

## Future Housing Targets, Tenures and Sizes Report (May 2011)

### Important Note:

In July 2010, the Secretary of State for Communities and Local Government announced the revocation of Regional Spatial Strategies (RSSs) with immediate effect. The announcement was accompanied by guidance to local authorities:

[Chief Planning Officer Letter: Revocation of Regional Strategies](#)

In relation to housing targets the guidance provided the opportunity for Local Planning Authorities to review their housing needs and to establish the right level of provision at local level. It was clear that local housing targets would need to be justified by robust evidence and defensible during the Core Strategy examination.

The relevant extracts are:

*“10. Who will determine housing numbers in the absence of Regional Strategy targets?  
Local planning authorities will be responsible for establishing the right level of local housing provision in their area, and identifying a long term supply of housing land without the burden of regional housing targets. Some authorities may decide to retain their existing housing targets that were set out in the revoked Regional Strategies. Others may decide to review their housing targets. We would expect that those authorities should quickly signal their intention to undertake an early review so that communities and land owners know where they stand.*

*11. Will we still need to justify the housing numbers in our plans?*

*Yes – it is important for the planning process to be transparent, and for people to be able to understand why decisions have been taken. Local authorities should continue to collect and use reliable information to justify their housing supply policies and defend them during the LDF examination process. They should do this in line with current policy in PPS3.”*

As a result of legal challenges the Secretary of State’s immediate revocation of RSSs was reversed. This meant that this guidance became outdated. The new position was set out in the National Planning Policy Framework Published in March 2012.

**It was in this context, prior to the publication of the NPPF, that the Future Housing Targets, Tenures and Sizes Study was commissioned. The draft Report informed preparation of the St Albans Strategic Local Plan (SLP) until Autumn 2012. However, following the November 2012 Council decision to undertake further work on the SLP, independent consultancy advice in the form of a Housing Needs / Strategic Housing Market Assessment Study (SHMA) has been commissioned. The forthcoming 2013 Housing Needs Study / SHMA takes full account of the NPPF and will add to and update the evidence base for the SLP. This FHTTS Report provides some background information for current and future work, but for the avoidance of doubt does not constitute a Strategic Housing Market Assessment.**



# St Albans City and District Council

Future Housing Targets,  
tenures and sizes

Report

May 2011

*fordham*  
RESEARCH



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# Executive Summary

## Introduction

S1 This study is a pioneering one. It contains one of the first assessments of the scope for the new tenure of Affordable Rent, combined with one of the first fully evidenced analyses leading to a future housing target. The combination is unique for the present.

## The Brief for this study

S2 The St Albans Brief states that the City and District Council require:

*'a Future Housing Targets, Tenure and Sizes Study'* (paragraph 1.1)

S3 This is amplified further in the Brief (paragraph 2.1) to require that this report should provide, using the requirements of PPS3: Housing of June 2010:

- i) The proportion of market and affordable housing, profile of those requiring market housing and size/type of affordable housing (paragraph 22 of PPS3)
- ii) Plan wide target for affordable housing broken down by Social Rent and intermediate and Affordable Rent and by size (paragraph 29 of PPS3)
- iii) That the study should, in accordance with paragraph 21 of PPS3 have regard to current and future demographic trends and profiles and the requirements of various groups
- iv) Assessment of an appropriate level of future housing growth in the spirit of paragraph 33 of PPS3 and other related text in the PPS.

S4 The about to be abolished RSS had set a target of 360 new dwellings per annum. The Council's provisional work estimated a target of 250 dwellings per annum, which received public support in a recent consultation. We also considered, as scenarios, a much higher target indicated by the 2008 based ONS population and household projections, and a lower one of 100 new dwellings per annum.

## Information used for the analysis

- S5 We used the 2002 household survey database carried out by DCA to produce both a 2002 Housing Needs Survey (HNS) and a 2006 update of it. The household survey is quite old, but for the purpose of analysing how future households can be best housed, a household survey is an essential input to a reliable result. Similarly old surveys have been used for this purpose: the 2010 Strategic Housing Market Assessment (SHMA) for the London Commuter Belt (west) is also based on the 2002 household survey. It is also a fact that no revolutionary change in the socio-economic structure of St Albans's population has occurred between 2002 and 2011. It is therefore legitimate to update the household survey to represent aspects of the 2011 situation.
- S6 In addition to the household survey, suitably updated, we used a wide range of existing (secondary) sources including the 2001 census, Survey of English Housing, Land Registry, and other sources.

## Income, savings and equity

- S7 To produce robust estimates requires the combination of financial information with housing facts and intentions for the households in the survey, who are a sample from the total for St Albans, weighted to represent the total population. The survey only provided income information and we used recognised imputation means to produce the savings/debt and equity estimates.

Table S1 Median financial information by tenure			
<i>Tenure</i>	<i>Median annual gross household income</i>	<i>Median savings</i>	<i>Median equity</i>
Owner-occupied (no mortgage)	£26,330	£33,348	£432,292
Owner-occupied (with mortgage)	£60,260	£2,903	£191,585
Social rented	£5,260	£1,317	-
Private rented	£37,063	£1,729	-

Source: Table 2.1 of the Report

- S8 As can be seen, St Albans is a high income area, with other financial characteristics in common with that profile.

