40	13,300
2031	Other households	120	180	150	240	660	750	710	480	3,300
2031	TOTAL	1,000	4,800	7,400	7,600	6,600	5,800	4,200	1,900	39,400
Change	Single person	+30	-20	-70	+50	-160	+520	+180	+50	+600
Change	Couple without children	-20	-140	-180	-220	-560	+570	+310	-10	-300
Change	Families with child(ren)	+110	-190	+370	+840	+130	+40	+20	+10	+1,300
Change	Other households	+20	-20	-30	-70	+30	+260	+240	+150	+600
Change	TOTAL	+100	-400	+100	+600	-600	+1,400	+700	+200	+2,200

2.10 In summary:

- » In North Herts, families with dependent children represent 40% of the overall household growth while they represent 60% of the household growth in Stevenage. This is any family which contains a dependent child;
- » Single person households represent 20% of the overall 2022-31 household growth in North Herts and 27% in Stevenage. This includes a significant growth in those aged over 65 years in both authorities;
- » Couples without dependent children represent over 30% of the household growth in North Herts but are projected to fall in Stevenage. A couple without dependent children only contains two adults;
- » Any household with non-dependent children living at home will be included in the “Other” group set out below;
- » The increase in “Other” households represents 10% of the growth in North Herts and 27% of the growth in Stevenage. Other households include multi-generation living, student households and Houses in Multiple Occupation (HMOs). This therefore represents quite a high share of the overall growth in Stevenage but is likely to include many adults living at home with their parents.

3. Local Housing Market

Housing options and cost of housing in North Herts and Stevenage

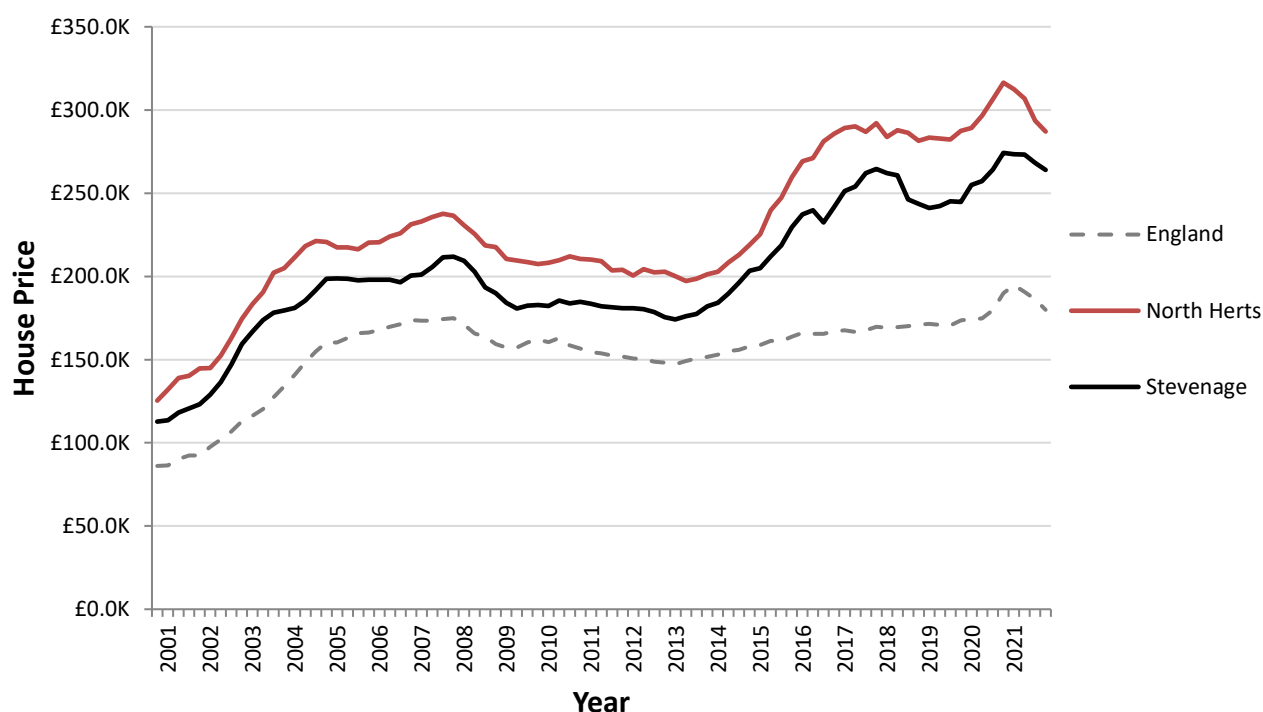
Chapter Summary

- 3.1 Real house prices in North Herts and Stevenage increased substantially in the period 2001-2008. Values reduced during the economic downturn by mid-2009 and continued to decline over the period to 2013, but then increased until 2021, but show signs of declining in real terms in 2022. The movement in North Herts and Stevenage house prices has broadly mirrored changes in England as a whole, though being higher than England as a whole.
- 3.2 In general, new build properties are more expensive than existing dwellings, with the exception of two-bedroom properties in Stevenage.
- 3.3 In terms of weekly housing costs, open market ownership for each property size is the most expensive in terms of weekly costs, followed by Shared Ownership at 50% and 40%, Build to Rent and then median private rent.
- 3.4 The cost of Shared Ownership varies depending on the equity size purchased, but it is more expensive on a weekly basis than First Homes due to the rent payable on the equity retained and service charges on weekly costs. Nonetheless, it is also much more flexible than First Homes for reasons such as not being restricted to first time buyers, being able to purchase a smaller share (as low as 10%) and being able to ladder up the equity share, and therefore may meet the needs of different households.
- 3.5 Compared to private rental options, the range of affordable home ownership products are relatively accessible, however it should be noted that the chart takes no account of the initial cost of a deposit on a property, which is a barrier to many households that seek to get onto the housing ladder. It is also the case the products such as affordable rent can be unaffordable for some households who require rented options. Affordable rent dwellings can be made available to households who cannot afford it by implementing the recommendations set out in paragraph 6.6 of the North Hertfordshire District Council Tenancy Strategy, the initial recommendation being that affordable rents should not exceed the Local Housing Allowance rate. This is followed by more detailed recommendations.
- 3.6 The promotion of Build to Rent with a substantial discount, such as 20%, could be a potentially useful mechanism for bringing forward affordable housing options, particularly on smaller properties.

Cost of Home Ownership

- 3.7 House price trends (2001-2022) are shown in Figure 16 based on lower quartile house prices. Lower quartile prices are used to consider the entry level price for home ownership. As the value of money has also changed during this period, the data is adjusted to take account of and remove the impact of inflation through the Consumer Price Index (CPI)²; therefore, the values reflect real changes in house prices since 2001.
- 3.8 It is evident that real house prices in North Herts and Stevenage increased substantially in the period 2001-2008. Values reduced during the economic downturn by mid-2009 and continued to decline over the period to 2013, but then increased until 2021, but show signs of declining in real terms in 2022. For the most part, movement in North Herts and Stevenage house prices have broadly mirrored changes in England, though have been higher than England as a whole.

Figure 16: Real House Price Trends: Lower Quartile Prices adjusted to 2022 values using CPI (Source: ONS; Bank of England)



- 3.9 Overleaf, Figure 17 and Figure 18 show the lower quartile house prices by bedroom size for North Herts and Stevenage. The lower quartile is used to show entry level house prices. The data shows both the lower quartile price for existing properties and new build dwellings, with prices taken from the Land Registry records for the sales prices of individual properties. When considering first time buyers, many of the purchasers are likely to be newly forming households seeking one and two bed properties, although some will seek larger properties. The government have recently introduced a new housing product entitled First Homes which sells new homes at a 30% or more discount compared to market prices.

² The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by consumers for a market basket of consumer goods and services.

- 3.10 The degree to which new build properties are more expensive than existing homes varies considerably by size of dwelling. This is likely to be down to a range of factors which include the location of new build housing, the relative size of properties, gardens and the availability of parking, comparative quality and condition of existing stock, and other intangible factors such as character. In general, new build properties are more expensive than existing dwellings, with the exception of two-bedroom properties in Stevenage. The provision of First Homes at a 30% discount may not mitigate this increase as they are only marginally cheaper than existing properties for most dwelling sizes, at least in part because older homes tend to be houses, while many newer units will be flats.

Figure 17: Lower quartile prices (adjusted to 2022 values using CPI) for existing dwellings and newly built dwellings (2022-2022) by property size in North Herts (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

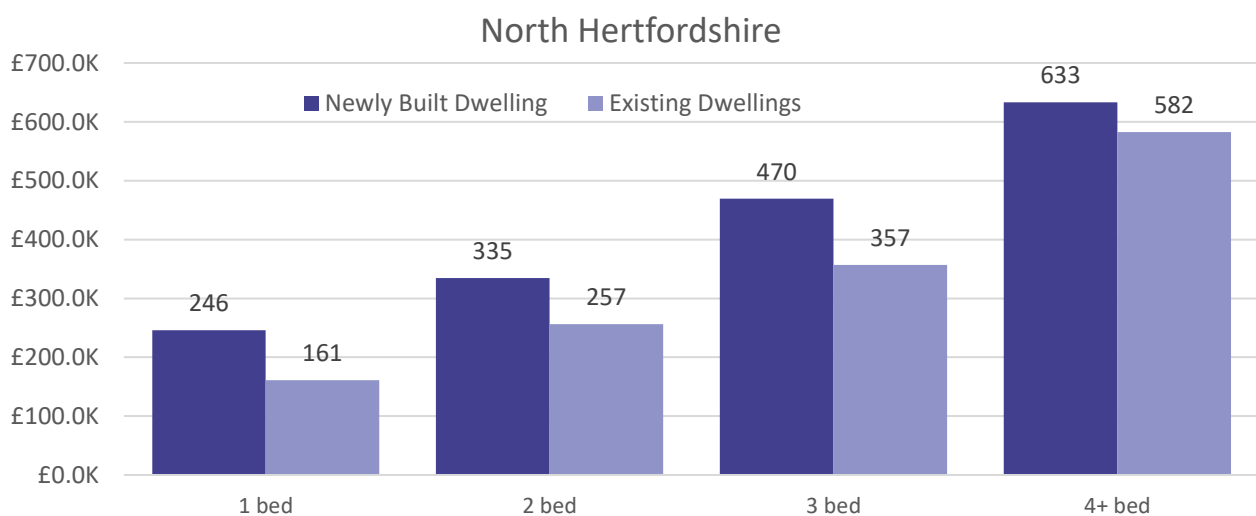
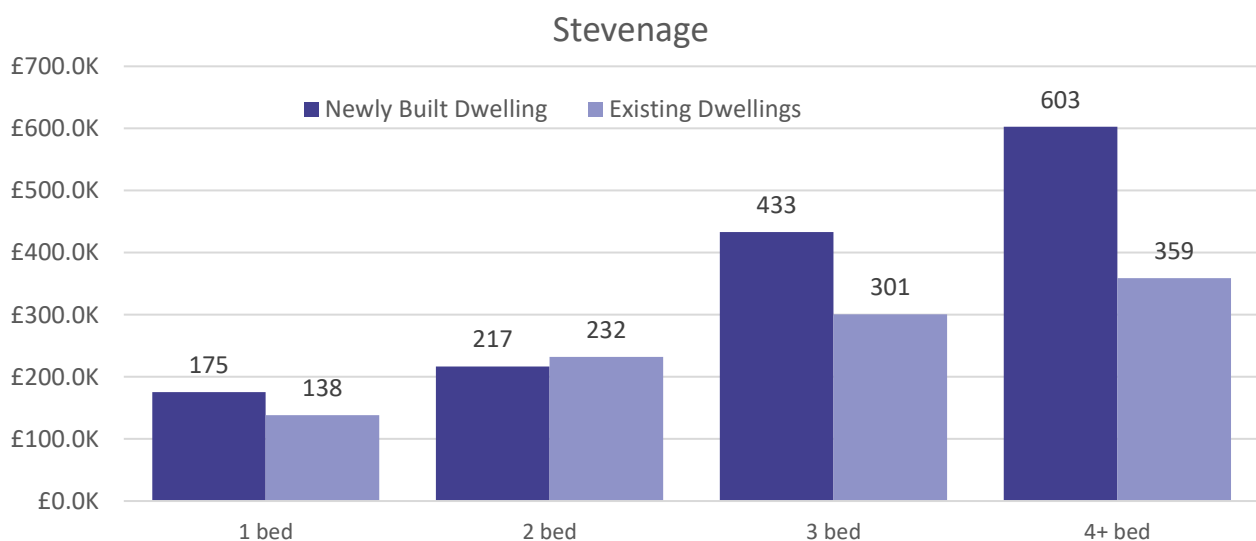


Figure 18: Lower quartile prices (adjusted to 2022 values using CPI) for existing dwellings and newly built dwellings (2022-2022) by property size in Stevenage (Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)



Income Needed for Home Ownership

- 3.11 The income needed to purchase market housing will depend on the house price together with the mortgage income multiplier and the available deposit (or percentage loan to value).
- 3.12 Below is an illustrative example based on North Herts prices, for an existing 1-bedroom property. As this example is purely for illustration and not used in any calculation, it does not take account of some of the complexities of the market such as any increased borrowing rates for affordable home ownership:
- » The lower quartile price recorded was £161,000;
 - » Based on a 90% loan-to-value mortgage, a deposit of £16,100 would be needed (equivalent to 10% of the overall price) with the mortgage covering the remaining £144,900;
 - » Using a mortgage income multiplier of 3.5x would therefore need an annual income of £41,400.
- 3.13 To purchase the same property with a 95% loan-to-value mortgage would reduce the deposit needed to £8,050 (equivalent to 5% of the overall price) but the income required would increase to £43,700 per year. Borrowing at a 4.0x income multiplier would reduce the income needed; but households would still need an income of between £36,000 and £43,700 based on a 5-10% deposit. Therefore, to purchase an existing 1-bedroom property at an overall cost of £161,000 is likely to require an annual income of at least £36,000 (assuming a 10% deposit and a 4.0x multiplier); but with a lower deposit and a lower income multiplier an income of up to £43,700 per year could be needed.
- 3.14 Whilst some households will have higher deposits available and others will seek to extend their borrowing as far as possible, taking the initial assumptions of a 10% deposit and a 3.5x mortgage multiplier provides a reasonable indication of the income that first time buyer households are likely to need in order to afford home ownership.
- 3.15 Based on these assumptions, Figure 19 shows the household income levels needed to buy 1- and 2-bedroom properties in terms of both existing dwellings and newly built dwellings in North Herts and Stevenage. When purchasing larger homes, households will typically have larger deposits available which often include equity from the sale of a smaller property. On this basis, it is relatively artificial to consider incomes in isolation. Nor do these figures take account of the variation in price across the authorities, in particular between some of the rural areas and North Herts and Stevenage town.

Figure 19: Annual income required to afford properties based on a 10% deposit and 3.5 times income mortgage by property size
(Source: ORS based on ONS House Price Statistics, Valuation Office Agency and Land Registry Price Paid Data)

Property Age	Property Size	Annual Household Income Needed to Own at Lower Quartile Prices: North Herts	Annual Household Income Needed to Own at Lower Quartile Prices: Stevenage
Newly Built Dwellings	1 bedroom	£63,200	£45,100
Newly Built Dwellings	2 bedrooms	£86,000	£55,700
Newly Built Dwellings	3 bedrooms	£120,700	£111,400
Newly Built Dwellings	4+ bedrooms	£162,800	£155,000
Existing Dwellings	1 bedroom	£41,400	£35,600
Existing Dwellings	2 bedrooms	£66,000	£59,700
Existing Dwellings	3 bedrooms	£91,700	£77,300
Existing Dwellings	4+ bedrooms	£149,800	£92,300

Cost of Renting

- 3.16 Local Housing Allowance (LHA) is the maximum payment for private rented claimants in receipt of housing benefit based on Broad Rental Market Areas (BRMAs). The LHA was previously based on the 30th percentile private rent, however more recent increases have been based on CPI and rates were frozen in the July 2015 Budget before being increased in 2020.
- 3.17 Whilst BRMAs do not align with local authority boundaries, the Stevenage and North Herts BRMA covers most of the area, but three other BRMAs do cover smaller parts of North Herts.
- 3.18 Figure 20 sets out the maximum local housing allowance by size of property in the BRMA:

Figure 20: Maximum Local Housing Allowance thresholds in North Herts and Stevenage BRMA 2022 (Source: Valuation Office Agency)

Property type	Maximum Local Housing Allowance North Herts and Stevenage BRMA	Maximum Local Housing Allowance Luton BRMA	Maximum Local Housing Allowance South West Herts BRMA	Maximum Local Housing Allowance South East Herts BRMA
Room only	£78.59	£78.59	£95.85	£82.04
1 bedroom	£155.34	£143.84	£184.11	£172.60
2 bedrooms	£195.62	£178.36	£230.14	£212.88
3 bedrooms	£241.64	£224.38	£299.18	£276.16
4+ bedrooms	£299.18	£264.66	£391.23	£322.19

- 3.19 Figure 21 sets out the weekly rents for different property sizes. This includes:

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

Figure 21: Weekly rent thresholds in North Herts and Stevenage 2022 (Source: Private Rental Market Statistics, Valuation Office Agency; Regulator of Social Housing Statistical Data Returns. Note: Private rent data excludes housing benefit funded tenancies and there are low numbers of properties for some dwelling sizes)

Property Type	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
North Herts				
1 bedroom	£178.23	£166.74	£123.40	£91.49
2 bedrooms	£224.23	£202.38	£152.65	£108.80
3 bedrooms	£294.37	£264.48	£178.21	£117.05
4+ bedrooms	£294.37	£264.48	£159.73	£131.82
Stevenage				
1 bedroom	£172.48	£160.99	£116.63	£90.24
2 bedrooms	£228.83	£212.73	£149.13	£112.28
3 bedrooms	£275.98	£252.98	£173.81	£130.79
4+ bedrooms	£275.98	£252.98	£168.18	£148.55

- 3.20 It is evident that for almost all property sizes, the median private rent is the highest followed in turn by the lower quartile private rent, affordable rent and target social rent. While the LHA rates are typically lower than the equivalent lower quartile private rents, it is important to note that the private rent figures exclude housing benefit funded tenancies. If all LHA funded private tenancies were included, then this would bring down the lower quartile and median rents but would also bias the process of calculating the LHA rates by linking them to existing LHA property values rather than the wider market for private rented properties.
- 3.21 We would also note that in the SHMA Update Part II 2016 found that to be effective in both North Herts and Stevenage, affordable rent should be set at 80% of market rents for one and two-bedroom properties and at 70% of market rents for 3 bedroom properties and social rents for 4 plus bedroom properties. The key factor driving this calculation was whether the LHA rates cover affordable rents. LHA rates are scheduled to be upgraded to the 30th percentile of rents in April 2024, but will then be capped at this rate for the next three years. Therefore, there is no reason to change the position in relation to three and four-bedroom properties because rents will become progressively more unaffordable over time after April 2024.