## Housing need

- S9 The first step is to estimate how many households are in unsuitable housing. This is doubly important as one of the key features of the housing requirement assessment is to reduce or remove unsuitable housing over the plan period to 2028. The current position is:

Table S2 Types of households unsuitably housed currently

<i>Household type</i>	<i>Number unsuitably housed</i>	<i>All households</i>	<i>Proportion inadequately housed</i>
Single pensioners	846	8,159	10.4%
2 or more pensioners	299	7,287	4.1%
Single non-pensioners	1,453	8,760	16.6%
2 or more adults – no children	1,683	17,680	9.5%
Lone parent	975	3,297	29.6%
2+ adults, 1 child	709	5,044	14.1%
2+ adults, 2+children	832	7,574	11.0%
Total	6,798	57,800	11.8%

Source: Table 2.2 of the Report

- S10 We carried out an assessment of housing need. This suggested that 1,757 (net) households are currently in CLG defined housing need in St Albans. This is more than twice the figure shown in the last HNS update in 2006. Much of the difference is explained by the previous study having used sources which tend to underestimate the housing need, but some may be due to increases in need over the past 5 years.
- S11 When indexed (by dividing the housing need figure by the number of thousands of households in the population) the result is an index of 30. This is almost twice our national average, but is not surprising in the high priced context of St Albans.
- S12 We considered the needs of Particular Groups. The summary findings of this are:
- i) A high concentration of older person households in the owner-occupied 'no mortgage' section: about three quarters of the total. This is an important issue from the point of view of equity release to provide the older person household with a higher standard of support in later years.
  - ii) It is notable that the Black and Minority Ethnic households in St Albans show a quite untypical pattern. In most parts of the country they are concentrated on the social and private rented sectors. But in St Albans over half (54%) are owners. Consistent with this, the average income of BME households is almost the same as the general average: again quite untypical.



## Affordable Rent

S13 This is a new social tenure, based on Flexible Tenancies and a rent of ‘up to 80%’ of open market rent for the property in question – it is distinctly different to a Social Rent where the rent is restricted by a locally adjusted national formula and where the tenant has security of tenure for life. Part of the purpose of this report is to establish the best level at which to set Affordable Rent in St Albans. Affordable Rent is designed both to meet housing need and to generate cash for more affordable housing through the additional borrowing capacity and the increased capitalised value of the future rents over and above Social Rents. These new Affordable Rents are clearly going to be higher than Social Rents (which are typically a bit below 50% of the market rent).

S14 The existing pattern of private sector rents in St Albans is:

Table S3 Private sector rent level in St Albans (cost per month)				
	House size			
	One bed	Two bed	Three bed	Four bed
Minimum	£450	£750	£900	£1,200
Lower Quartile	£625	£880	£1,100	£1,650
Median	£725	£975	£1,300	£1,860
Upper Quartile	£785	£1,200	£1,575	£2,500
Maximum	£1,000	£1,450	£2,000	£4,250
Inter-quartile range	£160	£320	£475	£850
% difference between quartiles	25.6%	36.4%	43.2%	51.52%

Source: Table 4.1 of the Report

S15 Affordable Rents are set according to each dwelling. For the purposes of this study we have taken the measurement of the median rent from the ‘plateau’ that can be observed to exist across the ‘mid market’ rents in each of the bedroom sizes.

S16 We then calculated 80% of that median plateau figure as the base for the Affordable Rent. This generated the set of rents shown in the bottom half of Table S4 below. The table compares the range of Affordable Rents with the market rents above and the existing Social Rents below. It is notable that in St Albans the Social Rents lie below the entire range of Affordable Rents: the latter are therefore an entirely distinct tenure. This however is by no means always true; in some parts of the country the Social Rents are not far below the market rents.

Table S4 Private Rent Sector rent levels compared to Affordable Rent levels in St Albans				
	House size			
	One bed	Two bed	Three bed	Four bed
<b>PRS</b>				
Maximum	£1,000	£1,450	£2,000	£4,250
Upper Quartile	£785	£1,200	£1,575	£2,500
Median	£725	£975	£1,300	£1,860
Lower Quartile	£625	£880	£1,100	£1,650
Minimum	£450	£750	£900	£1,200
<b>Affordable Rent</b>				
Maximum	£635	£850	£1,200	£1,500
Median	£580	£740	£1,000	£1,400
Minimum	£480	£635	£800	£1,200
<b>Social Rent</b>				
Typical rent	£347	£427	£461	£461
<b>LHA (30<sup>th</sup> percentile in PRS)</b>	£650	£895	£1,150	£1,750

LHA stands for Local Housing Allowance, which has replaced the former Housing Benefit as support for those who cannot pay for their housing.

Source: Table 4.4 of the Report.

- S17 The potential value of Affordable Rent was considered at 80% down to 50% of the market median. This generated the following figures:

Table S5 Affordability of households in need (annual)				
	Bedrooms			
	One	Two	Three	Four
Lower Quartile private rented sector (PRS)	£625	£878	£1,100	£1,650
Affordable Rent at 80%	£580	£740	£1,000	£1,400
Affordable Rent at 70%	£508	£648	£875	£1,225
Affordable Rent at 60%	£435	£555	£750	£1,050
Affordable Rent at 50%	£363	£463	£625	£875
Social Rent	£347	£427	£461	£461

The percentages for Affordable Rent are of the median values for the middle range of the PRS

Source: Table 5.1 of the Report.