Income Needed to Rent Housing

- 3.22 The income needed to rent housing will depend on the monthly rent together with the income multiplier allowed for housing costs. The previous CLG Strategic Housing Market Assessments Practice Guidance (Version 2, August 2007)³ stated:

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

- 3.23 However, this previous Guidance was rescinded in March 2014 following the publication of the Original NPPF and the launch of the new Planning Practice Guidance (PPG). The PPG does not propose a specific multiplier for assessing housing costs; however, it notes that *“care should be taken ... to include **only those households who cannot afford** to access suitable housing in the market”* [ID 2a-020-20190220] (emphasis added).
- 3.24 Results from the English Housing Survey (EHS) 2015-16⁴ provides information about the percentage of gross household income that households currently spend on their housing costs⁵:
- » For the total gross income (excluding housing benefit) of the Household Reference Person and Partner, households renting privately spent on average 48% of their income on rent, whilst the average was 40% for households in social rent; and
 - » For the total gross income (excluding housing benefit) from all income earners in the household, irrespective of whether they contribute to the housing cost, households renting privately spent on average 41% of their income on rent, whilst the average was 37% for those in social rent.
- 3.25 The EHS demonstrates that many households in both private and social rented (including affordable rents) properties currently pay considerably more than 25% of gross household income on their housing costs. Whilst it is arguable that some households currently pay too much for their rent, it is unrealistic to suggest that all households paying more than 25% are unable to afford suitable housing in the market.

³ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance>

⁴ <https://www.gov.uk/government/statistics/english-housing-survey-2015-to-2016-headline-report>

⁵ “Annex Table 1.13: Mortgage/rent as a proportion of household income (including and excluding housing benefit), by tenure, 2010-11 to 2015-16”

- 3.26 The proportion of household income allocated to housing costs is necessarily based on a judgement. At the lower end of the range, the previous CLG Practice Guidance sets out a percentage of 25%. However, as the EHS identifies that households renting privately currently spend 41% of their gross income on average, there must be many households currently spending more than 41% of their income on housing costs (which will be offset against others spending lower proportions).
- 3.27 On this basis, it would be reasonable to assume that the proportion of household income allocated to housing costs was at least 25% but no more than 45% of gross income. This leads to our judgement that **35% of income** provides a reasonable basis for assessing the maximum that households should reasonably expect to pay for their housing costs. Whilst this is notably higher than the 25% proposed by the previous guidance, it is still lower than the 41% average that households renting privately actually pay.
- 3.28 As an illustrative example, we can establish the income needed to rent a 1-bedroom property in North Herts based on a 35% income multiplier:
- » The lower quartile weekly rent recorded was £166.74;
 - » Based on a 35% income multiplier, a weekly income of £476.40 would be needed which equates to a gross annual income of £24,773.
- 3.29 To rent the same property based on a 25% income multiplier would increase the gross income required to £34,682 per year. Therefore, to rent a self-contained 1-bedroom property in North Herts at a lower quartile rent overall cost of £166.74 per week is likely to require an annual income of at least £24,773 (assuming a 35% multiplier); although it is evident that the required income is very sensitive to the multiplier used.
- 3.30 Given this context, although some households will choose to pay a higher proportion of their income to rent their home (and others might be forced to do so due to the lack of any other housing options), taking the initial assumption of a 35% income multiplier provides a reasonable benchmark to establish the rental income needed. Based on this assumption, Figure 22 shows the gross household incomes needed to afford median and lower quartile private rent, affordable rent and social rent.

Figure 22: Annual income required to afford to rent properties at the lower quartile and median price based on 35% income multiplier by property size in North Herts and Stevenage (Source: ORS based on Valuation Office Agency data Oct 2020 to Sep 2022)

Property Type	Median Private Rent	Lower Quartile Private Rent	Affordable Rent	Social Rent
North Herts				
1 bedroom	£26,571	£24,773	£18,397	£13,639
2 bedrooms	£33,429	£30,171	£22,757	£16,220
3 bedrooms	£43,886	£39,429	£26,568	£17,450
4+ bedrooms	£43,886	£39,429	£23,813	£19,651
Stevenage				
1 bedroom	£25,714	£24,000	£17,387	£13,453
2 bedrooms	£34,114	£31,714	£22,233	£16,739
3 bedrooms	£41,143	£37,714	£25,912	£19,498
4+ bedrooms	£41,143	£37,714	£25,073	£22,146

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

3.32 Considering some examples of disposable income:

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

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

3.34 Eligibility for housing benefit will differ based on the type of household and the number of bedrooms needed. Figure 23 sets out the incomes for housing benefit eligibility for different types of households. We have only used the data for those who require a single room or 1 and 2 bedrooms to illustrate the way in which housing benefit changes as household sizes grow. Any new household in receipt of housing benefit cannot afford their own housing costs and will be assumed to require an affordable to rent property such as social rent.

Figure 23: Maximum annual income for households in receipt of housing benefit support by household type in North Herts and Stevenage (Source: ORS based on Department for Work and Pensions data)

Property type	Household type	Maximum Annual Income for HB support
Room Only	Single person aged 16-24	£9,494
Room Only	Single person aged 25-34	£10,327
1 Bedroom Properties	Single person aged 35+	£16,488
1 Bedroom Properties	Couple (both aged under 18)	£17,281
1 Bedroom Properties	Couple (one or both aged 18 or over)	£18,786
2 Bedroom Properties	Lone parent (aged 18 or over) with 1 child	£23,415
2 Bedroom Properties	Lone parent (aged 18 or over) with 2 children	£27,110
2 Bedroom Properties	Couple (aged 18 or over) with 1 child	£25,714
2 Bedroom Properties	Couple (aged 18 or over) with 2 children	£29,408

Income Needed for Other Types of Housing

- 3.35 Another housing option that could be made available in North Herts and Stevenage, thereby increasing the variety of products available, is Build to Rent. Build to Rent is defined by the NPPF Glossary as:

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

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

NPPF 2022 (Glossary)

- 3.36 Build to Rent housing tends to be somewhat more expensive than median rents (typically more comparable to upper quartile rents). Occupants tend to be those that can afford these higher rents, but are not currently seeking to own a property, since the income required to service such rents is typically in excess of that required to get onto the housing ladder through Low-Cost Home Ownership options.
- 3.37 The National Planning Policy Framework states that affordable housing on Build to Rent schemes should be provided in the form of affordable private rent. The PPG offers a “generally suitable” benchmark that 20% of any given Build to Rent scheme should be provided as affordable rent (maintained in perpetuity). In terms of setting affordable rent levels, national affordable housing policy requires a rent discount of at least 20% for affordable private rent homes relative to local market rents (inclusive of service charges).
- 3.38 However, the affordability of these affordable Build to Rent options is highly dependent on the rent being discounted. Research by JLL⁶ shows that the average Build to Rent option is 9.3% more expensive than the median rent. If it is assumed that these rent levels were to be the case in North Herts and Stevenage, and a discount of 20% were to be applied to these rents (as is suggested by the NPPF) for the affordable units, then the range of rental costs available would be as Figure 24:

Figure 24: Weekly rent thresholds in North Herts and Stevenage (Source: Valuation Office Agency 2020-21; SDR 2022, JLL)

Number of Bedrooms	Upper Quartile Private Rent	Build to Rent (Median + 9.3%)	Median Private Rent	Local Housing Allowance	Lower Quartile Private Rent	Affordable Build to Rent (20% discount)	Affordable Rent	Social Rent
North Herts								
1 bedroom	£194.33	£194.81	£178.23	£155.34	£166.74	£155.85	£123.40	£91.49
2 bedrooms	£252.98	£245.08	£224.23	£195.62	£202.38	£196.07	£152.65	£108.80
3 bedrooms	£321.97	£321.75	£294.37	£241.64	£264.48	£257.40	£178.21	£117.05
4+ bedrooms	£321.97	£321.75	£294.37	£299.18	£264.48	£257.40	£159.73	£131.82
Stevenage								
1 bedroom	£189.73	£188.53	£172.48	£155.34	£160.99	£150.82	£116.63	£90.24
2 bedrooms	£247.23	£250.11	£228.83	£195.62	£212.73	£200.09	£149.13	£112.28
3 bedrooms	£298.97	£301.64	£275.98	£241.64	£252.98	£241.31	£173.81	£130.79
4+ bedrooms	£298.97	£301.64	£275.98	£299.18	£252.98	£241.31	£168.18	£148.55

⁶ <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/emea/uk/jll-residential-insight-build-to-rent.pdf>

- 3.39 The local housing allowance would be sufficient to cover the costs of affordable Build to Rent units for all dwelling types. As such, the promotion of Build to Rent with a substantial discount, such as 20%, could be a potentially useful mechanism for bringing forward affordable housing options, particularly on smaller properties.

Summary of Housing Costs

- 3.40 This chapter has considered in some detail the cost of housing depending on tenure type and property size. Figure 25 and Figure 26 summarise these costs for each property size using the same assumptions as throughout the report; assuming a 10% deposit for example.

Figure 25: Comparison of weekly housing costs by property size in North Herts (Source: VOA 2020-2022, Land Registry, ORS model)

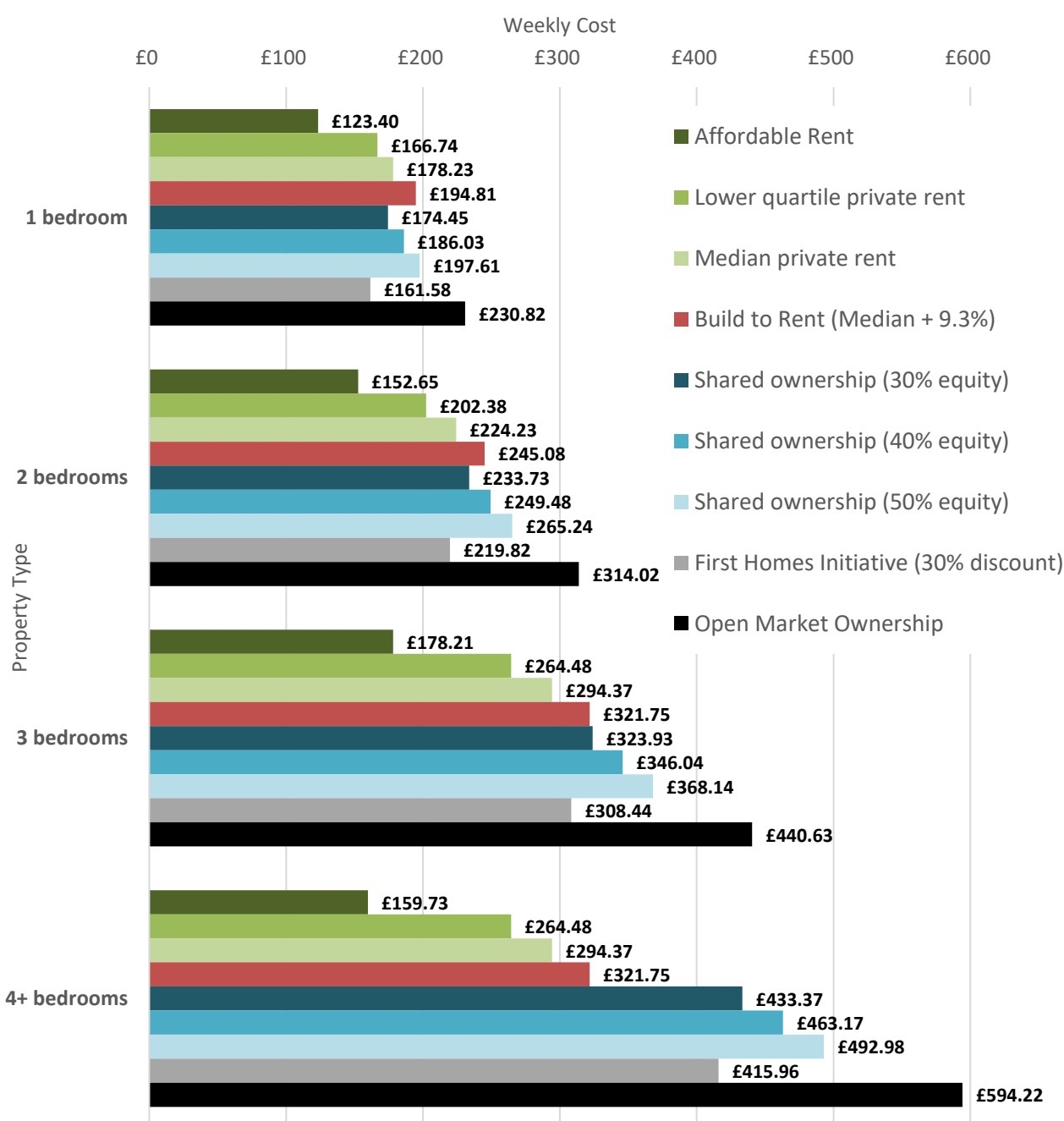
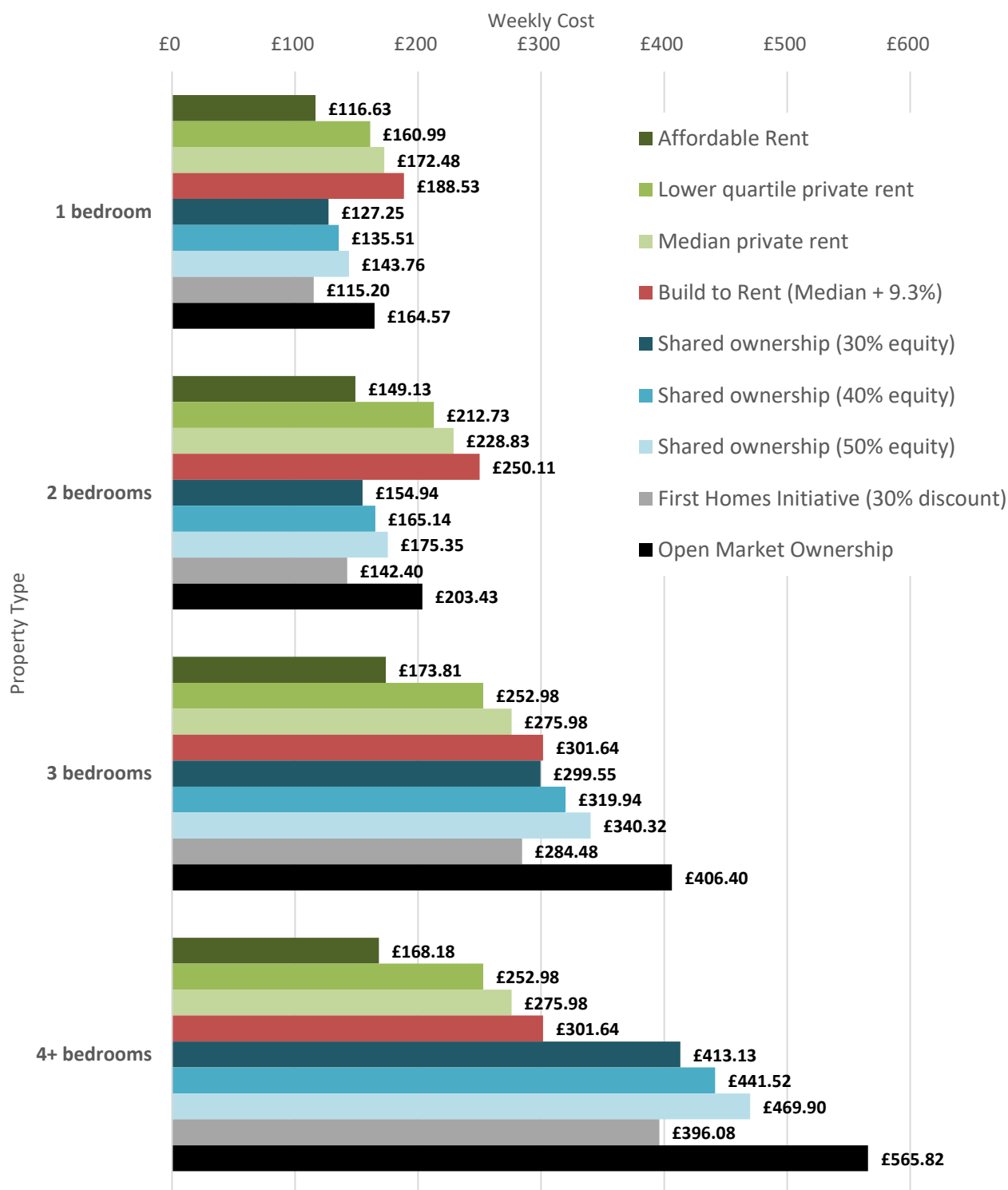


Figure 26: Comparison of weekly housing costs by property size in Stevenage (Source: VOA 2020-2022, Land Registry, ORS model)



^{3.41} Open market ownership for each property size is the most expensive in terms of weekly costs, followed by Shared Ownership at 50% and 40%, Build to Rent then median private rent depending on the size of property.

- 3.42 The cost of Shared Ownership predictably varies depending on the equity size purchased, however the fact that it is more expensive on a weekly basis than First Homes for all three equity levels illustrated is evidence of the significance of the rent payable on the equity retained and service charges on weekly costs.
- 3.43 Nonetheless, weekly costs for 40% Shared Ownership are below median rents for all but 3-bedroom properties. It is also much more flexible than First Homes for reasons such as not being restricted to first time buyers and being able to ladder up the equity share, and therefore may meet the needs of different households. However, we would note that delivering Shared Ownership and First Homes in relatively high house prices areas such as North Herts and Stevenage will always be a challenge and that delivering this type of tenure will also led potentially lower levels of affordable to rent housing being delivered.
- 3.44 Overall, compared to rental options, the range of affordable home ownership products shown appear to be relatively accessible, however it should be noted that the chart takes no account of the initial cost of a deposit on a property, which is a barrier to many households that seek to get onto the housing ladder. Furthermore, despite the weekly costs being cheaper, the underlying income necessary to obtain a mortgage on a First Home will be meaningfully higher than the underlying income required to rent a property due to the constraint of mortgage income multipliers discussed previously.
- 3.45 At the time of writing, the housing market is entering a period of uncertainty as interest rates are rising. This will impact mortgaged properties first but will also be followed quite quickly by a growing number of private rents as individual fixed terms reach renewal. Typically, as interest rates rise then house price will fall to maintain the monthly outlay facing new mortgages at the same level as they were previously. Over the period late 2022 to the end of 2024, the Office for Budget Responsibility, who provide independent economic forecasts on behalf of the government, project a drop in house prices of 9%.⁷

⁷ [Autumn Statement: House prices to fall by 9% over two years says OBR | This is Money](#)

4. Affordable Housing Need

Identifying households who cannot afford market housing

Chapter Summary

- 4.1 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 an estimated 1,908 households in North Herts are currently living in unsuitable housing and are unable to afford their own housing. Meanwhile, there is an estimated 1,612 households in Stevenage currently living in unsuitable housing and unable to afford their own housing.
- 4.2 Of these households, 681 in North Herts and 802 in Stevenage currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing.
- 4.3 Allowing for the impact of new households and turnover in the housing stock in North Herts, there is a need to provide affordable housing for 2,519 households unable to afford to rent or buy over the Plan period 2022-31 (55.6% of the projected growth) which equates to **280 households per year**. In Stevenage, there is a need to provide affordable housing for 1,802 households unable to afford to rent or buy over the Plan period 2022-31 (75.2% of the projected growth) which equates to **200 households per year**.
- 4.4 In addition to the need for those who cannot afford market rents, it is also important to consider new households who can afford to rent, but who aspire to own. **Overall, there are likely to be 4,358 households who cannot afford to buy their own home and aspire to home ownership in North Herts and 2,138 households in Stevenage who cannot afford to buy their own home and aspire to home ownership over the period 2022-31.** The vast majority of this group of private renters can be assumed to be potential first-time buyers.
- 4.5 However, converting the potential demand from those who aspire to own into real demand for products such as First Homes may be difficult. A high number of those households who aspire to own may not be able to afford the mortgage on a First Home or may lack savings for a deposit. As few as 591 households in North Herts and 312 households in Stevenage may be able to afford First Homes over the period 2022-31.

Introduction

- 4.6 The definition of affordable housing was changed by the NPPF 2019, with a specific emphasis now placed on affordable home ownership. This was retained in the NPPF 2022 update and does not explicitly include First Homes. Annex 2 of the Revised NPPF now defines affordable housing as being:

Affordable housing

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

Revised NPPF 2022, Annex 2

- 4.7 To reflect this change, paragraphs of PPG were updated in February 2019. These were further updated with a new set of guidance on “Housing needs of different groups” published on 22nd July 2019⁸.
- 4.8 Further guidance to reflect the need to consider First Homes was then added on May 24th 2022. The changes between the archived PPG and the current revision are highlighted below:

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

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

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

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

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

Emphasis added shows change first introduced in September 2018

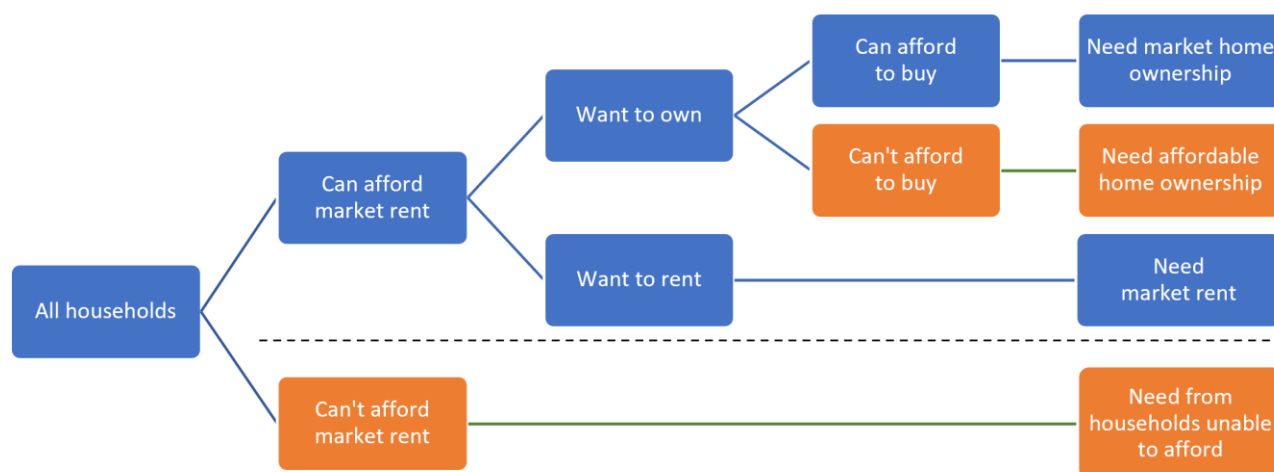
- 4.9 On this basis, it is clear that the assessment of affordable housing need must now consider those households who would like to own but are unable to do so, in addition to those households unable to afford to own or rent which have formed the longstanding basis for assessing affordable housing needs.

⁸ <https://www.gov.uk/guidance/housing-needs-of-different-groups#affordable-housing>

Establishing the Need for Affordable Housing to Rent and to Own

- 4.10 Demographic projections provide the basis for identifying the LHN for all types of housing, including both market housing and affordable housing. There is a well-established method for assessing the needs of households who cannot afford to own or rent suitable market housing; however, when considering the needs of households who can afford to rent but would prefer to own, it is necessary to further develop the existing methods given that PPG provides no additional guidance on how this need should be assessed.
- 4.11 Below, Figure 27 illustrates the different groups of households that must now be considered when assessing the need for affordable housing. The needs of those households that can't afford market rent need to be added to the needs of those that can afford market rent but who want to own but can't afford to buy.

Figure 27: Establishing the need for market and affordable housing



Affordable Housing Need: Households Unable to Afford

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

How is the total annual need for affordable housing calculated?

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

Planning Practice Guidance, ID 67-008-20190722

Current Unmet Need for Affordable Housing

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

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

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

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

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

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

Planning Practice Guidance, ID 67-006-20190722

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

- 4.15 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.
- 4.16 Given this context, our analysis counts the needs of all these households when establishing the need for affordable housing at a base date of March 31st, 2022.
- 4.17 The analysis counts the needs of all households living in overcrowded rented housing when establishing the need for affordable housing, (which could marginally overstate the affordable housing need) but it does not count the needs of owner occupiers living in overcrowded housing (which can be offset against any previous over-counting). Student households are also excluded, given that their needs are assumed to be transient and do not count towards the need for affordable housing in North Herts and Stevenage.

- 4.18 The analysis does not count people occupying insanitary housing or otherwise living in unsatisfactory housing conditions as a need for additional affordable housing. These dwellings would be unsuitable for any household; and enabling one household to move out would simply allow another to move in – so this would not reduce the overall number of households in housing need. This housing need should be resolved by improving the existing housing stock, and the Councils have a range of statutory enforcement powers to improve housing conditions.
- 4.19 Concealed families are defined as, *“family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”*⁹. When considering **concealed families**, it is important to recognise that many do not want separate housing. Concealed families with older family representatives will often be living with other family members, perhaps for cultural reasons or in order to receive help or support due to poor health. However, those with younger family representatives are more likely to experience affordability difficulties or other constraints (although not all will want to live independently).
- 4.20 Concealed families in a reasonable preference category on the housing register will be counted regardless of age, but our analysis also considers the additional growth of concealed families with family representatives aged 18-54 years (even those not registered on the housing register) and assumes that all such households are unlikely to be able to afford housing (otherwise they would have found a more suitable home). The needs of these households are counted when establishing the need for affordable housing.
- 4.21 Overleaf, Figure 28 and Figure 29 set out the assessment of current affordable housing need for North Herts and Stevenage. The *‘increase in overall need’* shows the number of households who will not be counted by the household projections because of being homeless or concealed households.

⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

Figure 28: Assessing current unmet gross need for affordable housing – North Herts in 2022 (Sources: DLUHC P1E returns; Census 2001 and 2011; English Housing Survey 2022; DWP Housing Benefit; DLUHC Local Authority Housing Statistics)

North Herts	Affordable Housing Gross Need	Affordable Housing Supply	Affordable Housing Net Need	Increase in Overall Need
Homeless households in priority need [Source: DLUHC P1E returns]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	45		45	45
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	2		2	
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	51	51	0	
Households accepted as homeless but without temporary accommodation provided	17		17	17
Concealed households [Source: Census 2001 and 2011]				
Growth in concealed families with family representatives aged under 55	123		123	123
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]				
Households living in overcrowded private rented housing	218		218	
Households living in overcrowded social rented housing	505	505	0	
Other households living in unsuitable housing that cannot afford their own home [Source: DLUHC LAHS]				
People who need to move on medical or welfare grounds, including grounds relating to a disability	947	125	822	
People who need to move to a particular locality in the borough of the authority, where failure to meet that need would cause hardship	0	0	0	
TOTAL	1,908	681	1,227	185

- 4.22 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 an estimated **1,908 households in North Herts are currently living in unsuitable housing and are unable to afford their own housing.**
- 4.23 Of these households, 681 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 1,227 households in North Herts (1,908 less 681 = 1,227) that currently need affordable housing and do not currently occupy affordable housing** (although a higher number of new homes may be needed to resolve all the identified overcrowding).
- 4.24 These numbers include a total of 185 households that would not be counted by the household projections because of their being homeless or concealed households.

Figure 29: Assessing current unmet gross need for affordable housing – Stevenage in 2022 (Sources: DLUHC P1E returns; Census 2001 and 2011; English Housing Survey 2022; DWP Housing Benefit; DLUHC Local Authority Housing Statistics)

Stevenage	Affordable Housing Gross Need	Affordable Housing Supply	Affordable Housing Net Need	Increase in Overall Need
Homeless households in priority need [Source: DLUHC P1E returns]				
Currently in temporary accommodation in communal establishments (Bed and breakfast or Hostels)	47		47	47
Currently in temporary accommodation in market housing (Private sector leased or Private landlord)	4		4	
Currently in temporary accommodation in affordable housing (Local Authority or RSL stock)	213	213	0	
Households accepted as homeless but without temporary accommodation provided	1		1	1
Concealed households [Source: Census 2001 and 2011]				
Growth in concealed families with family representatives aged under 55	121		121	121
Overcrowding based on the bedroom standard [Source: Census 2011 and English Housing Survey]				
Households living in overcrowded private rented housing	173		173	
Households living in overcrowded social rented housing	553	553	0	
Other households living in unsuitable housing that cannot afford their own home [Source: DLUHC LAHS]				
People who need to move on medical or welfare grounds, including grounds relating to a disability	500	36	464	
People who need to move to a particular locality in the borough of the authority, where failure to meet that need would cause hardship	0	0	0	
TOTAL	1,612	802	810	169

- 4.25 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 an estimated **1,612 households in Stevenage are currently living in unsuitable housing and are unable to afford their own housing.**
- 4.26 Of these households, 802 currently occupy affordable housing that does not meet the households' current needs, mainly due to the number of bedrooms. Providing suitable housing for these households will enable them to vacate their existing affordable housing, which can subsequently be allocated to another household in need of affordable housing. **There is, therefore, a net need from 810 households in Stevenage (1,612 less 802 = 810) that currently need affordable housing and do not currently occupy affordable housing** (although a higher number of new homes may be needed to resolve all the identified overcrowding).
- 4.27 These numbers include a total of 169 households that would not be counted by the household projections because of their being homeless or concealed households.

Projected Future Affordable Housing Need

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

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

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

Planning Practice Guidance, ID 2a-021-20190220

- 4.29 The ORS Housing Mix Model considers the need for market and affordable housing on a longer-term basis that is consistent with household projections and Local Housing Need (LHN). The Model uses a range of secondary data sources to build on existing household projections and profiles how the housing stock will need to change in order to accommodate the projected future population.¹⁰ 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.
- 4.30 Whilst PPG identifies that “Projections of affordable housing need will have to reflect new household formation, the proportion of newly forming households unable to buy or rent in the market area, and an estimate of the number of existing households falling into need.” [ID: 2a-021-20190220], **the Model recognises that the proportion of households unable to buy or rent in the market area will not be the same for all types of household, and that this will also differ by age.** Therefore, the appropriate proportion is determined separately for each household type and age group.
- 4.31 The affordability percentages in Figure 30 and Figure 31 are calculated using detailed information on existing households living in North Herts and Stevenage from the 2011 Census alongside data published by DWP about housing benefit claimants. For each type of household in each age group, the table identifies the percentage of households unable to afford their housing costs. The defining factor here is whether a household can pay for their housing without requiring affordable housing or housing benefit. Therefore, this is the proportion of households in each age and household composition group that either occupy affordable housing or receive housing benefit to enable them to afford market housing. For example, 62% of lone parent families headed by someone aged 35-44 years either reside in social housing or receive housing benefit.

¹⁰ Detailed data from CLG 2014-based household projections and sources identified in Figure 21, Figure 28 and Figure 30

Figure 30: Assessing affordability by household type and age for North Herts (Source: Census 2011 and DWP)

Percentage unable to afford market housing in North Herts	Under 25	25-34	35-44	45-54	55-64	65+
Single person household	32%	12%	19%	27%	31%	38%
Couple family with no dependent children	13%	5%	8%	12%	11%	18%
Couple family with 1 or more dependent children	61%	32%	15%	11%	9%	28%
Lone parent family with 1 or more dependent children	90%	88%	62%	42%	48%	66%
Other household type	40%	18%	24%	30%	23%	20%

Figure 31: Assessing affordability by household type and age for Stevenage (Source: Census 2011 and DWP)

Percentage unable to afford market housing in Stevenage	Under 25	25-34	35-44	45-54	55-64	65+
Single person household	48%	25%	39%	48%	45%	47%
Couple family with no dependent children	20%	8%	11%	18%	15%	23%
Couple family with 1 or more dependent children	74%	44%	23%	17%	15%	32%
Lone parent family with 1 or more dependent children	87%	91%	62%	57%	54%	87%
Other household type	37%	35%	35%	34%	31%	24%

Establishing the Future Affordable Housing Need for Households Unable to Afford

- 4.32 When considering the number of newly arising households likely to be in affordable housing need, the PPG recommends a “*gross annual estimate*” [ID 2a-021-20190220] suggesting that “*the total need for affordable housing should be converted into annual flows*” [ID 2a-024-20190220].
- 4.33 Overleaf, Figure 32 and Figure 33 show the age structure of each of the components of household change for 2022 to 2031. 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 32: Annual change in North Herts household numbers in each age cohort by age of Household Representative Person for 2022-2031 (Source: ORS Housing Model, ONS 2018 based sub-national projections and CLG 2014 based sub-national projections)

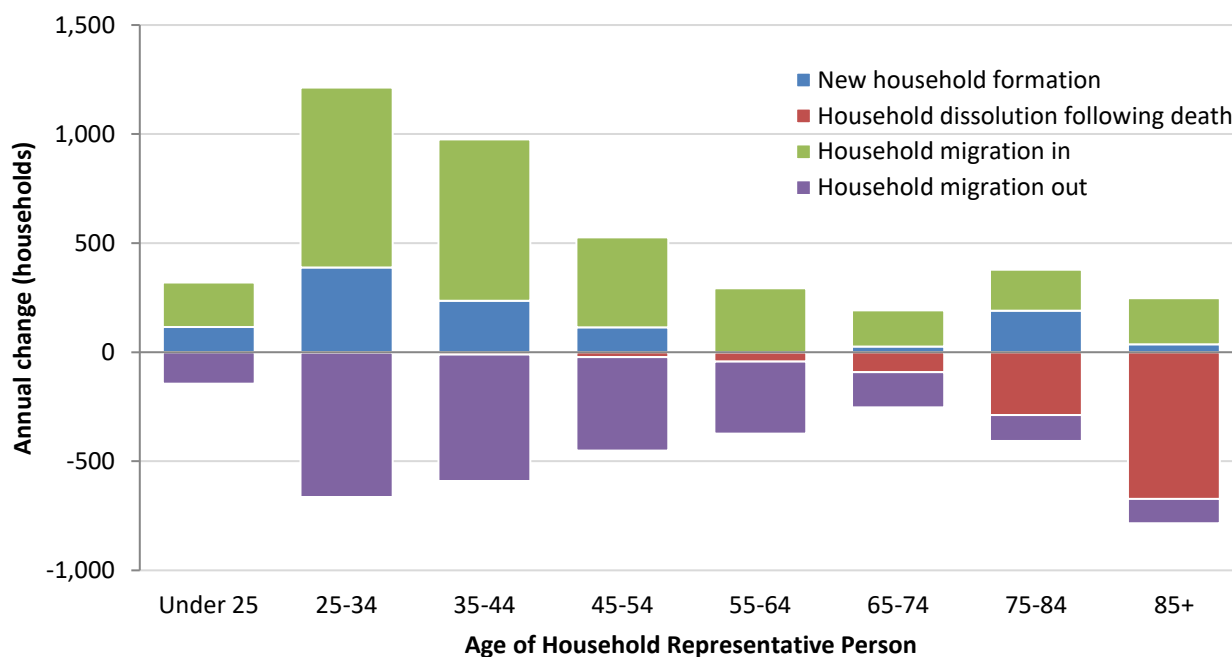
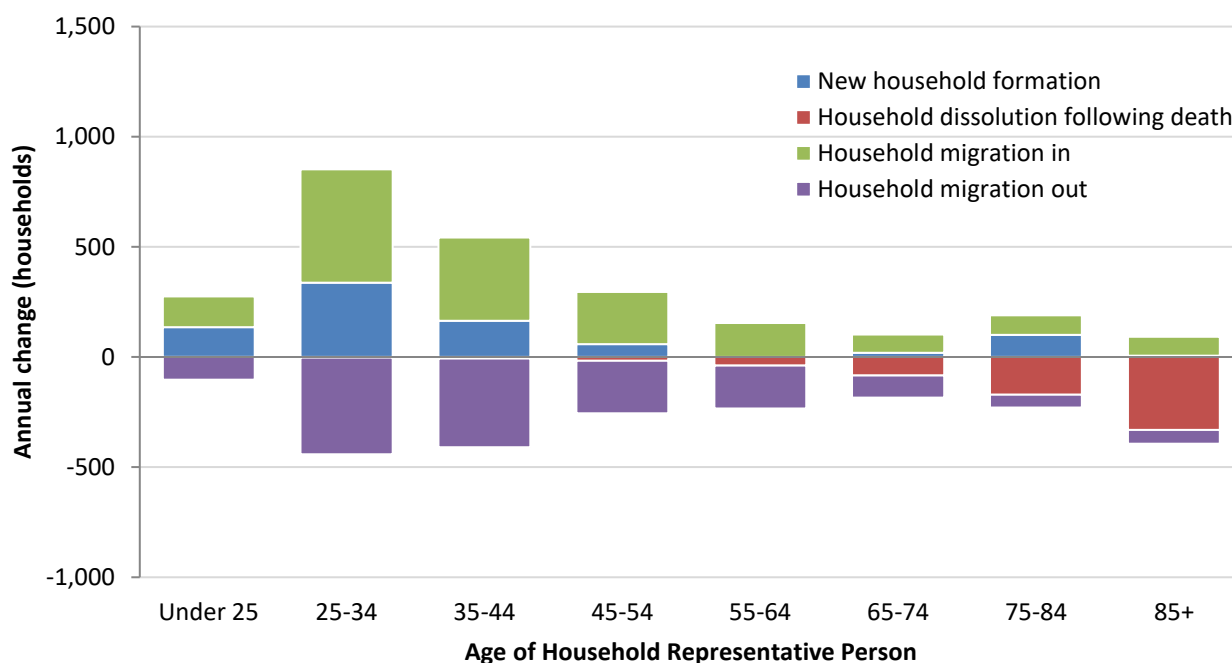


Figure 33: Annual change in Stevenage household numbers in each age cohort by age of Household Representative Person for 2022-2031 (Source: ORS Housing Model, ONS 2018 based sub-national projections and CLG 2014 based sub-national projections)



^{4.34} 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.

Figure 34: Newly forming and in-migration: Annual components of Household Growth 2022-31 in North Herts (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	1,105	783	322	29%
Households migrating into the area	3,035	2,251	784	26%
All new households	4,140	3,034	1,106	27%

Figure 35: Newly forming and in-migration: Annual components of Household Growth 2022-31 in Stevenage (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Newly forming households	818	486	332	41%
Households migrating into the area	1,677	1,066	611	36%
All new households	2,495	1,551	944	38%

- 4.35 The ORS Model identifies 1,105 new households projected to form in North Herts each year, of which 29% will be unable to afford their housing costs. This amounts to 322 households each year, while the figure for Stevenage is 332 households per annum.
- 4.36 The model also considers new households migrating to the area. The projection is for 3,035 households per year, of which 26% (784 households) will be unable to afford their housing costs. Migrating households are less likely to be in housing need because they typically have higher incomes and equity from property elsewhere.
- 4.37 This results in a total of 957 new households in need of affordable housing per annum in North Herts. The equivalent figures for Stevenage are 233 newly forming households in need, 567 in-migrant households in need, giving a total of 800 new households in need.
- 4.38 PPG identifies that *“there will be a current supply of housing stock that can be used to accommodate households in affordable housing need”* and that it is necessary to establish *“the number of affordable dwellings that are going to be vacated by current occupiers that are fit for use by other households in need”* (ID 2a-022).