- S18 Taking all households in need, the numbers who could afford each level of discounted rent is as follows:

Table S6 Affordability of households in need (annual)		
<i>Product type</i>	<i>Number of households</i>	<i>Proportion of households</i>
Affordable Rent at 80%	82	3.5%
Affordable Rent at 70%	272	11.7%
Affordable Rent at 60%	217	9.3%
Affordable Rent at 50%	179	7.7%
Social Rent	89	3.8%
Households that require LHA to afford anything	1,486	63.9%
<b>Total</b>	<b>2,323</b>	<b>100.0%</b>

Source: Table 5.2 of the Report.

S19 This shows that quite a few households in need could manage 80% and 70%. However the Affordable Rent product will be available only to those on the Housing Register. The following table is for those on the Register but it is only partial: the DCA survey only collected this information from households wanting to move.

Table S7 Affordability of households on register		
<i>Product type</i>	<i>Number of households</i>	<i>Proportion of households</i>
Market housing	248	18.8%
Affordable Rent at 80% of market rent	7	0.5%
Affordable Rent at 70% of market rent	146	11.0%
Affordable Rent at 60% of market rent	45	3.4%
Affordable Rent at 50% of market rent	31	2.3%
Social Rent	34	2.6%
Households that require LHA to afford anything	807	61.2%
<b>Total</b>	<b>1,317</b>	<b>100.0%</b>

Source: Table 5.5 of the Report.

S20 In this perspective only a handful of households can afford 80% but a good many can afford 70% of market rent. We examined the supply of social relets and the average amount of affordable newbuild arising each year. The total of these two figures is roughly 320+74 = 394 units per annum. The total of the 80% to 60% rows in the above table is much less than that: (198) but we know it is not the whole picture because the survey only asked those who wanted to move if they were on the Housing Register (thus missing those on the Register who did not express a desire to move).

S21 To estimate the latter we took the percentages on the right hand column of Table S7 who could Affordable Rent at 80% down to 60% (a total of 14.9% of all households) and applied them to the known total on the Register (2,256). This produces a figure of:

336

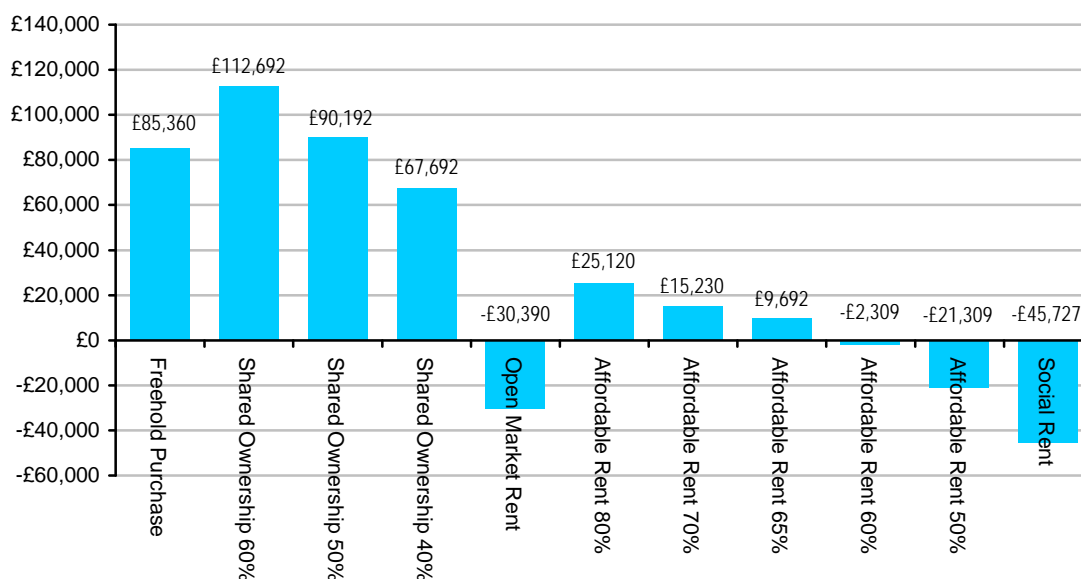
S22 This data needs to be treated with a degree of caution as it assumes that the households on the Housing Register wishing to move mirror those on the Housing Register not intending to move. This may not be the case but there is no evidence to suggest otherwise.

S23 Nevertheless, the figure is pretty close to the 394 estimate of the number of households that might be able to afford an Affordable Rent set at 60%. As can be seen again from Table S7, only 65 households on the Register (31 who could afford 50% and 34 who could only afford social rent) lie below a 60% threshold. In other words a 60% threshold caters for most of those on the Register.

S24 The other side of that coin is the amount of grant or financial surplus generated by the tenure. The following graph shows the approximate surplus levels generated by different tenures in the St Albans context, using 3 bed units as the example. In general the price paid for land is based on its eventual use, and the values used here are as shown at the top of Figure S1: they seem appropriate to St Albans.

**Figure S1 Development Surplus by Tenure (3 Bedroom)**

Land for Market Housing at £100,000 per unit, PRS at £75,000 per unit and Affordable Housing at £25,000 per unit.



Source: St Albans Future Housing Targets, Fordham Research 2011. This appears as Figure 6.1 of the main text

S25 The results suggest that all Affordable Rent down to 60% shows a surplus, though not a large one in the case of 60%. Given that there are households on the Register who could afford Affordable Rent at 60% (but not above) we would suggest that 60% is the most sensible level at which to set it. It does not generate a large surplus, but it will save a lot of Local Housing Allowance (LHA) by virtue of allowing employed households on the Register to access it without the need for LHA.