Figure 36: Dissolution and out-migration: Annual components of Household Growth in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Household dissolutions following death	1,126	795	331	29%
Households migrating <u>out</u> of the area	2,533	1,906	626	25%
All households no longer present	3,658	2,701	957	26%

Figure 37: Dissolution and out-migration: Annual components of Household Growth in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Household dissolutions following death	650	417	233	36%
Households migrating <u>out</u> of the area	1,598	1,031	567	35%
All households no longer present	2,248	1,448	800	36%

- 4.39 In North Herts, the model identifies 1,126 households who are likely to dissolve following the death of all household members. Many of these households will own their homes outright however, 331 of these are likely to have been unable to afford market housing and will mostly be living in social rented housing. The equivalent figure is Stevenage which is 233 households per annum.
- 4.40 In addition, some households that are unable to afford housing will migrate away from the area, so their needs should be discounted to ensure consistency with the household projections. The model identifies that in North Herts 2,533 households will migrate out of the area each year, including 626 households who are unable to afford their housing costs. A proportion of these will vacate rented affordable housing (which will become available for another household) whereas others that have not yet been allocated an affordable home will reduce the number of households waiting. (It should be noted that some might have chosen to stay if housing costs were cheaper or more affordable housing was available). Altogether, there are 957 households per annum who will vacate affordable dwellings or will no longer be waiting for a home in North Herts, with the equivalent figure in Stevenage being 800 households per annum.
- 4.41 PPG also identifies that it is important to estimate “the number of existing households falling into need” (ID 2a-021). Whilst established households that continue to live in the local authorities will not contribute to household growth, changes in household circumstances (such as separating from a partner or the birth of a child) can lead to households who were previously able to afford housing falling into need. The needs of these households are counted by the model by considering changes in affordable housing and housing benefit uptake between cohorts in the population, and it is estimated that 237 established households in North Herts and 213 established households in Stevenage will fall into need each year.
- 4.42 However, established households’ circumstances can also improve. For example:
- » When two single person households join together to form a couple, pooling their resources may enable them to jointly afford their housing costs (even if neither could afford separately).
 - » Households also tend to be more likely to afford housing as they get older, so young households forming in the early years of the projection may be able to afford later in the projection period.

4.43 These improved circumstances can therefore reduce the need for affordable housing over time. The model identifies that the circumstances of 243 households in North Herts and 247 households in Stevenage will improve such that they become able to afford their housing costs having previously being unable to afford them. This is again calculated by analysing flows of households moving into affordable housing and housing benefit claimants between different cohorts in the population.

4.44 Therefore, considering the changing needs of existing households overall, there is a net decrease of 6 existing households needing affordable housing each year in North Herts and a net decrease of 34 each year in Stevenage (Figure 38 and Figure 39). Therefore, for both authorities the circumstances of slightly more households are projected to improve than become worse each year and this in turn slightly offsets the need for affordable housing. While this may appear to be counter-intuitive, it is a common result with many households forming in housing need, but then seeing their circumstances improve.

Figure 38: Existing households: Annual components of Household Growth in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Existing households falling into need	-	-237	237	100%
Existing households climbing out of need	-	243	-243	0%
Change in existing households	-	6	-6	-

Figure 39: Existing households: Annual components of Household Growth in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	All households	Households able to afford housing costs	Households unable to afford housing costs	% unable to afford housing costs
Existing households falling into need	-	-213	213	100%
Existing households climbing out of need	-	247	-247	0%
Change in existing households	-	34	-34	-

4.45 The following tables (Figure 40 and Figure 41) summarises the overall impact of:

- » New households adding to housing need;
- » The households no longer present reducing housing need; and
- » The changes in circumstances impacting existing households.

Figure 40: Summary annual components of Household Growth in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	4,140	3,034	1,106
All households no longer present	3,658	2,701	957
Change in existing households	-	6	-6
Future affordable housing need 2022-31 (Annual average)	+482	+339	+144

Figure 41: Summary annual components of Household Growth in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	All households	Households able to afford housing costs	Households unable to afford housing costs
All new households	2,495	1,551	944
All households no longer present	2,248	1,448	800
Change in existing households	-	34	-34
Future affordable housing need 2022-31 (Annual average)	+247	+137	+110

4.46 Overall reviewing the contribution of each element amounts to an additional 144 households needing affordable housing in North Herts and 110 households needing affordable housing in Stevenage annually over the 9-year period 2022-31.

Overall Affordable Housing Need for Households Unable to Afford

4.47 Figure 42 and Figure 43 bring together the information on assessing the unmet need for affordable housing in 2022 and the associated impact on market housing, together with the future need for market and affordable housing arising over the 9-year period 2022-31.

Figure 42: Assessing total need for market and affordable housing for North Herts (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	Housing Need (households) Market housing	Housing Need (households) Affordable housing	Overall Housing Need
Unmet need for affordable housing in 2022			
Total unmet need for affordable housing (a)	-	1,908	1,908
Supply of housing vacated (b)	1,042	681	1,723
Current housing need (c) = (a) - (b)	-1,042	+1,227	+185
Projected future housing need 2022-31			
Average annual housing need (d)	+339	+144	+482
Future housing need (e) = (d) x 9	3,049	1,292	4,341
Total need for market and affordable housing (f) = (c) + (e)	2,008	2,519	4,526
Average annual household growth (g) = (f) /9	+223	+280	+503
Proportion of overall need for market and affordable housing	44.4%	55.6%	100.0%

Figure 43: Assessing total need for market and affordable housing for Stevenage (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	Housing Need (households) Market housing	Housing Need (households) Affordable housing	Overall Housing Need
Unmet need for affordable housing in 2022			
Total unmet need for affordable housing (a)	-	1,612	1,612
Supply of housing vacated (b)	641	802	1,443
Current housing need (c) = (a) - (b)	-641	810	169
Projected future housing need 2022-31			
Average annual housing need (d)	+137	+110	+247
Future housing need (e) = (d) x 9	1,235	992	2,226
Total need for market and affordable housing (f) = (c) + (e)	593	1,802	2,395
Average annual household growth (g) = (f) /9	+66	+200	+266
Proportion of overall need for market and affordable housing	24.8%	75.2%	100.0%

4.48 Overall, in North Herts, there is a need to provide affordable housing for 2,519 households unable to afford to rent or buy over the Plan period 2022-31 (55.6% of the projected growth) which equates to **280 households per year**.

4.49 Overall, in Stevenage, there is a need to provide affordable housing for 1,802 households unable to afford to rent or buy over the Plan period 2022-31 (75.2% of the projected growth) which equates to **200 households per year**.

Summary for Households Unable to Afford Market Housing

4.50 In North Herts the housing mix analysis identified a need to provide additional affordable housing for 2,519 households over the 9-year period 2022-31. **This is equivalent to 280 households per year.**

4.51 In Stevenage the housing mix analysis identified a need to provide additional affordable housing for 1,802 households over the 9-year period 2022-31. **This is equivalent to 200 households per year.**

4.52 These levels would provide for the current unmet needs for affordable housing in addition to the projected future growth in affordable housing need, but any future losses from the current stock (such as demolition, or sales through Right to Buy) would increase the number of affordable dwellings needed by an equivalent amount.

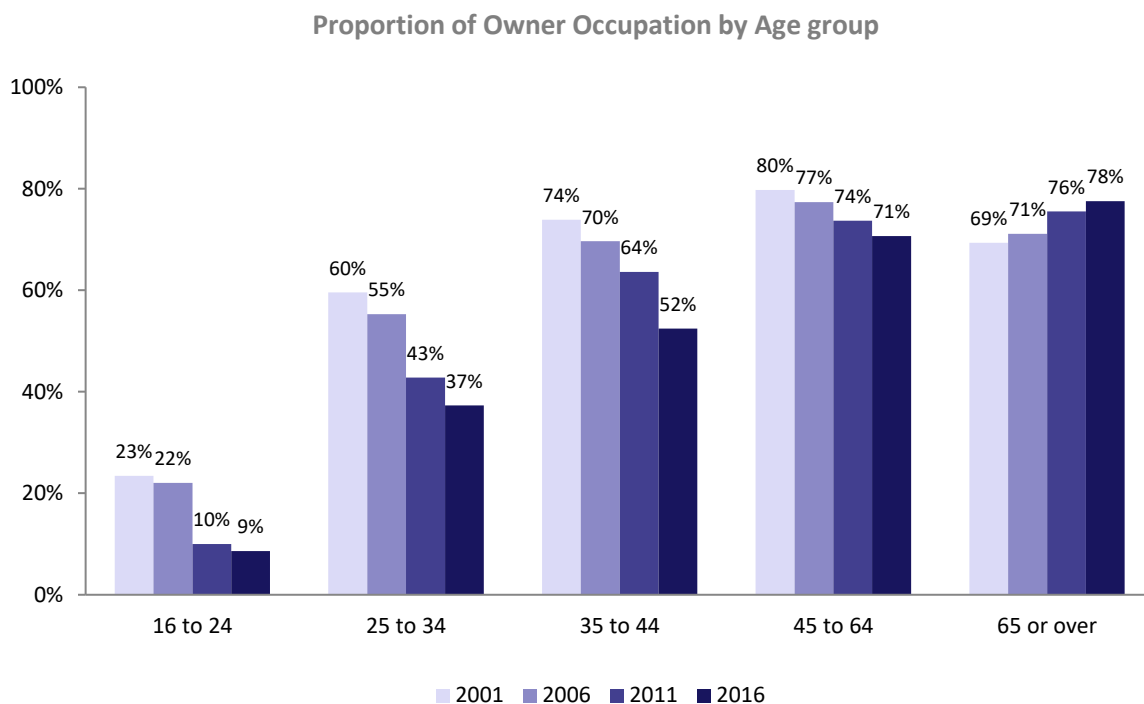
4.53 The analysis also assumes that the level of housing benefit support provided to households living in the private rented sector remains constant. Private rented housing (with or without housing benefit) does not meet the definitions of affordable housing and is not counted as affordable housing supply; however, households in receipt of housing benefit are assumed to be able to afford their housing costs, so they are not counted towards the need for affordable housing. Nevertheless, if housing benefit support was no longer provided (or if there wasn't sufficient private rented housing available at a price they could afford) then this would increase the need for affordable housing.

Needs of Households Aspiring to Homeownership

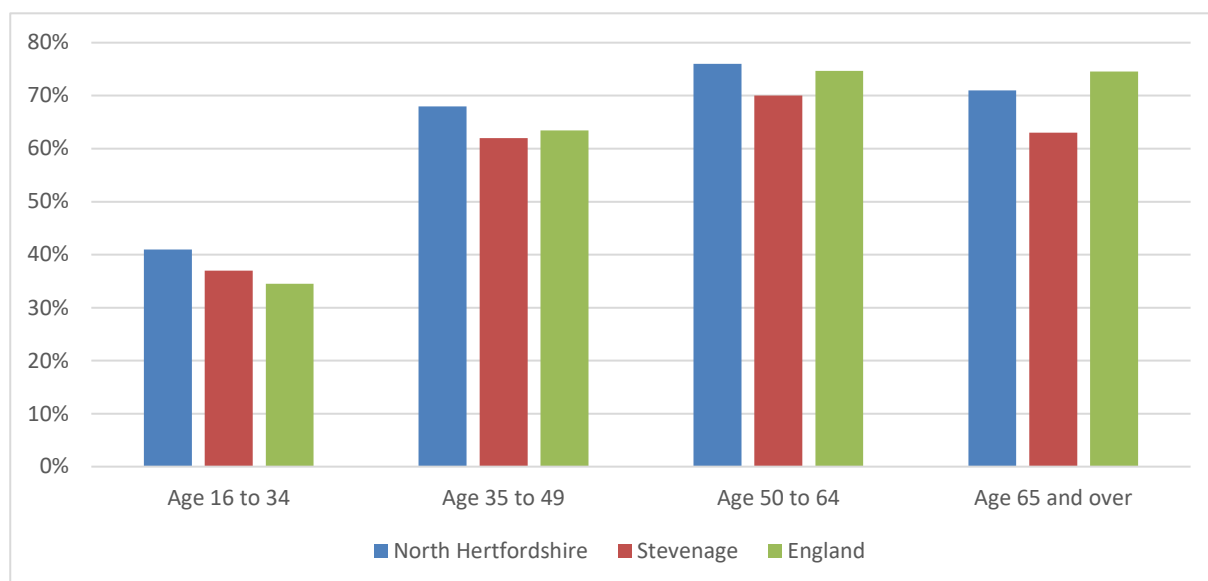
Home Ownership Trends

- 4.54 The new emphasis on households that cannot afford to own their home reflects Government concerns that the proportion of owner occupiers has reduced nationally over the last ten to fifteen years. Estimates from the English Housing Survey suggest that the proportion of owner occupiers reduced from around 69% in 2006 to 65% in 2011 and to 63% by 2016 for England as a whole. Over the same period the proportion of households renting from a social landlord also reduced from 19% to 17% whilst the proportion renting privately increased from 12% to 20% across England.
- 4.55 The proportion of owner occupiers varies by age with younger age groups less likely to own their home than older households. The real change is in the extent to which younger age groups owning their property has fallen over recent years whilst at the upper end of the age scale (aged 65 or over) home ownership has been increasing (Figure 44).

Figure 44: Percentage of Owner Occupiers in England by Age Group 2001-2016 (Source: English Housing Survey)



- 4.56 The English Housing Survey does not contain robust data on owner occupation by age group at the local level, however an indication of the comparison between owner occupation levels by age in North Herts and Stevenage versus the national average can be gathered from the 2011 Census (Figure 45).

Figure 45: Proportion of Owner Occupation by age group 2011 (Source: Census 2011)

- 4.57 It can be seen from Figure 45 that there are higher rates of owner occupation in North Herts than the national average in all age groups except those aged 65 and over reported on by the Census 2011. However, owner occupation rates are lower in Stevenage than the national average for all age groups except for those aged 16-24 years.

Establishing the number of households aspiring to home ownership

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

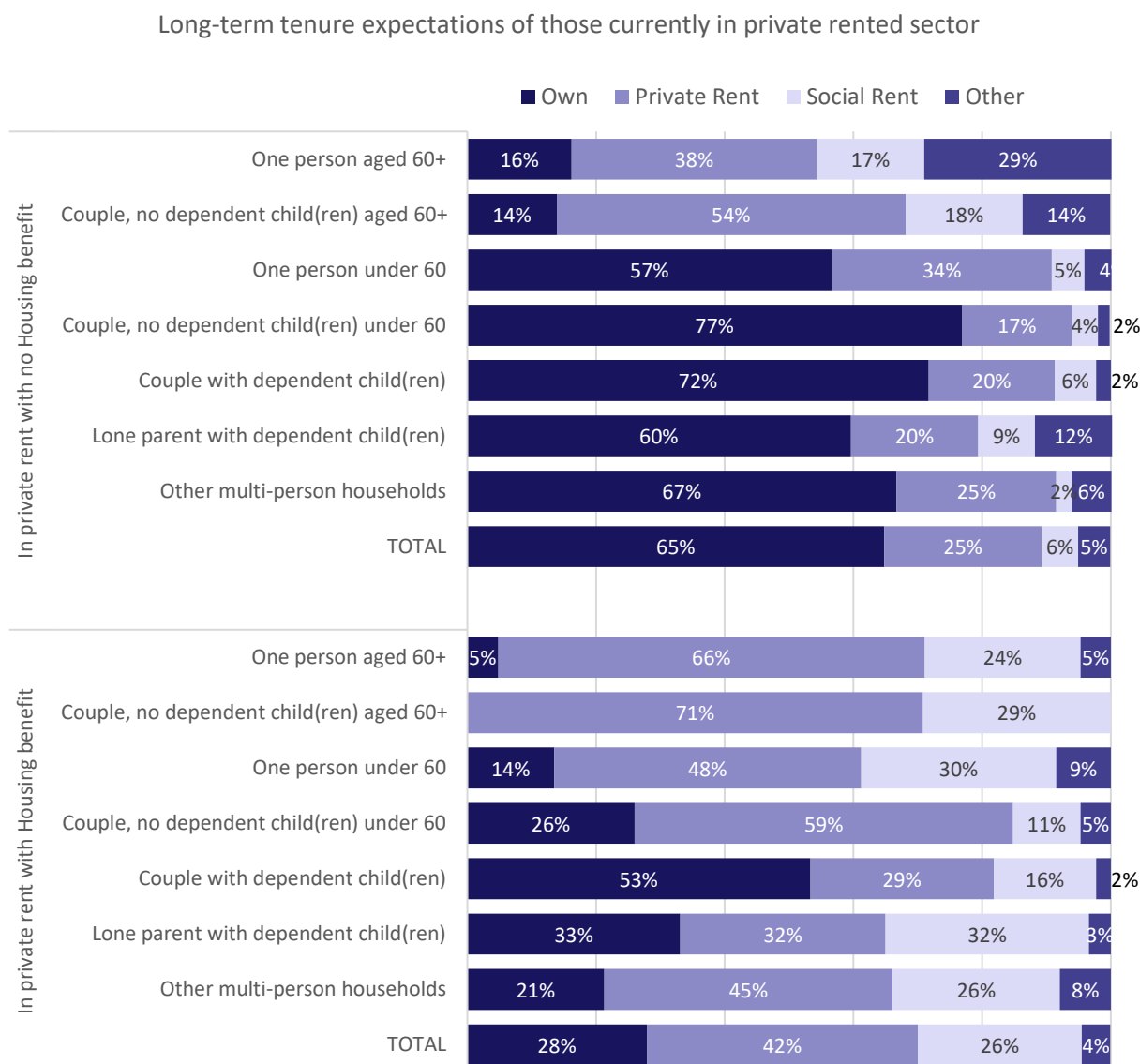
Figure 46: Long-term aspirations for England (Source: English Housing Survey 2013/4)

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

- 4.59 These figures relate to aspirations only and there is no test within the data as to whether this aspiration is affordable. It is therefore worth considering the responses of those currently in private rent in more detail with a view to understanding the types of household aspiring to buy.
- 4.60 The following chart (Figure 47) shows long-term tenure aspirations of those in private rent by household type as well as whether they are currently in receipt of housing benefit.
- 4.61 Almost two in three (65%) of those who are currently renting privately and NOT receiving housing benefit wish to buy their own home in the future. The proportion is much lower for those households with a Household Representative Person (HRP) over 60 (averaging 15%) and slightly higher amongst couples under 60 (77% and 72% depending on whether or not there are dependent children in the household).

- 4.62 Just under three in ten (28%) of those households in the private rented sector and in receipt of housing benefit wish to buy their own home in the future. This increases to 53% of couples with dependent children.

Figure 47: Long-term Tenure Expectation for those in the Private Rented Sector with and without Housing Benefit support
(Source: English Housing Survey 2013-14. Note: Own includes shared ownership)



Additional Need for Affordable Homeownership

- 4.63 Through combining data on the number of households of each type, in each age group, living in private rented housing and paying their own rent, with the aspiration data from the EHS 2013-14, Figure 48 establishes the number of existing households likely to aspire to home ownership that have not been counted in the affordable housing need. It is important to recognise that all of these households are able to meet their own housing costs in the private rented sector, when they find a dwelling that suits them, so would typically not be considered for social or affordable rent. The household types are the same as set out in Figure 14 and Figure 15.

Figure 48: Households currently living in the Private Rented Sector in North Herts and paying their own rent that aspire to home ownership by Age of Household Representative (Note: Figures may not sum due to rounding)

Household Type	15-24	25-34	35-44	45-54	55-64	65+	TOTAL
Single person	87	470	378	141	50	21	1146
Couple without children	107	502	170	151	100	31	1061
Families with child(ren)	19	213	351	151	0	0	734
Other households	20	174	49	12	16	0	271
Total Volume	233	1,359	947	455	166	52	3,212
<i>Percentage of households</i>	7%	42%	29%	14%	5%	2%	100%

Figure 49: Households currently living in the Private Rented Sector in Stevenage and paying their own rent that aspire to home ownership by Age of Household Representative (Note: Figures may not sum due to rounding)

Household Type	15-24	25-34	35-44	45-54	55-64	65+	TOTAL
Single person	53	319	95	3	2	11	484
Couple without children	49	318	57	49	38	5	516
Families with child(ren)	12	91	187	49	0	0	338
Other households	21	35	21	9	11	0	97
Total Volume	134	763	360	109	52	16	1,434
<i>Percentage of households</i>	9%	53%	25%	8%	4%	1%	100%

- 4.64 Based on this analysis, we can estimate that there is a total of around 3,212 households currently residing in North Herts and 1,434 households in Stevenage who cannot afford to own their own home but would aspire to do so. This excludes anyone who cannot afford market rents, who have already been considered earlier in the report.
- 4.65 In addition to the current need, it is also important to consider new households that are projected to form over the period 2022-2031. Through combining this data with the aspiration data from the EHS, we can conclude that it is likely that there would be a further 1,147 households in North Herts and 703 households in Stevenage that form over the 9-year period who will be able to afford to pay market rent but unable to afford to own, despite that being their aspiration. **Overall, there are likely to be 4,358 households who cannot afford to buy their own home and aspire to home ownership in North Herts and 2,138 households in Stevenage who cannot afford to buy their own home and aspire to home ownership over the period 2022-31.** The vast majority of this group of private renters can be assumed to be potential first-time buyers, as it is far more common for a renter to become a homeowner (i.e. as a first-time buyer) than the reverse (i.e. entering the rental market having previously owned a home).
- 4.66 As noted earlier in Chapter 4, the Government have recently introduced a new housing product entitled First Homes, which are properties to be sold with at least a 30% discount to first time buyers. While the figure of 4,358 households who aspire to home ownership in North Herts and 2,138 households who aspire to home ownership in Stevenage sets an upper threshold for the number who could seek to access First Homes, it would still be the case that these households would require a deposit and to be able to afford to service the cost of a mortgage. We explore the importance of this point below.

Identifying the Overall Affordable Housing Need

4.67 Below, Figure 50 and Figure 51 bring together the information on assessing the unmet need for affordable housing in 2022 together with the future need for affordable housing and those aspiring to home ownership arising over the 9-year period 2022-31. All data relates to households, and this will be converted to dwellings when we add a vacancy rate in the next chapter. It can be noted that this assessment has no regard for whether those aspiring can access affordable home ownership options; some may be able to afford home ownership but have not found a suitable property yet.

Figure 50: Assessing total need for affordable housing 2022-2031 – North Herts (Source: ORS Housing Model)

North Herts	Affordable Housing Need: Households unable to afford	Affordable Housing Need: Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2022	1,227	3,212	4,439
Future housing need 2022-31	1,292	1,147	2,439
TOTAL HOUSING NEED	2,519	4,358	6,877

Figure 51: Assessing total need for affordable housing 2022-2031 –Stevenage (Source: ORS Housing Model)

Stevenage	Affordable Housing Need: Households unable to afford	Affordable Housing Need: Households aspiring to home ownership	Overall Affordable Housing Need
Current housing need in 2022	810	1,434	2,244
Future housing need 2022-31	992	703	1,695
TOTAL HOUSING NEED	1,802	2,138	3,940

4.68 On this basis, in North Herts we can conclude that the overall need for affordable housing would comprise a total of 6,877 households over the 9-year period 2022-2031. Meanwhile, in Stevenage we can conclude that the overall need for affordable housing would comprise a total of 3,940 households over the 9-year period 2022-2031. To place these figures into context, the SHMA Update Part II 2016 found a total need for affordable housing in North Herts of 3,400 units over the period 2011-2031 and a need for 4,400 affordable dwellings in Stevenage over the same time period. Therefore, the addition of households who can afford to rent privately has added to the potential affordable housing need in North Herts, the figures in Stevenage are slightly lower, but of course affordable housing has been delivered in the period 2011-2022.

- 4.69 These represent very high levels of need. This is due to a large proportion of this need being associated with the whole population as opposed to the projected new households, which is recognised by the PPG:

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

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

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

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

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

Planning Practice Guidance, ID 67-001-20190722

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

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

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

Planning Practice Guidance, ID 2a-017-20190220

- 4.71 Given that the need for affordable housing and affordable home ownership in particular is very high, it is necessary to consider how this need can be addressed within the overall need that has been established.
- 4.72 It will be important to plan for the needs of **all** households unable to afford to rent or own market housing if they are going to avoid the number of housing benefit claimants living in private rented housing increasing.

- 4.73 It is important to recognise that the figures for those who aspire to home ownership are based upon those households who currently can afford market rent. But these households would not necessarily choose new build affordable home ownership if it was available, as some may prefer to secure full ownership in the less expensive second-hand housing market. Similarly, some households may not ultimately need affordable home ownership if their circumstances change to such a degree that they are eventually able to buy without financial assistance. It is also important to recognise that the identified demand could only be realised if affordable home ownership products can be delivered at prices that are truly affordable in the area, in line with local house prices and incomes. In Chapter 5 we consider this issue in more detail.
- 4.74 Neither the NPPF nor PPG identify that any affordability criteria should be applied to those households who aspire to home ownership but cannot afford to buy their own home. However, it is appropriate to consider the extent to which these households could plausibly afford affordable home ownership products if they were provided. Whilst a range of affordable home ownership products are available, each with different costs and eligibility criteria, PPG for First Homes states at paragraph 2 that:

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

The First Homes criteria are the minimum requirements a housing unit must meet in order to qualify as a First Home. Affordable Housing Update Written Ministerial Statement published on 24 May 2022, the national standards for a First Home are that:

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

Planning Practice Guidance, ID: 70-002-20220524

4.75 It goes on at paragraph 4 to outline that:

Can the required minimum discount be changed?

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

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

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

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

Planning Practice Guidance, ID: 70-004-20220524

4.76 Previously, Figure 17 showed that the current lower quartile newbuild prices for a 4 bedroom property in North Herts is around £630,000 and Figure 18 showed a 4-bedroom property is £603,000 in Stevenage, so 50% of this price would be above the cap limit. Therefore, at lower quartile house prices, 4-bedroom properties cannot be delivered in either North Herts or Stevenage. Three-bedroom properties would also be above the cap at a 30% discount, so it would be necessary to apply a 50% discount to bring these properties within the First Homes maximum value of £250,000 value. While 1-to-2-bedroom properties would come in below the £250,000 with a lower discount, it is still the case that a property discounted by 50% will be much more affordable than one discounted by 30%. Therefore, for the purpose of establishing the plausibility of low-cost home ownership access, we have assumed a maximum discount of 50% on open market prices for properties which are compatible with the First Homes scheme. However, we then assess how many of these households can also afford a First Home at a 30% discount in Chapter 5 to show the impact of the assumed discount in First Homes policy.

- 4.77 Given this context, Figure 52 and Figure 53 identify those households with income that would be insufficient to afford 50% of newbuild prices at the lower quartile for the local area, those households with savings of less than £5,000, and those households that both have sufficient income and savings to purchase an open market property but nonetheless choose to rent. We have also excluded households who require properties which have 4 or more bedrooms because these cannot be delivered within the First Homes cap. It should be remembered that, as set out in Figure 25 and Figure 26, First Homes are typically more affordable than Shared Ownership in North Herts and Stevenage, but of course Shared Ownership does often require a lower deposit. This is based on further analysis of the EHS data which considers the income distribution and savings data for households that rent privately but aspire to home ownership. This data has been updated to reflect current income levels and scaled for each local area using indices from the ONS gross disposable household income (GDHI) tables.
- 4.78 As noted above, 4-bedroom properties would be outside of the maximum price range for First Homes in both North Herts and Stevenage at lower quartile (LQ) prices. On this basis, we exclude 308 households (from the total of 4,358) in North Herts and 76 households (from the total of 2,138) in Stevenage because they require a dwelling which cannot be delivered. In North Herts, of the 4,050 households who can afford to rent but who aspire to home ownership, there would be 431 that would be able to afford market home ownership but choose not to (but aspire to do so at some point in the future). There would be a further 1,684 households with insufficient income to have a realistic prospect of being able to afford at 50% of open market values. There would also be 1,343 where the household had savings of less than £5,000 and were therefore unable to afford the assumed deposit (nor the assorted up-front costs) of purchasing a home in the local area.

Figure 52: Affordable home ownership housing mix by household affordability in North Herts 2022-2031 (Source: ORS Housing Model)

North Herts	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000 or more
1 bedroom	851	130	722	256	465	275	190
2 bedrooms	1,890	168	1,722	703	1,019	739	279
3 bedrooms	1,309	133	1,176	725	451	329	122
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	4,050	431	3,620	1,684	1,935	1,343	591

Figure 53: Affordable home ownership housing mix by household affordability in Stevenage 2022-2031 (Source: ORS Housing Model)

Stevenage	All households aspiring to home ownership	MINUS households able to afford market home ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford 50% of newbuild LQ and have savings of £5,000+
1 bedroom	515	90	425	127	298	194	103
2 bedrooms	795	113	681	194	487	362	125
3 bedrooms	752	67	685	479	206	122	84
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	2,062	270	1,791	800	991	678	312

4.79 On this basis, 591 dwellings are needed for First Homes for households that aspire to home ownership but cannot afford it in North Herts and applying the calculation leads to 312 dwellings being needed in Stevenage. As previously noted, it is likely that the vast majority of these households would be first time buyers. However, we would note that the households who have been excluded from this calculation because they do not sufficient savings or who cannot afford the mortgage on a First Home do still have a potential affordable housing need. It is just the case that they will not be able to access First Homes. Instead, if a suitably priced Rent to Buy, or Shared Ownership product can be developed then they may move from a market need for private rent to an affordable housing need. However, we would note that delivering Shared Ownership and First Homes in relatively high house prices areas such as North Herts and Stevenage will always be a challenge and that delivering this type of tenure will also led potentially lower levels of affordable to rent housing being delivered.

4.80 One consequence of the focus upon First Homes for affordable to own housing is that a household may be unable to afford a First Home and will instead remain in private rent. However, if their income rises then they can afford a First Home and will move to market housing need. This highlights the need to provide a range of different affordable housing products.

4.81 Whilst it will be a policy decision as to how much of the additional need for affordable home ownership from households able to afford market rent should be provided, it would seem appropriate to only plan for the needs of those 591 households in North Herts and 312 households in Stevenage likely to form an effective demand (i.e. those able to afford the various products that will potentially be available) in addition to the 2,519 households in North Herts and 1,802 households in Stevenage unable to afford to rent or own market housing. Figure 54 provides a breakdown of the planned affordable housing on this basis.

Figure 54: Overall need for Affordable Housing 2022-31 in North Herts, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	Affordable Housing Need: Households unable to afford	Affordable Housing Need: Households aspiring to home ownership	Affordable Housing (Households)
1 bedroom	242	190	432
2 bedrooms	671	279	951
3 bedrooms	1,307	122	1,429
4+ bedrooms	299	-	299
TOTAL HOUSING NEED	2,519	591	3,110

Figure 55: Overall need for Affordable Housing 2022-31 in Stevenage, including aspiring households able to access affordable home ownership, by property size (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	Affordable Housing Need: Households unable to afford	Affordable Housing Need: Households aspiring to home ownership	Affordable Housing (Households)
1 bedroom	94	103	197
2 bedrooms	442	125	567
3 bedrooms	993	84	1,077
4+ bedrooms	272	-	272
TOTAL HOUSING NEED	1,802	312	2,114

4.82 For North Herts this study identifies an overall affordable housing need from 3,110 households over the 9-year period 2022-31 (346 per annum). This includes the needs from all households unable to afford to rent or own market housing and also provides for those households who aspire to home ownership but who cannot afford to buy, where there is a realistic prospect of those households being able to access a 50% First Homes property. The equivalent figure for Stevenage is 2,114 households over the period 2022-31 (235 per annum).

4.83 However, it is important to recognise that there are many more households who aspire to home ownership who either do not have sufficient income or savings that would enable them to realise their aspiration. There are significant price differences across the local authorities, with some areas being much more affordable than others. It is also important to recognise that these figures assume that the number of households in receipt of housing benefit to enable them to afford market housing in the private rented sector does not change.

Policy Issues

4.84 In terms of the other policy issues relating to First Homes, we would note the following conclusions:

- » Minimum discount –House prices are below the £250,000 price cap for 1 and 2 bedroom First Homes in both North Herts and Stevenage with a 30% discount. It would require a 50% discount for allow for 3-bedroom properties under First Homes. Therefore, there is a case to consider a 50% discount, particularly in North Herts, but this would impact upon wider viability.
- » Price caps – The case for a price cap on First Homes is to ensure that the selling price represents a genuine discount on locally available housing costs. If First Homes include 3-bedroom properties then £250,000 would be a large discount in both North Herts and Stevenage, therefore there is no clear case for a lower price cap.
- » Eligibility criteria –The need for affordable home ownership in North Herts and Stevenage is insufficient to justify a 25% target within affordable housing delivery and does not reach 10% of the outstanding Local Plan delivery target even if a 50% discount is applied. It is not sufficiently high that additional eligibility criteria should be considered to ensure only a particular subset of the population can benefit from First Homes. A major limiting factor on the uptake of First Homes may be the ability of households on suitable incomes to secure mortgages.

5. Overall Housing Need

Local Housing Need and size and tenure mix

Chapter Summary

- 5.1 The final dwelling targets are set by the Local Plans 2011-2031 and these require a total of 7,888 dwellings for the period 2022-2031 in North Herts and 5,275 dwellings in Stevenage.
- 5.2 The current study identifies a need for 40.4% affordable housing in North Herts and 40.9% in Stevenage. First Homes are shown to make up a relatively high proportion of need in both authorities. In North Herts, setting the discount at 50% sees the need for First Homes be 20% of the need for affordable housing and 8.2% of all housing need. Similarly, in Stevenage, First Homes with a 50% discount would form 21% of the total affordable housing need and 6.6% of the overall need. When allowing for the impact of smaller sites which do not deliver affordable housing, this is a position which could be reconciled within policy.

Disaggregating the Minimum Local Housing Need figure

- 5.3 Although the figures set out in Chapter 3 are informed by the trend-based household projections, the final dwelling targets are set by the Local Plans 2011-2031 and these require a total of 7,888 dwellings for the period 2022-2031 in North Herts and 5,275 dwellings in Stevenage.
- » The demographic projections for this study are based on the latest official projections and cover the 9-year period 2022-2031. They are informed by the latest ONS mid-year estimates,¹¹ and take account of the most up-to-date fertility and mortality rates and the latest migration trends. Whilst recent trends provide the starting point, the model aligns household growth with the LHN target through aggregating key assumptions:
 - » Households growth over the 9-year plan period calculated on trend-based projections;
 - » Institutional population growth over the 9-year plan period needing communal accommodation;
 - » Dwellings without a usually resident household either vacant homes, second homes or holiday lets (drawn from the 2011 Census). This includes any properties which are temporarily vacant due to households moving out before a new household moves in, as well as properties which have no usual resident due to them being second homes or holiday lets;
 - » Household formation rates for younger households are adjusted on the basis that the Government's objective of providing more homes will enable more households to form. The analysis assumes that household formation rates for all age groups under 45 will progressively increase towards the equivalent rate that was recorded in 2001. The period 2001 has been chosen because it represents a point in time when the housing market was much less constrained and younger households could form more easily; and

¹¹ The ONS reissued the official estimates for mid-2012 to mid-2016 in March 2018 following methodological improvements.

- » Where household formation rates for all age groups under 45 have returned to the levels recorded in 2001, the rate of net inward migration is increased to align the overall household growth with the number of dwellings identified by the LHN target.

- 5.4 At this point in our reporting, we are referring to dwellings rather than households. A dwelling is usually occupied by a single household although in some cases two households may share a dwelling. Importantly, we need to make an allowance for an inevitable base level of vacant properties and the word 'household' becomes misleading. The inclusion of an allowance for vacant and second homes and holiday lets also allows any new build holiday lets to be counted as part of the overall housing supply.
- 5.5 These extra dwellings can be separated into market and affordable housing. A component of affordable housing as outlined in Chapter 5 is affordable home ownership for those that aspire to own. Some of the extra dwellings for pent-up demand and in-migration to meet the LHN beyond projected growth will inevitably be occupied by residents that aspire to home ownership, and the impact of this group on the affordable housing numbers calculated in Chapter 5 is calculated below. These same households should not add to the need for affordable housing to rent because they will have already been counted in the needs set out in Chapter 5 of this report as part of the backlog or new need.

Figure 56: Extra households from pent-up demand and in-migration beyond projected (LHN scenario): Affordable home ownership housing mix by household affordability 2022-2031 in North Herts (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford and have savings of £5,000 or more
1 bedroom	78	12	66	23	42	25	17
2 bedrooms	172	15	157	64	93	67	25
3 bedrooms	119	12	107	66	41	30	11
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	369	39	330	153	176	122	53

Figure 57: Extra households from pent-up demand and in-migration beyond projected (LHN scenario): Affordable home ownership housing mix by household affordability 2022-2031 in Stevenage (Source: ORS Housing Model)

	All households aspiring to home ownership	MINUS households able to afford market ownership	Households unable to afford market home ownership	MINUS households unable to afford 50% of newbuild LQ	Households able to afford 50% of newbuild LQ	MINUS households with savings of less than £5,000	Households able to afford and have savings of £5,000 or more
1 bedroom	62	11	51	15	36	23	12
2 bedrooms	95	14	82	23	58	43	15
3 bedrooms	90	8	82	57	25	15	10
4+ bedrooms	-	-	-	-	-	-	-
TOTAL	247	33	215	95	119	81	37

- 5.6 The above Figure 56 and Figure 57 applies the same calculation to the extra residents as was presented in Figure 52 and for households that formed projected growth. Dwellings suitable for 53 extra households are needed to accommodate those that aspire to home ownership that have at least £5,000 in savings and have incomes above the relevant threshold in North Herts, with 37 dwellings needed in Stevenage.
- 5.7 The previous analysis (Figure 52) identified 591 households in North Herts that could afford an affordable home ownership option and had savings of £5,000 or more. Combining this with the 53 extra households identified, totals 646 households that will aspire to home ownership and have the financial means to be able to afford First Homes at a 50% discount. Application of the affordable vacancy rate¹² yields 650 affordable home ownership dwellings (Figure 58). The equivalent figure for Stevenage is 350 affordable home ownership dwellings (Figure 59).