## Scenarios for future housing growth

S26 A first reference point is the ONS 2008 based (and latest) population and household projections. These show the following picture:

Table S8 2008 Based ONS household and population projections (thousands)			
Topic	2011	2013	2028
2008 based households	56 (2008) implying 58 for 2011	59	69
2008 based natural change (popn)	0.9	0.9	1.0
2008 based all net migration (popn)	0.4	0.4	0.1
2008 gross internal migration: IN (popn)	8.0	8.2	8.7
2008 gross internal migration: OUT (popn)	7.7	7.8	8.7

Source: Table 7.1 of the Report.

S27 Over the period to 2028 St Albans is forecast to have a large increase in population: some 19% growth. This is mainly based on natural increase, though there is a net in-migration. Domestic in and out-migration to and from St Albans is relatively balanced and is large; about 7-8,000 people per annum.

S28 We also considered various employment studies, since the homes/jobs balance is in general an important factor in planning for new housing. However we felt that this was not really the case in South Hertfordshire. That is because there are so many substantial towns in a small area, and all are strongly linked to the metropolitan area just to the south. There is no direct link between jobs and homes. Although it can be argued that there is an indicative ratio of jobs to homes it does not necessarily mean that all job requirements generated from a housing target in a local authority area will need to be provided. For instance, there will always be a proportion of people who commute elsewhere, London for example, for employment.

S29 We considered two employment studies: the London Arc study by Roger Tym and Partners (2009) and the Hertfordshire Strategic Sites study (2011). The 20 year forecasts for St Albans are quite different in each study:

ARC (Table 7.3) 2006-31: total change: 46,408 jobs; in St Albans 360 (1%)

HSS (Table 5-1) 2011-31 total change: (all Herts): 79,300 jobs); St Albans 14,600 (18%)

S30 Both these forecasts were made within a few years of each other and both use the same model from Oxford Economics as the basis for their job forecasts. The difference is of course bigger than shown in the paragraph above, as the second row includes all of Hertfordshire. ARC also produce a total forecast for the 7 council areas of the South Hertfordshire Arc based on total floorspace targets:

ARC Total jobs implied by suggested floorspace targets 2006-26:

46,644 jobs in total; 2,621 in St Albans (6%)

S31 It is fortunate, therefore, that we can conclude that future housing targets can, in the St Albans context, be considered independently of future jobs forecasts.

S32 We looked at commuting, since that is clearly a very important characteristic of living in St Albans:

Table S9 Balance of commuting in St Albans		
Topic	Census 1991	Census 2001
Out- commuting	31,000	33,436
In-commuting	22,560	23,340
Net out-commuting	8,440	10,096

Source: Table 7.2 of the Report.

S33 This set of figures suggests that for every 1,000 new households in St Albans there will be about 500 more out-commuters. We used this as a rough rule of thumb in considering the future scenario totals for housing.

S34 The projection scenarios were based on the levels of newbuild, as that is the only significant variable, apart from increases in net-out commuting, which are a likely by product of growth. We considered four scenarios:

- i) Scenario 1: Housing to meet the ONS full projected population for 2028
- ii) Scenario 2: Housing to meet 360 new dw per annum
- iii) Scenario 3: Housing to meet 250 new dw per annum
- iv) Scenario 4: Housing to meet 100 new dw per annum

S35 We applied our Long Term Balancing Housing Markets model (LTBHM) to the household dataset to examine the implications. The model allows for the various ways in which households move through the housing market. It is not just a matter of taking a household projection total and assuming that they all require new homes: they do not. The model also builds in removal of unsuitable housing over time, to reduce the housing need.

S36 The results for Scenario 1 generate a large total of new housing: some 11,200 new dwellings: a target of over 650 new dwellings per annum:

**Table S10 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	57,613	8,087	72.2%
Shared ownership	147	321	174	1.6%
Affordable Rent	0	1,408	1,408	12.6%
Social Rented	3,741	9,658	1,531	13.7%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>69,000</b>	<b>11,200</b>	<b>100.0%</b>

The term LHA refers to households only able to afford with LHA: this may be in Affordable Rent or in the PRS. It is not possible to say exactly which tenure they will occupy as it depends on how many social rented units are converted to Affordable Rent under the Coalition government's plans.

Source: Table 8.5 of the Report.

S37 Scenario 2 generates some 6,000 new dwellings. This would produce a considerable extra burden on the existing infrastructure, which it would be unable to compensate for. There is no practical likelihood of major new housing sites in St Albans without severe damage to the character of the district. The additional commuting and other pressure that would be generated by 6,000 more new dwellings is obviously considerable.

**Table S11 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 2 (360 new homes per year)**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	53,371	3,845	62.8%
Shared ownership	147	297	150	2.5%
Affordable Rent	0	1,305	1,305	21.3%
Social Rented	3,741	8,947	820	13.4%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>63,920</b>	<b>6,120</b>	<b>100.0%</b>

The term LHA refers to households only able to afford with LHA: this may be in Affordable Rent or in the PRS. It is not possible to say exactly which tenure they will occupy as it depends on how many social rented units are converted to Affordable Rent under the Coalition government's plans.

Source: Table 8.10 of the Report.

S38 Scenario 3 generates about 2,000 fewer new homes and is about as low a target as will still generate a balance of market and affordable housing that provides enough cross-subsidy to fund significant new affordable housing to meet the existing housing need.

**Table S12 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 3 (250 new homes per year)**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	51,810	2,284	53.7%
Shared ownership	147	289	142	3.3%
Affordable Rent	0	1,266	1,266	29.8%
Social Rented	3,741	8,685	558	13.1%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>62,050</b>	<b>4,250</b>	<b>100.0%</b>

The term LHA refers to households only able to afford with LHA: this may be in Affordable Rent or in the PRS. It is not possible to say exactly which tenure they will occupy as it depends on how many social rented units are converted to Affordable Rent under the Coalition government's plans.