Figure 58: Summary of households likely to be able to access affordable home ownership in LHN scenario 2022-31 in North Herts (Source ORS Housing Model, Census)

	Households able to afford and have savings of £5,000 or more (Base Scenario)	Households able to afford and have savings of £5,000 or more (Uplift for LHN)	Households	Dwellings (including a vacancy rate)
1 bedroom	190	17	207	209
2 bedrooms	279	25	305	307
3 bedrooms	122	11	133	134
4+ bedrooms	-	-	-	-
TOTAL	591	53	646	650

Figure 59: Summary of households likely to be able to access affordable home ownership in LHN scenario 2022-31 in Stevenage (Source ORS Housing Model, Census)

	Households able to afford and have savings of £5,000 or more (Base Scenario)	Households able to afford and have savings of £5,000 or more (Uplift for LHN)	Households	Dwellings (including a vacancy rate)
1 bedroom	103	12	116	116
2 bedrooms	125	15	140	140
3 bedrooms	84	10	94	94
4+ bedrooms	-	-	-	-
TOTAL	312	37	349	350

- 5.8 Overleaf, Figure 60 shows the result of applying a vacancy rate for affordable homes to the summary of households in Figure 54 for North Herts, and further disaggregating those aspiring to home ownership into those that can afford First Homes with a 30% discount and those that can afford First Homes with a 50% discount, but not with a 30% discount. This latter group will therefore require the provision of a more accessible product than 70% First Homes (e.g. a form of Shared Ownership, First Homes with a larger discount, or similar). Figure 61 shows the equivalent figures for Stevenage. The affordable need is calculated first and then subtracted from the overall dwelling need for each authority to give the market need. The category labelled unable to afford market rent includes both social and affordable rent.
- 5.9 Note that the dwellings needed to reconcile population and household estimate derives from the way in which institutional population is treated within the household projections. The household projections

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

exclude the population in institutional settings and assumes that the same ratio of over 75-year-olds will be in institutional housing in the future as is currently the case. Therefore, not all people are assumed to be in households. However, the standard method LHN encompasses the entire population of the local authority, so it is necessary to reconcile the household projections with the total population and the number of dwellings to be provided. It is important to note that we are not assuming that the equivalent of 154 dwellings in North Herts and 29 dwellings in Stevenage are delivered as Class C2 bedspaces. Instead, the population and household projections assume that the equivalent dwellings will be vacated by those moving to Class C2. If these moves do not occur because Class C2 bedspaces are not delivered, then more Class C3 dwellings will be required.

Figure 60: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	Unable to afford market rents	Unable to afford market ownership but able to afford First Homes with a 50% discount, but not a 30% discount	Unable to afford market ownership but able to afford First Homes with a 30% discount	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	244	77	132	453	335	787
2 bedrooms	676	86	221	983	677	1,660
3 bedrooms	1,317	134	-	1,451	2,191	3,642
4+ bedrooms	301	-	-	301	1,343	1,644
DWELLINGS	2,538	297	353	3,188	4,546	7,734
Dwellings to Reconcile Population and Households	-	-	-	-	154	154
LHN	2,538	297	353	3,188	4,700	7,888
Percentage of Dwellings (excluding reconciliation)						
1 bedroom	3.2%	1.0%	1.7%	5.9%	4.3%	10.2%
2 bedrooms	8.7%	1.1%	2.9%	12.7%	8.8%	21.5%
3 bedrooms	17.0%	1.7%	-	18.8%	28.3%	47.1%
4+ bedrooms	3.9%	-	-	3.9%	17.4%	21.3%
ALL DWELLINGS	33%	4%	5%	41%	59%	100%
Affordable Housing Need	80%	9%	11%	100%	-	-

Figure 61: Overall need for Market and Affordable Dwellings (including affordable home ownership products) by property size in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	Unable to afford market rents	Unable to afford market ownership but able to afford First Homes with a 50% discount, but not a 30% discount	Unable to afford market ownership but able to afford First Homes with a 30% discount	Affordable Housing	Total Market Housing	Total Housing
1 bedroom	94	8	108	210	503	713
2 bedrooms	444	19	121	584	607	1,191
3 bedrooms	997	94	-	1,091	1,779	2,871
4+ bedrooms	274	-	-	274	197	471
DWELLINGS	1,810	76	274	2,160	3,086	5,246
Dwellings to Reconcile Population and Households	-	-	-	-	29	29
LHN	1,810	76	274	2,160	3,115	5,275
Percentage of Dwellings (excluding reconciliation)						
1 bedroom	1.8%	0.2%	2.1%	4.0%	9.6%	13.6%
2 bedrooms	8.5%	0.4%	2.3%	11.1%	11.6%	22.7%
3 bedrooms	19.0%	1.8%	-	20.8%	33.9%	54.7%
4+ bedrooms	5.2%	-	-	5.2%	3.8%	9.0%
ALL DWELLINGS	35%	1%	5%	41%	59%	100%
Affordable Housing Need	84%	4%	13%	100%	-	-

5.10 Figure 62 and Figure 63 show the components of housing need with a breakdown of affordable rented between social rent and affordable rent and shows a very high need for Social Rent in both areas. The cost of affordable rent is set out at 80% of market rent in Figure 21. The key factors in this calculation are the household income profile of those in need and whether they receive housing benefit. If a household is unable to afford social rent, then it is assumed that housing benefit will cover the cost of their rent. To ensure that this is the case, it is important to implement the recommendations set out in the North Hertfordshire District Council Tenancy Strategy and the 2023 Developer Contributions SPD, notably that affordable rents should not exceed the Local Housing Allowance rate.

Figure 62: Overall need for Market and Affordable Dwellings (including social and affordable renting) by property size in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts	Unable to afford Social Rent without housing benefit support	Able to afford Social Rent, but not market rent	Affordable Home Ownership	Total Affordable Housing	Total Market Housing	Total Housing
1 bedroom	210	34	209	453	335	787
2 bedrooms	537	139	307	983	677	1,660
3 bedrooms	1,058	259	134	1,451	2,191	3,642
4+ bedrooms	252	48	-	301	1,343	1,644
DWELLINGS	2,058	481	650	3,188	4,546	7,734
Dwellings to Reconcile Population and Households	-	-	-	-	154	154
LHN	2,058	481	650	3,188	4,700	7,888
Percentage of Dwellings (excluding reconciliation)						
1 bedroom	2.7%	0.4%	2.7%	5.9%	4.3%	10.2%
2 bedrooms	6.9%	1.8%	4.0%	12.7%	8.8%	21.5%
3 bedrooms	13.7%	3.3%	1.7%	18.8%	28.3%	47.1%
4+ bedrooms	3.3%	0.6%	-	3.9%	17.4%	21.3%
ALL DWELLINGS	27%	6%	8%	41%	59%	100%
Affordable Housing Need	65%	15%	20%	100%	-	-

Figure 63: Overall need for Market and Affordable Dwellings (including social and affordable renting) by property size in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage	Unable to afford Social Rent without housing benefit support	Able to afford Social Rent, but not market rent	Affordable Home Ownership	Total Affordable Housing	Total Market Housing	Total Housing
1 bedroom	82	13	116	210	503	713
2 bedrooms	334	111	140	584	607	1,191
3 bedrooms	724	273	94	1,091	1,779	2,871
4+ bedrooms	183	91	-	274	197	471
DWELLINGS	1,322	488	350	2,160	3,086	5,246
Dwellings to Reconcile Population and Households	-	-	-	-	29	29
LHN	1,322	488	350	2,160	3,115	5,275
Percentage of Dwellings (excluding reconciliation)						
1 bedroom	1.6%	0.2%	2.2%	4.0%	9.6%	13.6%
2 bedrooms	6.4%	2.1%	2.7%	11.1%	11.6%	22.7%
3 bedrooms	13.8%	5.2%	1.8%	20.8%	33.9%	54.7%
4+ bedrooms	3.5%	1.7%	-	5.2%	3.8%	9.0%
ALL DWELLINGS	25%	9%	7%	41%	59%	100%
Affordable Housing Need	61%	23%	16%	100%	-	-

- 5.11 In line with the outputs of the SHMA Part II Update 2016, Figure 64 and Figure 65 reconfigure the outputs of Figure 62 and Figure 63 to include the breakdown between flats and houses. This still sees a need for flats in both areas.

Figure 64: Overall need for Market and Affordable Dwellings (including social and affordable renting) by property size and type in North Herts 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

North Herts		Unable to afford Social Rent without housing benefit support	Able to afford Social Rent, but not market rent	Affordable Home Ownership	Total Affordable Housing	Total Market Housing	Total Housing
Flats	1 bedroom	162	26	145	333	336	669
	2+ bedrooms	188	48	96	332	408	740
Houses	1-2 bedrooms	422	108	277	807	319	1,126
	3 bedrooms	1,036	252	131	1,418	2,142	3,560
	4 bedrooms	199	38	-	237	1,021	1,259
	5+ bedrooms	51	10	-	61	319	380
DWELLINGS		2,058	481	650	3,188	4,546	7,734
	Dwellings to Reconcile Population and Households	-	-	-	-	154	154
LHN		2,058	481	650	3,188	4,700	7,888
Percentage of Dwellings (excluding reconciliation)							
Flats	1 bedroom	2.1%	0.3%	1.9%	4.3%	4.3%	8.7%
	2+ bedrooms	2.4%	0.6%	1.2%	4.3%	5.3%	9.6%
Houses	1-2 bedrooms	5.5%	1.4%	3.6%	10.4%	4.1%	14.6%
	3 bedrooms	13.4%	3.3%	1.7%	18.3%	27.7%	46.0%
	4 bedrooms	2.6%	0.5%	-	3.1%	13.2%	16.3%
	5+ bedrooms	0.7%	0.1%	-	0.8%	4.1%	4.9%
ALL DWELLINGS		27%	6%	8%	41%	59%	100%
Affordable Housing Need		65%	15%	20%	100%	-	-

Figure 65: Overall need for Market and Affordable Dwellings (including social and affordable renting) by property size and type in Stevenage 2022-31 (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Stevenage		Unable to afford Social Rent without housing benefit support	Able to afford Social Rent, but not market rent	Affordable Home Ownership	Total Affordable Housing	Total Market Housing	Total Housing
Flats	1 bedroom	36	6	34	75	512	587
	2+ bedrooms	97	33	37	167	288	454
Houses	1-2 bedrooms	295	95	186	576	336	912
	3 bedrooms	713	266	93	1,072	1,756	2,828
	4 bedrooms	145	71	-	216	200	416
	5+ bedrooms	36	18	-	54	-6	48
DWELLINGS		1,322	488	350	2,160	3,086	5,246
	Dwellings to Reconcile Population and Households	-	-	-	-	29	29
LHN		1,322	488	350	2,160	3,115	5,275
Percentage of Dwellings (excluding reconciliation)							
Flats	1 bedroom	0.7%	0.1%	0.6%	1.4%	9.8%	11.2%
	2+ bedrooms	1.8%	0.6%	0.7%	3.2%	5.5%	8.7%
Houses	1-2 bedrooms	5.6%	1.8%	3.5%	11.0%	6.4%	17.4%
	3 bedrooms	13.6%	5.1%	1.8%	20.4%	33.5%	53.9%
	4 bedrooms	2.8%	1.4%	-	4.1%	3.8%	7.9%
	5+ bedrooms	0.7%	0.3%	-	1.0%	-0.1%	0.9%
ALL DWELLINGS		25%	9%	7%	41%	59%	100%
Affordable Housing Need		61%	23%	16%	100%	-	-

Comparison with SHMA Update Part II 2016

- 5.12 As noted in the introduction, Figure 28 of the SHMA Part II Update 2016, sets out the need for market and affordable housing need in each local authority area. This has again been reproduced below as Figure 66 and this shows a need for 28% of the total housing need to be affordable housing in North Herts and 44% of the total housing need of Stevenage is required to be affordable housing.

Figure 66: Housing mix of OAN for market and affordable housing by local authority in SHMA Update 2016 (Source: ORS Housing Model. Note: Figures may not sum exactly due to arithmetic rounding)

		Stevenage	North Hertfordshire	TOTAL
MARKET HOUSING				
Flat	1 bedroom	30	200	230
	2+ bedrooms	30	360	390
House	2 bedrooms	320	840	1,160
	3 bedrooms	2,960	5,300	8,260
	4 bedrooms	520	2,540	3,050
	5+ bedrooms	40	790	830
Total Market Housing		3,900	10,000	13,900
AFFORDABLE HOUSING				
Flat	1 bedroom	550	740	1,280
	2+ bedrooms	300	470	760
House	2 bedrooms	840	1,010	1,850
	3 bedrooms	1,470	1,810	3,280
	4+ bedrooms	250	330	580
Total Affordable Housing		3,400	4,400	7,800
TOTAL		7,300	14,400	21,700

- 5.13 Due to the addition of those who aspire to affordable home ownership, the two studies cannot be compared on a like for like basis. However, in Figure 67 we have recreated the data set out in the current study in Figure 60 and Figure 61 into the same format as the SHMA Part II Update 2016 and this identifies a need for 40.4% affordable housing in North Herts and 40.9% in Stevenage.

Figure 67: Housing mix of OAN for market and affordable housing by local authority for 2022-31 (Source: ORS Housing Model.
Note: Figures may not sum exactly due to arithmetic rounding)

		Stevenage	North Hertfordshire	TOTAL
MARKET HOUSING				
Flat	1 bedroom	510	340	850
	2+ bedrooms	290	410	700
House	2 bedrooms	340	320	660
	3 bedrooms	1,760	2,140	3,900
	4 bedrooms	200	1,020	1,220
	5+ bedrooms	-10	320	310
Total Market Housing		3,100	4,600	7,600
AFFORDABLE HOUSING				
Flat	1 bedroom	80	330	410
	2+ bedrooms	170	330	500
House	2 bedrooms	580	810	1,380
	3 bedrooms	1,070	1,420	2,490
	4+ bedrooms	270	300	570
Total Affordable Housing		2,200	3,200	5,400
TOTAL		5,200	7,700	12,900

- 5.14 More generally, First Homes are shown to make up a relatively high proportion of need in both authorities. In North Herts, setting the discount at 50% sees the need for First Homes to be 20% of the need for affordable housing (650/3,188) and 8.2% of all housing need. This is close to being consistent with the policy requirements for First Homes being 25% of the total delivery and the NPPF requirement that 10% of all delivery on larger sites being affordable to own.
- 5.15 Similarly, in Stevenage, First Homes with a 50% discount would form 21% of the total affordable housing need and 6.6% of the overall need. When allowing for the impact of smaller sites which do not deliver affordable housing, this is a position which could be reconciled within policy.
- 5.16 However, we would note that potentially far more households would aspire to own while being able to afford private rent but lack the income or savings to access First Homes. If a suitably priced Rent to Buy, or Shared Ownership products can be developed then they may move from a market need for private rent to an affordable housing need. One consequence of the focus upon First Homes for affordable to own housing is that a household may be unable to afford a First Home and will instead remain in private rent. However, if their income rises then they can afford a First Home and will move to market housing need. This highlights the need to provide a range of different affordable housing products.

Conclusions and Recommendations

- 5.17 This document represents a technical analysis for the housing needs of North Herts and Stevenage in the context of their existing plans up to the period 2031. As noted in the introduction, we do not consider that it should set firm policies for the Councils but should instead be seen as underwriting the evidence of policies which will be developed. However, we are able to make a series of recommendations.
- 5.18 As an overall conclusion, the study identifies a need for 40.4% affordable housing in North Herts and 40.9% in Stevenage. However, this figure includes many provisos. The affordable housing needs figures calculated in this study would address all current and potential future affordable housing needs in North Herts and Stevenage, including the needs of those who aspire to own and are able to access First Homes. However, they do not include over 3,500 households in North Herts and 1,700 households in Stevenage who aspire to own, but who cannot access First Homes because they lack savings or cannot get a mortgage to cover the cost of a First Home. Many of these households could potentially benefit from Shared Ownership or similar housing products, where the initial purchase cost is lower. Therefore, there is a clear case to continue providing Shared Ownership alongside any provision of First Homes, with a more balanced overall mix between affordable to own and affordable to rent.
- 5.19 The figures set out in Figure 64 and Figure 65 show a very large potential need for affordable housing to rent, with the vast majority of this required for households who will require support with their housing costs in the form of housing benefit, and a large majority of these households will require social rent. Social rent has lower weekly rents than affordable rent but for most households the cost of either will be supported by housing benefit and the delivery of social rent compared to affordable rent has adverse impacts upon viability. While on a single site it should be the case that only social rent or affordable rent is provided, across the entire housing mix both could have a role to play because their funding streams do tend to be different. Implementing the recommendations set out in the North Hertfordshire District Council Tenancy Strategy and the 2023 Developer Contributions SPD would ensure the maximum affordability of affordable rent, notably that affordable rents should not exceed the Local Housing Allowance rate.
- 5.20 More generally, First Homes are shown to make up a relatively high proportion of need in both authorities. In North Herts, setting the discount at 50% sees the need for First Homes to be 20% of the need for affordable housing. Similarly, in Stevenage First Homes with a 50% discount would form 21% of the total affordable housing need and 6.6% of the overall need. When allowing for the impact of smaller sites which do not deliver affordable housing, this is a position which could be reconciled within national policy requirements.
- 5.21 In terms of the discounts on First Homes, there is very little difference in the number of households who can afford First Homes in Stevenage at 30% and 50% discounts, so this would support using the 30% discount in Stevenage. However, in North Herts, house prices are generally higher, and this would support using the 50% discount to allow more households to be able to afford First Homes.
- 5.22 The overall need for housing also requires to be set in the context of other policy objectives. For example, there is the need to meet the needs of older persons, those seeking shared accommodation and those seeking to build their own homes. All of these would contribute to the overall delivery of dwellings in North Herts and Stevenage and are considered below.

6. Needs of Different Groups

Identifying the need for different types of housing

Chapter Summary

- 6.1 If current rates of dedicated older persons housing provision were to continue, a further 398 specialist older person dwellings would be required in North Herts and 238 dwellings would be required in Stevenage. However, using aspirational national models the figure could be as high as 2,399 units in North Herts and 845 units in Stevenage.
- 6.2 In July 2022, the government issued their response to a consultation run in 2020 on the future of accessibility standards. Previously, local authorities were required to assess the need to M4(2) accessible homes in their local area and develop policies to deliver these the properties. The Government are now proposing that all homes be delivered to M4(2) standard and therefore this evidence is no longer required.
- 6.3 However, local authorities are still required to assess the need for the higher M4(3) standard which covers the need for wheelchair adapted and adaptable home. The minimum need for M4(3) dwellings in North Herts is 430, which is 5.5% of the total need and in Stevenage the figure is 250 dwellings or 4.9% of the total housing need.
- 6.4 North Herts and Stevenage are currently not providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. In North Herts, Policy SP8 of the Local Plan sets a target to provide 100 plots for self-build development over the plan period, including a requirement on strategic sites that 1% of plots will be reserved for people with a local connection who wish to build their own home. In Stevenage, Policy SP7 requires 1% of all new homes on large urban extensions to be self-build. These are much lower figures than many other local authorities who seek up to 10% of large sites to be self and custom built, with 5% being a more typical lower end requirement.