Source: Table 8.11 of the Report.

S39 It is worth considering Scenario 4 before any further discussion:

**Table S13 Tenure of new accommodation required in St Albans over the next 17 years (to 2028) scenario 3 (100 new homes per year)**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	49,680	154	9.1%
Shared ownership	147	277	130	7.6%
Affordable rent	0	1,214	1,214	71.4%
Social rented	3,741	8,328	201	11.9%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>59,500</b>	<b>1,700</b>	<b>100.0%</b>

The term LHA refers to households only able to afford with LHA: this may be in Affordable Rent or in the PRS. It is not possible to say exactly which tenure they will occupy as it depends on how many social rented units are converted to Affordable Rent under the Coalition government's plans.

Source; Table 8.16 of the main text.

S40 The problem with Scenario 4 is that it is almost all affordable housing, as a result of the model's trying to reduce housing need. This is not practicable in a low or no grant world such as we face. But both Scenarios 2 and 3 do not suffer this problem, and unlike Scenario 1 are feasible. Scenario 3 causes less stress on the infrastructure by generating less out-commuting and also produces a significant number, nearly 2,000 extra affordable dwellings. It is also a scenario which has received public support through a consultation process. We therefore recommend Scenario 3:

250 new affordable dwellings per annum



S41 Scenario 3 is spelt out in terms of the tenure mix, and size and type of dwelling as shown in Figure S3 below. The additional dwellings required by size mix are shown in Table S14.

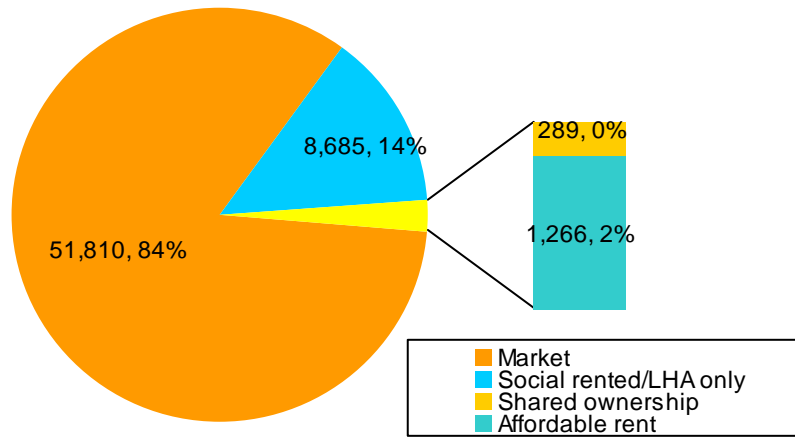
<b>Table S14 Size of new Affordable Rent homes required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)</b>				
<i>Dwelling size</i>	<i>Numbers required per tenure group</i>			
	<i>Market priced dwellings</i>	<i>Shared ownership</i>	<i>Affordable rent</i>	<i>LHA</i>
One bedroom	1,042	1	632	465
Two bedrooms	1,876	8	140	-137
Three bedrooms	65	127	439	157
Four or more bedrooms	-699	6	55	74
<b>Total</b>	<b>2,284</b>	<b>142</b>	<b>1,266</b>	<b>558</b>

Please note that the sample size is very small for Shared Ownership and therefore the figures shown are only indicative. In the case of LHA this refers to social rented/Affordable rented/ and private rented accommodation in an as yet unknown combination.

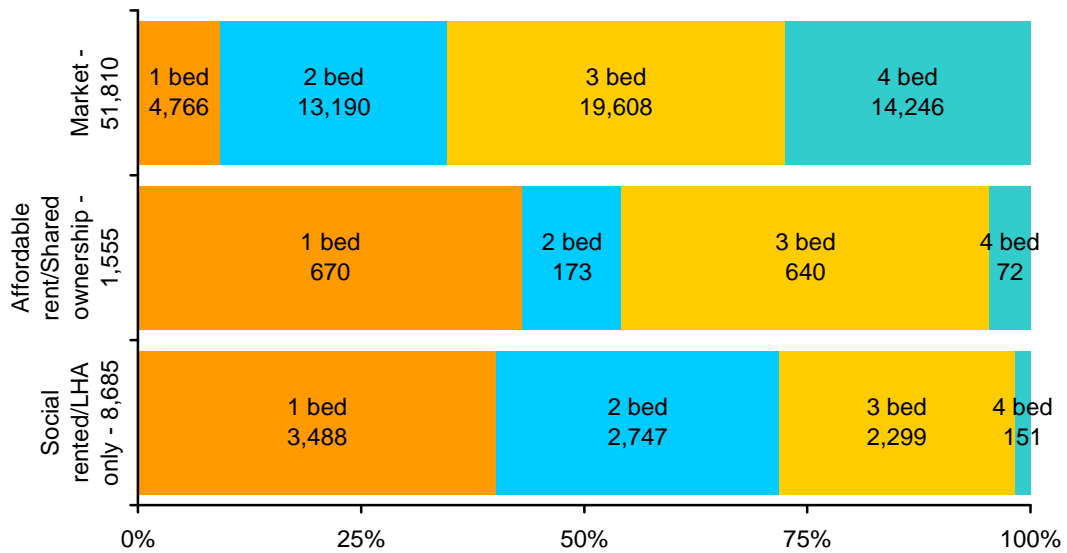
Source: Table 9.1 of the Report.