Introduction

- 6.5 Paragraph 62 of the Revised NPPF requires that local planning authorities consider the needs of a range of groups within the population and this chapter considers each group in turn.

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

National Planning Policy Framework – Annex 2 – Sept 2023

Housing for Older People

- 6.6 The UK population is ageing, and people can expect to live longer healthier lives than previous generations. The older population is forecast to grow to 17.6m by 2035 for the over 60s, and from 1.3m (2016) to 3.6m by 2035 for the over 85s.¹³
- 6.7 Given this context, PPG recognises the importance of providing housing for older people. Additional PPG “Housing for older and disabled people” was published on 26th June 2019, which states:

The future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector ... Evidence from Joint Strategic Needs Assessments prepared by Health and Wellbeing Boards can also be useful. The assessment of need can also set out the level of need for residential care homes.

Planning Practice Guidance, ID 63-004-20190626

- 6.8 It is important to plan for housing which is suitable for this increase in older people within the population with a key requirement being to predict the type of housing which will best meet their needs. Whilst most will remain living in the same area and many will not move from their current homes; those that do move in their later years are likely to be looking for housing suitable for older people.
- 6.9 This housing comes in a number of different forms and the distribution between these different types needs to be explored. The Older People housing options considered in this section follow the definitions in the 2012 “Housing Our Ageing Population” report (HAPPI2).¹⁴ This defines specialist provision as mainstream (including adapted and wheelchair homes), specialised housing (including Extra Care and sheltered housing) and Care Homes (including both Registered Nursing and Registered Care Homes).
- 6.10 The Housing Learning and Improvement Network (LIN) published “More Choice, Greater Voice: a toolkit for producing a strategy for accommodation with care for older people”¹⁵ in February 2008; and subsequently published the “Strategic Housing for Older People (SHOP)”¹⁶ resource pack in December 2011. Both the toolkit and the resource pack provide standardised rates for estimating the demand for specialist older person housing products per 1,000 people aged 75 or over. These toolkits have informed the evidence base for many adopted Local Plans.
- 6.11 These rates provide a useful framework for understanding the potential demand for different forms of older person housing, but neither publication provides any detail about the derivation of the figures. There is no single correct answer when estimating the need for older person housing, however the rates provide a basis for identifying the potential levels of demand.

¹³ ONS 2016-based sub-national population projections.

¹⁴ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Other_reports_and_guidance/Housing_our_Ageing_Population_Plan_for_Implementation.pdf

¹⁵ http://www.housinglin.org.uk/library/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf

¹⁶ <http://www.housinglin.org.uk/library/Resources/Housing/SHOP/SHOPResourcePack.pdf>

- 6.12 In this report we have chosen to use the Housing Learning and Improvement Network (Housing LIN) SHOP resource pack methodology (2012).¹⁷ This forecasts the population and then applies a benchmark need for particular housing types per thousand people aged 75+). No more recent national modelling framework has been developed and the SHOP model has been used successfully in SHMA since its inception.

Figure 68: Benchmark Figures for Specialist Older Person Housing

Form of Provision	More Choice, Greater Voice toolkit			SHOP resource pack		
	Owned	Rented	TOTAL	Owned	Rented	TOTAL
Demand per 1,000 persons aged 75+						
Leasehold Schemes for the Elderly (LSE)	75	-	75	120	-	120
Conventional Sheltered Housing	-	50	50	-	60	60
Sheltered 'plus' or 'Enhanced' Sheltered	10	10	20	10	10	20
Extra care	12.5	12.5	25	30	15	45
Dementia	-	10	10	-	6	6
TOTAL	97.5	92.5	180	160	91	251

- 6.13 The population projections underlying the Local Housing Need figure for North Herts and Stevenage show a substantial increase in the older population during the period 2022-2031. The population aged 75+ is likely to increase by around 3,032 persons in North Herts and 1,348 persons in Stevenage based on providing the number of homes needed to meet the local housing need.

Figure 69: Projected population aged 75+ for North Herts (Source: LHN dwelling-led population projections)

	75-84	85+	TOTAL
2022	9,411	4,181	13,593
2031	11,282	5,342	16,624
CHANGE	+1,871	+1,161	+3,032

Figure 70: Projected population aged 75+ for Stevenage (Source: LHN dwelling-led population projections)

	75-84	85+	TOTAL
2022	4,733	2,138	6,871
2031	5,756	2,463	8,219
CHANGE	+1,022	+325	+1,348

¹⁷ www.housinglin.org.uk/housinginlaterlife_planningtool

- 6.14 The data published by the Elderly Accommodation Counsel (EAC)¹⁸ identifies that there is currently a total of 2,992 specialist Older Person units across North Herts and Stevenage.

Figure 71: Existing Stock of Specialist Older Person Housing for North Herts (Source: EAC 2015)

Property Type	Owned	Rented	TOTAL
Housing with support	684	731	1,415
Housing with care	134	225	359
TOTAL	818	956	1,774

Figure 72: Existing Stock of Specialist Older Person Housing for Stevenage (Source: EAC 2015)

Property Type	Owned	Rented	TOTAL
Housing with support	84	1,039	1,123
Housing with care	0	95	95
TOTAL	84	1,134	1,218

- 6.15 The SHOP model can be used to assess that there is already a shortfall in the provision of housing for elderly people. The current population of 13,593 people in North Herts aged 75+ requires 3,412 specialist homes whilst data shows that just 1,774 exist, resulting in an unmet need of 1,638 homes already in the area. The equivalent shortfall in Stevenage is 507 dwellings.
- 6.16 If we then consider the increase in need by 2031 by applying the SHOP formula (per 1,000) to the additional people aged 75+ that are projected to exist in North Herts and Stevenage by 2031 we can calculate the additional need for elderly housing by 2031.

Figure 73: Modelled Demand for Additional Specialist Older Person Housing 2022-31 for North Herts (Source: Housing LIN Toolkit)

		SHOP FORMULA rate per 1,000 persons			NORTH HERTS ADDITIONAL NEED		
		Owned	Rented	Total	Owned	Rented	Total
Sheltered Housing	Leasehold schemes for the Elderly (LSE)	120	0	120	364	0	364
	Conventional Sheltered housing	0	60	60	0	182	182
Extra Care	Sheltered 'Plus' or 'Enhanced'	10	10	20	30	30	61
	Extra care	30	15	45	91	45	136
	Dementia	0	6	6	0	18	18
Total		160	91	251	485	276	761

¹⁸ <http://www.housingcare.org/downloads/eac%20stats%20on%20housing%20for%20older%20people%20March%202015.pdf>

The EAC 'acknowledges both the rented and private sectors contain a wide range of housing types intended for older people. The social sector has traditionally distinguished these as Category 1, 2 etc., but the private sector tends to refer to them all simply as "retirement housing". This report looks only at schemes that fall within the following definition: "a group of dwellings intended for older people and served by a resident or non-resident warden/scheme manager with specific responsibility for the group". It is important to note that a considerable proportion of housing intended for older people falls outside this definition and is therefore excluded. Extra care, assisted living, and other forms of 'housing with care' are included.

Figure 74: Modelled Demand for Additional Specialist Older Person Housing 2022-31 for Stevenage (Source: Housing LIN Toolkit)

		SHOP FORMULA rate per 1,000 persons			STEVENAGE ADDITIONAL NEED		
		Owned	Rented	Total	Owned	Rented	Total
Sheltered Housing	Leasehold schemes for the Elderly (LSE)	120	0	120	164	0	164
	Conventional Sheltered housing	0	60	60	0	82	82
Extra Care	Sheltered 'Plus' or 'Enhanced'	10	10	20	14	14	27
	Extra care	30	15	45	41	20	61
	Dementia	0	6	6	0	8	8
Total		160	91	251	218	124	342

6.17 The toolkit identifies a need (current unmet need + future need) for 2,399 specialist older person additional housing units over the period 2022-2031 for North Herts and 845 for Stevenage.

6.18 The table below summarises the potential requirement for new specialist housing, taking account of the current stock, unmet demand, and population growth for the period.

Figure 75: Modelled Demand for Older Person Housing in North Herts based on Housing LIN Toolkit

		Rate per 1,000 persons aged 75+	Gross need 2022	Existing supply	Unmet need in 2022	Additional need 2022-31	Overall need
Sheltered Housing	Owned	120	1,631	684	+947	+364	+1,311
	Rented	60	816	731	+85	+182	+266
Extra Care	Owned	40	544	134	+410	+121	+531
	Rented	31	421	225	+196	+94	+290
TOTAL		251	3,412	1,774	+1,638	+761	+2,399

Figure 76: Modelled Demand for Older Person Housing in Stevenage based on Housing LIN Toolkit

		Rate per 1,000 persons aged 75+	Gross need 2022	Existing supply	Unmet need in 2022	Additional need 2022-31	Overall need
Sheltered Housing	Owned	120	825	84	+741	+162	+902
	Rented	60	412	1,039	-627	+81	-546
Extra Care	Owned	40	275	0	+275	+54	+329
	Rented	31	213	95	+118	+42	+160
TOTAL		251	1,725	1,218	507	+338	+845

6.19 The model assumes a continuation of current types of housing although it is unclear if older people will aspire to these types of specialist housing in the future. Demand for some types of housing is already experiencing low demand, and other, newer types of provision may appear to meet changing aspirations. The policy aim of supporting people at home for longer along with assistive technology could also reduce or alter demand.

6.20 In practice, the level of delivery identified as being required is likely to be unachievable given that it represents almost half of the overall local housing need based on the standard method. However, it is important to recognise that the provision of dedicated older person housing schemes will form an important part of the overall housing mix.

- 6.21 However, it should be stressed that these figures are based upon idealised outcomes for North Herts and Stevenage. If current rates of provision were to continue, a further 398 specialist older person dwellings would be required in North Herts and 238 dwellings would be required in Stevenage. This is based upon current rates of provision of 131 units per 1,000 persons aged 75+ in North Herts and 177 per 1,000 persons aged 75+ in Stevenage. Multiplying these rates by the population growth over the period 2022-2031 gives figures of 398 and 238 dwellings. Therefore, there is a very big range of potential levels of need for specialist older person housing.
- 6.22 The delivery of specific schemes for specialist older person housing need should be considered in partnership with other agencies, in particular those responsible for older person support needs. It will be important to consider other factors and constraints in the market:
- » **Demographics:** the changing health, longevity and aspirations of Older People mean people will live increasingly healthy longer lives and their future housing needs may be different from current needs;
 - » **New supply:** development viability of schemes, and the availability of revenue funding for care and support services, need to be carefully considered before commissioning any new scheme. It will also be important for the Council and its partners to determine the most appropriate types of specialist older person housing to be provided in the area;
 - » **Existing supply:** this may be either inappropriate for future households or may already be approaching the end of its life. Other forms of specialist older person housing may be more appropriate than conventional sheltered housing to rent when considering future needs;
 - » **Other agencies:** any procurement of existing supply needs to be undertaken with other agencies who also plan for the future needs of Older People, particularly local authority Supporting People Teams and the Health Service; and
 - » **National strategy and its implications for Older People:** national strategy emphasises Older People being able to remain in their own homes for as long as possible rather than specialist provision, so future need may, again, be overstated.

Housing for People with Disabilities

- 6.23 The Government's reform of Health and Adult Social Care is underpinned by a principle of sustaining people at home for as long as possible. This was reflected in the recent changes to building regulations relating to adaptations and wheelchair accessible homes that were published in the Building Regulations 2010 Approved Document Part M: Access to and use of buildings (2015 edition incorporating 2016 amendments – for use in England).¹⁹
- 6.24 Three standards are covered:
- » M4(1) Category 1: Visitable dwellings – Mandatory, broadly about accessibility to ALL properties
 - » M4(2) Category 2: Accessible and adaptable dwellings – Optional, similar to Lifetime Homes
 - » M4(3) Category 3: Wheelchair user dwellings – Optional, equivalent to wheelchair accessible standard.

¹⁹ <https://www.gov.uk/government/publications/access-to-and-use-of-buildings-approved-document-m>

- 6.25 In terms of new developments, Part M states that: “Where no condition is imposed, dwellings only need to meet requirements M4(1)” (Paragraph 0.3). Local authorities should identify the proportion of dwellings in new developments that should comply with the requirements for M4(2) Category 2 and M4(3) Category 3 as part of the Local Plan, based on the likely future need for housing for older and disabled people (including wheelchair user dwellings) and taking account of the overall impact on viability.
- 6.26 In July 2022, the government issued their response to a consultation ran in 2020 on the future of accessibility standards.²⁰ Paragraph 73 of the response concluded that:

73. Government proposes that the most appropriate way forward is to mandate the current M4(2) (Category 2: Accessible and adaptable dwellings) requirement in Building Regulations as a minimum standard for all new homes – option 2 in the consultation. M4(1) will apply by exception only, where M4(2) is impractical and unachievable (as detailed below). Subject to a further consultation on the draft technical details, we will implement this change in due course with a change to building regulations.

Raising Accessibility Standards for New Homes, Government Response to Consultation, July 2022

- 6.27 Previously, local authorities were required to assess the need to M4(2) accessible homes in their local area and develop policies to deliver these the properties. The government are now proposing that all homes be delivered to M4(2) standard and therefore this evidence is no longer required.
- 6.28 However, local authorities are still required to assess the need for the higher M4(3) standard which covers the need for wheelchair adapted and adaptable home.

Housing for Wheelchair Users

- 6.29 Building Regulations for M4(3) Category 3: Wheelchair user dwellings state that reasonable provision should be made for people to gain access to and use the facilities of the dwelling and that:

*“The provision made must be sufficient to -
(a) allow simple adaptation of the dwelling to meet the needs of occupants who use wheelchairs, or;
(b) to meet the needs of occupants who use wheelchairs.” (Page 23)*

Access to and use of buildings: Approved Document M v1, Page 10

- 6.30 In establishing the need for M4(3) Category 3 housing it is again important to consider the population projections and health demographics of the area, but with specific reference to households with wheelchair users.
- 6.31 The CLG (now DLUHC) guide to available disability data²¹ referenced by PPG [ID 56-007-20150327] shows that around one in thirty households in England (3.3%) currently has at least one wheelchair user, although the rate is notably higher for households living in affordable housing (7.1%). The rates are also higher for older households.

²⁰ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes/outcome/raising-accessibility-standards-for-new-homes-summary-of-consultation-responses-and-government-response#government-response>

²¹ <https://www.gov.uk/government/publications/building-regulations-guide-to-available-disability-data>

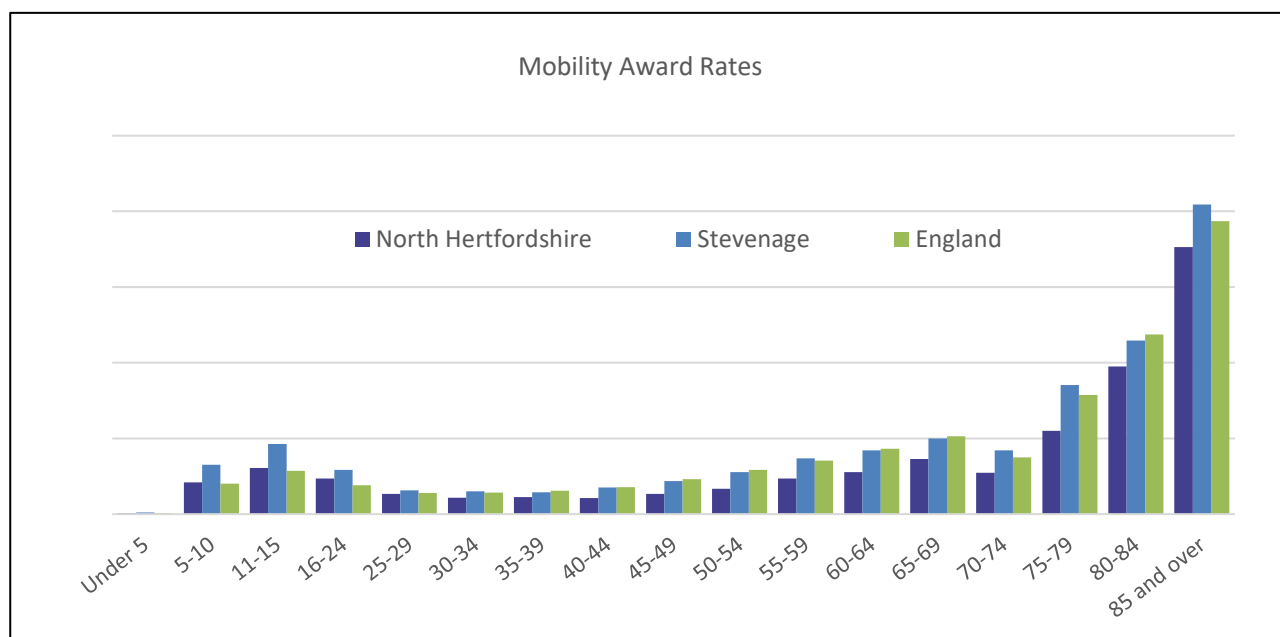
- 6.32 Figure 77 identifies the proportion of households in England with a wheelchair user currently living in market housing and affordable housing by age of household representative. The data relates to 2013/14 when the issue was last explored in the English Housing Survey.

Figure 77: Percentage of households with a wheelchair user by type of housing and age of household representative
(Source: English Housing Survey 2013-14)

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
Housing type								
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	9.3%
Affordable housing	0.3%	2.0%	2.9%	6.0%	6.0%	10.3%	12.7%	19.9%

- 6.33 To get a better understanding of the local North Herts and Stevenage data, Figure 77 compares the proportion of disability benefit claimants in receipt of mobility award (the majority of whom will be wheelchair users) for North Herts and Stevenage against the figures for England.

Figure 77: Disability benefit claimants in receipt of mobility award by age (Source: DWP, Aug 2022)



- 6.34 Through combining the information on local rates with the national data, we can establish the proportion of households in North Herts and Stevenage likely to have a wheelchair user by the age of the household representative in market housing and affordable housing (Figure 78).

Figure 78: Percentage of households with a wheelchair user by type of housing and age of household representative

Housing Type	Age of Household Representative							
	15-24	25-34	35-44	45-54	55-64	65-74	75-84	85+
North Herts								
Market housing	< 0.1%	0.4%	1.0%	1.5%	2.8%	3.8%	5.7%	8.7%
Affordable housing	0.3%	2.0%	2.9%	5.8%	5.8%	9.9%	11.9%	18.7%
Stevenage								
Market housing	< 0.1%	0.4%	1.0%	1.6%	3.0%	4.0%	6.1%	9.7%
Affordable housing	0.3%	2.1%	3.0%	6.1%	6.1%	10.3%	12.8%	20.7%

- 6.35 If we apply these proportions to the population and household data for the area, then we can identify the net change in the number of households with a wheelchair user over the period 2022 to 2031. (Figure 79). Using this approach, we calculate the number of households likely to need wheelchair adapted housing in North Herts is likely to increase by 430 over the 9-year period, with a growth of 250 households in Stevenage. This is 5.5% of the total need and in Stevenage the figure is 4.9% of the total housing need. This would suggest a need for a minimum of 5% of new dwellings to be built to M4(3) standard, but ideally a higher figure to allow for more choice in the market.