**Figure S3 Profile of accommodation in 2028:  
Scenario 3 (250 new homes per year)**

**Tenure split**



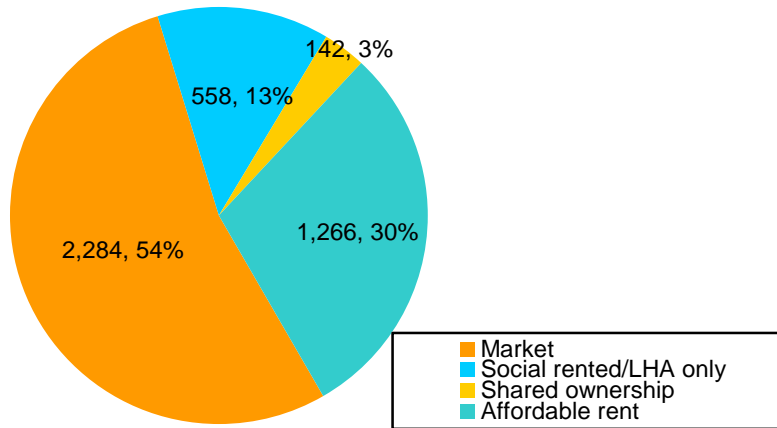
**Size and type profile\***



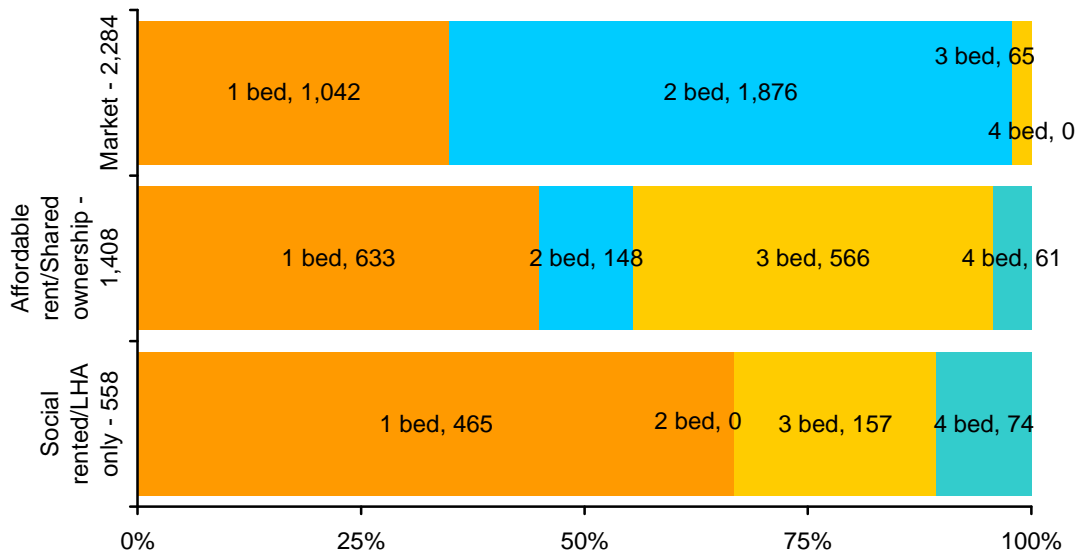
Source: Figure 9.1 of the Report.

**Figure S4 Profile of additional accommodation required in 2028:  
Scenario 3 (250 new homes per year)**

**Tenure split**



**Size and type profile\***



# 1. The Brief and Background Information

## The Brief for this study

1.1 The St Albans Brief states that the City and District Council require:

*'a Future Housing Targets, Tenure and Sizes Study'* (paragraph 1.1)

1.2 This is amplified further in the Brief (paragraph 2.1) to require that this report should provide, using the requirements of PPS3: Housing of June 2010:

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- iii) That the study should, in accordance with paragraph 21 of PPS3 have regard to current and future demographic trends and profiles and the requirements of various groups
- iv) Assessment of an appropriate level of future housing growth in the spirit of paragraph 33 of PPS3 and other related text in the PPS.

1.3 The Brief (in Section 3) reviews the Regional Spatial Strategy (RSS), due to be abolished through the Localism Bill later in 2011, and the 7,200 target that was set in its East of England version for the period 2001 to 2021. Guidance of July 2010 referred to councils setting the 'right level of housing provision in their area' and to do this in a way that is transparent and can be justified.

1.4 St Albans has recently consulted upon its Core Strategy, proposing a revised housing target of 250 new dwellings per annum for the period 2011 to 2028. The consultation explained that most new development would occur in small development/redevelopment of brownfield sites. It identified five major sites of over 100 dwellings each which will yield about 750 new dwellings, all but 150 of them on previously developed Green Belt or urban sites. It mentioned that it may be necessary to allocate further large sites over the plan period 2011 to 2028 in order to deliver the planned 250 dwelling target which contains an important obligation to build 100 new affordable dwellings per annum (a 40% affordable housing target).

1.5 The results of this consultation were published in the City and District Council's Planning Policy Advisory Panel Agenda (Item 7i) of 2<sup>nd</sup> March 2011. The following provides Question 3 (the one concerning future targets) and the response to it:

Question 3: 'In order to protect the Green Belt and prevent the risk of coalescence with adjoining urban areas, the Council proposes to reduce the local housing target from the (to be abolished) East of England Plan target of 360 per year to a new local housing target of 250 per year.' To what extent do you support this reduction?