Figure 79: Households needing Wheelchair Adapted Housing (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Modelled Need for Wheelchair Adapted Housing	2022	2031	Net change 2022-31
North Herts			
Market housing	1,170	1,300	+130
Affordable housing	890	1,190	+290
Total	2,060	2,490	+430
Stevenage			
Market housing	670	750	+80
Affordable housing	790	950	+170
Total	1,450	1,700	+250

- 6.36 Importantly, as the model has included household age, it is possible to identify that a significant proportion of this growth (75%) comes from households which are aged over 75. This can be seen in Figure 80.

Figure 80: Households needing Wheelchair Adapted Housing by age (Source: ORS Housing Model. Note: Figures may not sum due to rounding)

Modelled Need for Wheelchair Adapted Housing	Households aged under 75			Households aged 75+		
	2022	2031	Net change 2022-31	2022	2031	Net change 2022-31
North Herts						
Market housing	710	760	+50	460	540	+80
Affordable housing	520	650	+130	370	540	+170
Total	1,230	1,410	+180	830	1,070	+240
Stevenage						
Market housing	420	450	+30	250	300	+50
Affordable housing	510	620	+110	280	340	+60
Total	930	1,070	+140	520	630	+110

- 6.37 This means that there are likely to be some people who are identified in both categories – Wheelchair adapted housing and specialist older person housing.

- 6.38 Whilst not all over 75 households needing wheelchair adapted housing will live in specialist older person housing, it is likely that around a tenth of those living in specialist older housing will need wheelchair adapted homes. It is also likely that some older households will progress to using a wheelchair whilst living in specialist housing due to a deterioration in their health.
- 6.39 On this basis, it may be appropriate to adopt higher targets for specialist accommodation for older people that is also wheelchair accessible. This could reduce the proportion of general needs housing that would need to meet the M4(3) Category 3 requirements.

The Private Rented Sector

- 6.40 The UK population is ageing, and people can expect to live longer healthier lives than previous generations. The older population is forecast to grow to 17.6m by 2035 for the over 60s, and from 1.3m (2016) to 3.6m by 2035 for the over 85s.²²
- 6.41 The private rented sector in North Herts and Stevenage showed a sharp growth in the sector over recent years. This is consistent with national trends, with the English Housing Survey (EHS) 2016-17 identifying 20% (4.7 million) households renting from a private landlord, much higher than the 13% recorded 10 years ago in 2006-07. Outside of London, private rented is the third largest tenure and is now larger than social rented; 36% outright ownership, 29% buying with a mortgage, 19% private renting, and 16% social renting. Given this context, PPG recognises the importance of understanding the likely future role of the private rented sector:

Tenure data from the Office for National Statistics can be used to understand the future need for private rented sector housing. However, this will be based on past trends. The level of changes in rents, (known as “market signals”), may reflect the demand in the area for private rented sector housing. Evidence can also be sourced from the English Housing Survey, Office for National Statistics Private Rental Index, the Valuation Office Agency, HomeLet Rental Index and other commercial sources.

Planning Practice Guidance, ID 67-002-20190722

- 6.42 Growth in the sector seems likely to continue, driven by a combination of demand and supply factors:
- » Increasing demand from more households;
 - » Recent reductions in incomes (in real terms);
 - » Affordability of owner occupation reducing;
 - » Changing bank lending practices;
 - » The impact of inheritance and the difficulties involved in selling properties;
 - » Pensions reform: pension drawdowns invested in BTL property.

²² ONS 2016-based sub-national population projections.

- 6.43 The growth of the Private Rented Sector has been acknowledged as both a growing and long-term option for meeting the nation's housing need. CLG (with the Intermediary Mortgage Lenders Association forecast) that the private rented sector will increase in size to 35% nationally by 2032.²³ On this basis, the number of households renting privately could double again over the next twenty years.
- 6.44 As the PRS expands and other sectors contract, it is clear that many households who would traditionally meet their housing needs in other sectors are now renting privately. This includes many households currently unable to afford their housing costs, which can be seen from the expansion of families receiving housing benefit in the sector, in particular since the start of the most recent recession.
- 6.45 Importantly, the Government sees the PRS having an important and long-term role in meeting the housing need of the nation; and although the NPPF and PPG do not mention the current or future role of housing benefit, the policy to support low-income households in the private rented sector with housing benefit is long-standing and housing benefit is explicitly factored into the long-term forecasts for public spending.
- 6.46 Policy by both Government and Local Authorities is focused on improving Management and Maintenance in the sector (via licensing or self-regulation schemes) and expanding supply²⁴ (including the Build to Rent investment scheme²⁵). The Government published *“Improving the Private Rented Sector and Tackling Bad Practice: A guide for local authorities”* in March 2015²⁶, and the Foreword by the Minister stated:
- “The private rented sector is an important and growing part of our housing market, housing 4.4 million households in England. The quality of housing in the sector has improved dramatically over the last decade. It is now the second largest tenure and this growth is forecast to continue growing. I am proud of this growth as it shows increasing choice, improving standards whilst helping to keep rents affordable. The Government supports a bigger and better private rented sector and wants to see this growth continue.”*
- 6.47 Given this context, it is important for local authorities to recognise the role of the private rented sector at a local level. Assuming the release back into the market of many dwellings in the private rented sector currently occupied by tenants in receipt of housing benefit would have significant consequences for the wider housing market as more properties come on to the market; therefore, it remains appropriate to recognise that the private rented sector will continue to make an important contribution towards providing housing options for households unable to afford their housing costs in future. Nevertheless, it is essential for local authorities to understand the full extent of the need for affordable housing in their areas and consider their policy responses accordingly.

²³ <http://news.rla.org.uk/rpi-rent-revolution/>

²⁴ <https://www.gov.uk/government/publications/private-rented-homes-review-of-the-barriers-to-institutional-investment>

²⁵ <https://www.gov.uk/government/publications/build-to-rent-round-2-initial-due-diligence>

²⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/412921/Improving_private_rented_sector.pdf

The Future Role of the Private Rented Sector

- 6.48 PRS is an important tenure that has grown since 1991 to house a significant proportion of households in the area. At the same time, young households have been less likely to meet their housing need in affordable housing given the various constraints in accessing local authority and housing association rented housing. Recent changes to letting policies and the reality of pressures on the housing stock make it less likely that single persons aged under 35 years will be allocated to a 1 bedroom social rented or affordable rented property.
- 6.49 Further, there have been other changes announced (Right to Buy for housing association tenants and the new First Homes scheme) which may influence the demand for Private Rented Sector accommodation. The Housing and Planning Act 2016 contains proposals to further the Government's policy of encouraging home ownership through promoting Starter Homes to provide affordable property for first time buyers. This duty has been updated to supporting the new First Homes scheme.
- 6.50 As is shown in Figure 60 and Figure 61 there are many households residing in the private rented sector in North Herts and Stevenage who aspire to home ownership. If lower cost market sale properties could be provided for this group, it would help to reduce the size of the private rented sector.
- 6.51 However, the delivery of low-cost market homes such as First Homes or other affordable to own properties could impact upon viability. The affordable to own properties could displace affordable to rent properties, which would see the PRS stock continue to rise as more households have their needs met through housing benefit supported private rent.
- 6.52 In practice this implies that unless current trends are reversed there will be a further growth in the private rented sector.

Student Housing

- 6.53 PPG includes specific reference to identifying the needs of students:

Strategic policy-making authorities need to plan for sufficient student accommodation whether it consists of communal halls of residence or self-contained dwellings, and whether or not it is on campus ...Local Planning Authorities will also need to engage with universities and other higher educational establishments to ensure they understand their student accommodation requirements.

Planning Practice Guidance, ID 67-004-20190722

- 6.54 However, there are no major higher education bodies in North Herts and Stevenage, so there is negligible need generated by student populations.

Service Families

- 6.55 The Ministry of Defence publish annual location statistics of service personnel, and the most recent iteration indicates that no service personnel are deployed in North Herts and Stevenage.
- 6.56 Given that the lack of MOD personnel deployed in North Herts and Stevenage has remained relatively constant over time, there is no identifiable housing need for service families.

People Wishing to Build their Own Homes

- 6.57 Planning practice guidance requires that people wishing to build their own homes are considered and states.

How can self-build and custom housebuilding needs be assessed?

Most local planning authorities (including all district councils and National Park Authorities) are now required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build their own home. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out these requirements. For further details, see guidance on self-build and custom housebuilding registers.

To obtain a robust assessment of demand for this type of housing in their area, local planning authorities should assess and review the data held on registers. This assessment can be supplemented with the use of existing secondary data sources such as building plot search websites, 'Need-a-Plot' information available from the Self Build Portal and enquiries for building plots from local estate agents.

Planning Practice Guidance, ID: 67-003-20190722

- 6.58 Over half of the population (53%) say that they would consider building their own home²⁷ (either directly or using the services of architects and contractors); but it is likely that this figure conflates aspiration with effective market demand. Self-build currently represents only around 7-10% of housing completions in the UK²⁸, compared with rates of around 40% in France and 70 to 80% elsewhere in Europe.
- 6.59 In the Budget 2014, the Government announced an intention to consult on creating a new 'Right to Build', giving 'Custom Builders' a right to a plot from councils.
- 6.60 The 2015 Act was amended by the Housing and Planning Act 2016²⁹ which placed a duty on local planning authorities to provide sufficient serviced plots which have planning permission to match entries on the register.

An authority to which this section applies must give suitable development permission in respect of enough serviced plots of land to meet the demand for self-build and custom housebuilding in the authority's area arising in each base period.

Housing and Planning Act 2016 Section 2(a)(2)

²⁷ Building Societies Association Survey of 2,051 UK consumers 2011

²⁸ Self-build and custom build housing (England) House of Commons Brief Paper March 2017

²⁹ <http://services.parliament.uk/bills/2015-16/housingandplanning.html>

April 2022 Self and Custom Build Action Plan

^{6.61} In April 2022, MHCLG produce a new action plan to further support the development of the self-build and custom housebuilding sector.³⁰ This focused upon four key areas:

- » **Mortgage finance:** – a multi-year funding for ‘Help to Build’ was announced at the 2020 Spending Review. In April, the Government confirmed an initial £150 million over 4 years to support the scheme to deliver low deposit mortgages and improve affordability of home ownership for self and custom builders similar to Help to Buy.
- » **Developer finance:** The Home Building Fund, offers £2.5 billion in short term loan finance targeted at small and medium sized builders, innovation and custom build. Funding is available to custom build developers bringing forward serviced plots on sites of 5 units or more.
- » **Access to land:** As part of the 2020 Spending Review, the government announced additional funding for local authorities to release their surplus brownfield land through the Brownfield Land Release Fund (BLRF). The £75 million BLRF will allocate up to £25 million to local authorities to enable them to bring forward serviced plots for self and custom build on public sector land. The ‘*Planning for the Future*’ White Paper also included specific proposals that allow local authorities to identify sites for self-build and custom housebuilding and community-led housing in their local plan, including ensuring sufficient provision to meet requirements identified in their self-build register, and proposals to explore how publicly owned land disposal can support SMEs and the self-build sector.
- » **Expertise/knowledge gap:** The National Custom and Self Build Association’s (NaCSBA) Right to Build Task Force was established to help local authorities, community groups and other organisations help deliver self and custom build housing projects across the UK. Since 2020 it has been funded by Government to provide expertise and support to local authorities on the implementation of the Right to Build and how to secure self and custom build delivery.

Review into Scaling Up Self and Custom Housebuilding

^{6.62} As part of the April 2022 Action Plan, the Government commissioned an independent review into the scaling up of self and custom housebuilding. This report was published in August 2022³¹ and the Government responded to this review in June 2022³².

^{6.63} The review focuses primarily on supply side factors limiting the delivery of self and custom housebuilding and produced 6 key recommendations which were broadly supported by the Government:

- » Greater role for Homes England;
- » Raise awareness of the Right to Build;
- » Support community-led Housing, diversity of supply and Levelling Up;
- » Promote greener homes and more use of advanced manufacturing;
- » Support custom and self-build housebuilding through the planning reforms; and
- » Iron out issues around tax which act as disincentives to build.

³⁰ [Self and custom build action plan - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/self-and-custom-build-action-plan.pdf)

³¹ [Independent review into scaling up self-build and custom housebuilding: report - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report.pdf)

³² [Government response to the independent review into scaling up self-build and custom housebuilding - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/government-response-to-the-independent-review-into-scaling-up-self-build-and-custom-housebuilding.pdf)

Evidence for North Herts and Stevenage

- 6.64 North Herts and Stevenage have put arrangements in place to comply with the Self-Build and Custom Housebuilding Act, including providing a self-build and custom housebuilding register.
- 6.65 Figure 81 shows that as of October 2022, North Herts and Stevenage has not provided enough self and custom housebuilding plots to meet the needs identified on the register. The delivery of plots is calculated from CIL exemptions in Stevenage, for a property to qualify for a CIL exemption, the final occupier must either have a significant input into either the design or construction of the property. Therefore, this is a quite restrictive definition of self and custom housebuilding which rules out many properties which have some customisation attached to them, but where the developer cannot guarantee that the final occupier will remain in situ for at least 3 years.
- 6.66 North Herts currently does not apply CIL. Instead, North Herts conduct a monitoring exercise using records on planning permissions to determine how many self-build plots have been granted permission.

Figure 81: Self-build and Custom Housebuilding Register and Plot Provision for North Herts (Source: Local Authority Data³³. Note: * is not recorded)

Self-build and Custom Housebuilding Register and Plot Provision	Up to October 2016	Oct 2016- Oct 2017	Oct 2017- Oct 2018	Oct 2018- Oct 2019	Oct 2019- Oct 2020	Oct 2020- Oct 2021
New applicants on the register	31	83	76	69	63	70
Total number on register – registrations	31	142	197	264	317	386
Planning permissions for serviced plots granted	*	0	0	26	23	24

Figure 82: Self-build and Custom Housebuilding Register and Plot Provision for Stevenage (Source: Local Authority Data. Note: * is not recorded)

Self-build and Custom Housebuilding Register and Plot Provision	Up to October 2016	Oct 2016- Oct 2017	Oct 2017- Oct 2018	Oct 2018- Oct 2019	Oct 2019- Oct 2020	Oct 2020- Oct 2021
New applicants on the register	30	3	6	1	2	2
Total number on register – registrations	30	4	10	11	12	14
Planning permissions for serviced plots granted	*	0	0	0	0	0

Future Need for Self-build and Custom Housebuilding

- 6.67 As highlighted above, North Herts and Stevenage are currently not providing sufficient plots to comply with its requirement to meet the needs of those on its own self-build and custom housebuilding register. In North Herts, Policy SP8 of the Local Plan sets a target to provide 100 plots for self-build development over the plan period, including a requirement on strategic sites that 1% of plots will be reserved for people with a local connection who wish to build their own home. In Stevenage, Policy SP7 requires 1% of all new homes on large urban extensions to be self-build. These are much lower figures than many other local authorities who seek up to 10% of large sites to be self and custom built, with 5% being a more typical lower end requirement.

³³ [Self-build and custom housebuilding data: 2016 to 2020-21 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/self-build-and-custom-housebuilding-data-2016-to-2020-21)

- 6.68 As noted earlier, PPG recommends that alternative sources of data beyond the register, such as Need a Plot, can be considered to highlight the need for self and custom housebuilding plots. However, this now reverts back to council registers, so the only recorded information on the demand for self and custom housebuilding is the housing register and the actual up take of plots.
- 6.69 The first priority of the Councils should be to ensure that they are complying with national policy and meet the demand from the self and custom housebuilding register. The evidence from countries like Germany indicate that the demand for self and custom housebuilding can be close to the total housing supply and that delivery is more supply constrained, with small and medium size builders delivering many of the custom housebuilding plots. It is these supply constraints that much of government policy is now focused towards addressing.
- 6.70 We would note that our experience across the country has been that the self-build and custom housebuilding sector works relatively well for households who are seeking to build bespoke properties on single plot sites and as part of multi-plot sites. However, this does tend to focus upon relatively affluent households who can afford to build to their own design. There is less evidence that those with lower budgets are having their needs met because the price of plots remains high. This in turn can be taken as a reflection that the market for self and custom housebuilding is supply constrained and that suitable plots attract a premium which is offsetting any reduction from potential CIL exemptions. Within this group there are likely to be some households who are seeking to help design their own house, often from customising the interior of a set exterior. Meanwhile, other households will be seeking affordable home ownership dwellings where they can be heavily involved in the building of their final property. The Government's new Help to Build scheme may help to make self and custom housebuilding more accessible and affordable.
- 6.71 It is for these two groups that North Herts and Stevenage could seek to work more proactively. There is potential for builders to deliver market homes which can either be customised at the outset, or which could be built as exteriors with the interior to be completed by the final occupant. Both of these approaches can be considered to fit within the definition of custom-built housing; and could both be encouraged with the provision of small and larger sites.
- 6.72 Meanwhile, North Herts and Stevenage could also seek to work with developers and Registered Providers to assess the potential demand for affordable to own self-build and custom housebuilding. This would be in lieu of providing completed affordable housing; but would allow households to help deliver their own affordable home ownership properties. This element could range from providing serviced plots at cost or partially completed dwellings which are sold to Registered Providers at cost.

Appendix A

Glossary of Terms

Definitions

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

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

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

Build to Rent is purpose-built housing that is typically 100% rented out. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.

Category 2 and 3 are classifications of wheelchair accessible housing. They refer to building regulations Approved Document M (2015) which introduced three categories of accessible dwellings. Category 1 (visitable dwellings) relates to accessibility of all properties and, being mandatory, is not assessed in the HNA. Category 2 (accessible and adaptable dwellings) is optional and similar to Lifetime Homes. Category 3 (wheelchair user dwellings) is optional and equivalent to wheelchair accessible and adaptable standard.

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

Concealed families are defined as; *“family units or single adults living within other households, who may be regarded as potential separate households which may wish to form given appropriate opportunity”*³⁴.

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

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

Headship rates are defined by CLG as: *“the proportion of people in each age group and household type who are the ‘head’ of a household”*³⁵

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

Household formation refers to the process whereby individuals in the population form separate households. ‘Gross’ or ‘new’ household formation refers to households that form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year that did not exist as separate households at the beginning of the year (not counting ‘successor’ households, when the former

³⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6338/1776873.pdf

³⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/182417/MethodologyFinalDraft.pdf

head of household dies or departs). 'Net' household formation is the net growth in households resulting from new households forming less the number of existing households dissolving (e.g. through death or joining up with other households).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pent up demand is unfulfilled demand or need for housing from households within the existing population, such as hidden households.

Private Rented Sector includes all properties which are rented privately. This could be as second hand home rented by a single landlord, a property rented from a buy to let investor, a property which was built to be let out as Build to Rent, or a scheme such as Co-living.

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

Registered Social Landlord/Registered Provider see Housing Association.

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

Shared ownership see Low Cost Home Ownership.

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

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

Acronyms and Initials

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

Appendix B

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