**Table 1.1 Responses to Council's consultation on future targets for new housing**

<i>Degree of support/opposition</i>	<i>Percentage of response</i>
Strongly support/tend to support	66%
Strongly oppose/tend to oppose	25%
Neither support nor oppose	9%
Total number of respondents	1,099

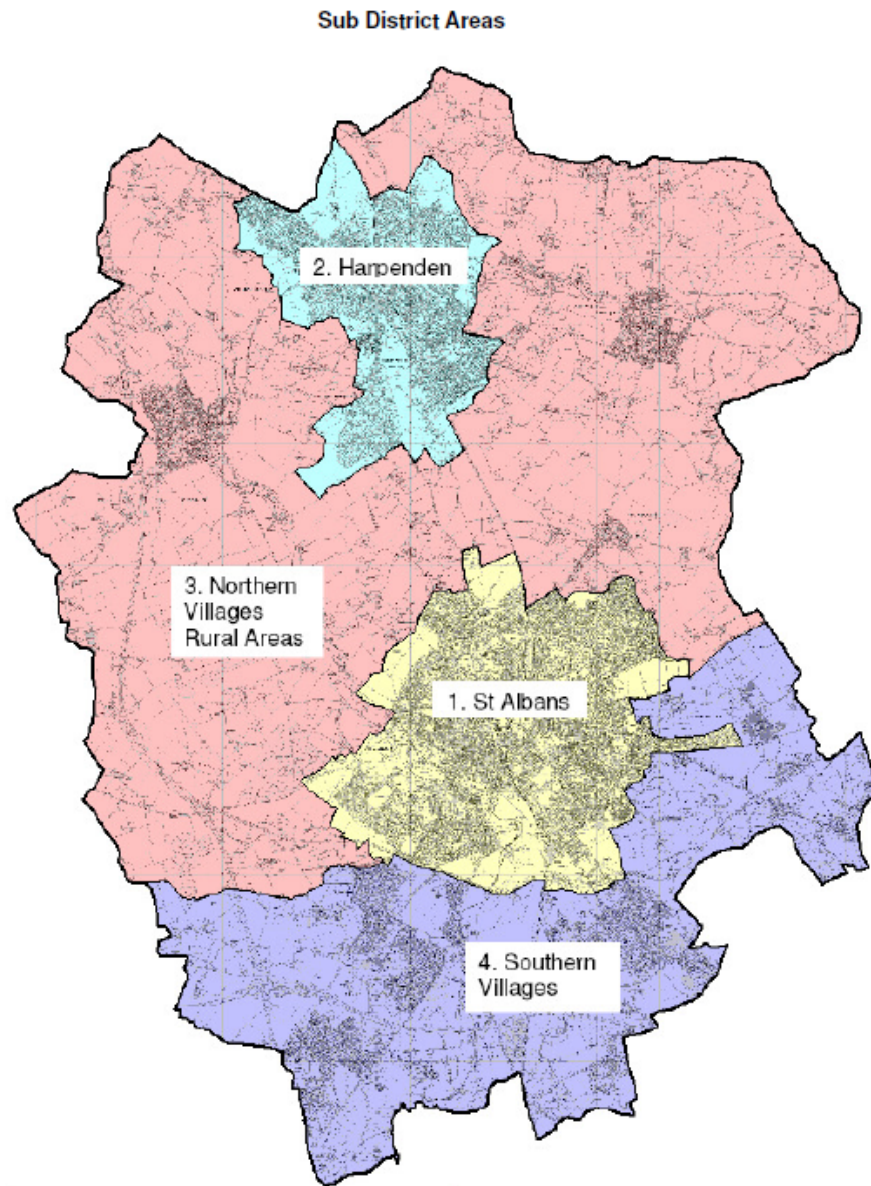
Source: Planning Policy Advisory Panel Report on Consultation: Meeting of 2<sup>nd</sup> March 2011

1.6 The Brief goes on to require scenarios to be developed, using the existing published information to study the range of possible impacts of future economic growth and changes in in/out migration. It further requires the revised Housing Needs Survey database to be used to assess the current sub-district housing need in four sub-areas:

- i) St Albans (including Jersey Farm and Highfield)
- ii) Harpenden
- iii) Northern Villages and Rural Areas (Redbourn, Wheathampstead and Sandridge)
- iv) Southern Villages (Bricket Wood, Chiswell Green, Park Street and Frogmore, How Wood, Smallford, Sleepshyde, Colney Heath and London Colney)

1.7 In terms of exact definition, the following map from the Brief provides that detail.

**Figure 1.1 Sub-areas specified in the Brief**



Source: St Albans Future Housing Targets, Tenure and Sizes – 2011 to 2028 Brief

- 1.8 The Brief goes on to make a series of specific requirements for the report. These include assessment of Affordable Rent (including service charges where applicable); the total housing target 2011 to 2028 with detailed breakdown by type and size to conform to PPS3; update of Housing Needs Survey (HNS) outputs including the PPS3 ones. These outputs are to be provided in a report format.

### Updated entry-level costs

- 1.9 To fully understand the affordability of housing within a price market it is necessary to collect data on the cost of housing by number of bedrooms. This ensures that it is possible to assess the ability of households to afford market housing of the size required by that particular household as determined by the bedroom standard. However, no secondary data contains this information.
- 1.10 As part of this study we have undertaken an updated price survey to assess the current cost of 'entry level' housing.

### Updating the household survey database

- 1.11 In order to produce robust analysis of issues affecting households in an area, such as the present analysis of housing need, demand and related issues, it is essential to use a household survey database. That is because only through this source is it possible to produce reliable analysis of the formula:

*numbers in the population with given characteristics multiplied by the ability of these households to afford it.*

- 1.12 This type of question could be about the requirement for a commercially provided service, or about the market demand for a given type of good. Analysis is normally based on a sample survey. Provided that the sample is big enough to produce reliable estimates of the issues at hand, the result will be a robust set of conclusions. The only further caveat is the weighting process. Any sample survey will produce results that are not reliable because some people are more likely to respond than others, e.g. retired people, or people with a special interest in the topic of the survey. It is therefore vitally important to carry out a thorough weighting process on the sample data, to produce reliable estimates for the whole population.
- 1.13 Various alternative ways have been used to produce answers to the type of question illustrated above, but none are reliable. For example, the income estimates published by bodies like Experian and CACI. These may be reliable in themselves, but cannot be related (cross-tabulated) with other data to produce answers to such questions as 'can X% of the population afford y'. If such analysis is tried, it will be of very poor accuracy. The simple reason for this is that everybody is different: different tastes, incomes etc.
- 1.14 It is not possible to obtain an understanding of what people can afford to do without using a household survey. In the case of housing need this was proved by Fordham Research in a Housing Needs Assessment in Gloucestershire, which was carried out both with and without supporting analysis from a household survey. The non-survey results (based on secondary data only) were substantially different from the household (primary survey) based results.

- 1.15 In the case of St Albans the most recent household survey is a Housing Needs Survey by DCA dating from 2002. This is old when one thinks of the changes to the housing market that have occurred since then. However it is not so bad when one considers that all the price and cost related aspects of the data can be updated from reliable indices (of cost and price change). Most of the same people will be living in a place like St Albans (a well established area). Datasets of this age have been used before. For example, the London SHMA of 2010 was based on sample survey of 2002. It is not ideal to use old household surveys, but unless there has been a sea change in the area since the household survey, it will be much more reliable than any other source.

### Practical issues in weighting the 2002 dataset

- 1.16 The weighting process uses secondary data to determine the real numbers of households in particular categories. For example, the number of households living in Social Rented housing is known by the Council, and so the data can be 'weighted' to reflect this, compensating for this group having a lower or higher response rate than average.
- 1.17 It is particularly important to determine the total number of households. To determine the number of households in 2011, we used the average of two sources – the ONS 2008-based household projections (published in 2010) and the number of occupied dwellings from the Housing Strategy Statistical Appendix (HSSA).
- 1.18 The other variables used to weight the data are listed below, alongside an indication of the secondary data source the appropriate profile was derived from. Secondary data sources are projected forward where possible to produce estimated figures for 2011.
- **Tenure:** Housing Strategy Statistical Appendix (HSSA) (2010), Tenant Services Authority Regulatory and Statistical Return (TSA RSR) (2009), Census (2001), Survey of English Housing (SEH) (2008)
  - **Household type:** ONS 2008-based household projections (2010), Census (2001)
  - **Population age groups:** ONS 2008-based population projections (2010), Census (2001)
  - **Accommodation type:** Census (2001), Survey of English Housing (2008)
  - **Car ownership:** Census (2001), National Travel Survey (2009)
  - **Ethnicity:** Census (2001), ONS Mid-Year Population Estimates by Ethnic Group (2007)

### Entry level rents in the housing market

- 1.19 As a benchmark for later work, the following table sets out Lower Quartile Private Rents, based on our recent survey and related discounts on those figures tied to the discussion of Affordable Rent in Chapter 5.



**Table 1.2 Affordability of households in need (annual entry level)**

	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Lower Quartile Private Rent Sector	£625	£878	£1,100	£1,650
Affordable Rent at 80%	£580	£740	£1,000	£1,400
Affordable Rent at 70%	£508	£648	£875	£1,225
Affordable Rent at 60%	£435	£555	£750	£1,050
Affordable Rent at 50%	£363	£463	£625	£875
Social Rent	£347	£427	£461	£461

Note percentages are of median market rent as discussed in Chapter 4 below

Source: Fordham Research, 2011

- 1.20 These rental figures may be compared with the DCA equivalent entry level figures for 2006 in Table 2.6 of the 2006 DCA update of the 2002 HNS. For the district wide comparison, the most easily comparable case is the DCA three-bed semi, which is £881. This compares with £1,100 in the table above: representing a 25% uplift.

### Updating the financial profile

- 1.21 As the survey data has been updated from its 2002 base, it has been necessary to make an estimate of the likely change in income levels since this time (and indeed changes in savings and equity). The principle of updating the financial profile is not to update the situation of the particular household that responded to the initial questionnaire, but to present an accurate representation for an equivalent household that exists currently. Households' financial information was updated via an indexing approach, as there are time-series secondary data available at a local level that record changes in the relevant variables. A separate method was used for the three variables that were updated – income, savings and equity.
- 1.22 The only up-to-date secondary data on income available at a local level is that presented in the Annual Survey of Hours and Earnings (ASHE), which is the earned income of employed individuals. The changes recorded in the ASHE data were applied to the dataset to generate an income profile for late 2010.
- 1.23 As ASHE regional data provides values at a range of points on the earnings distribution, it is possible to update income separately for each decile of the income distribution, adjusted to fit the overall local change in incomes.

## 2. Housing need the needs of particular groups and support needs

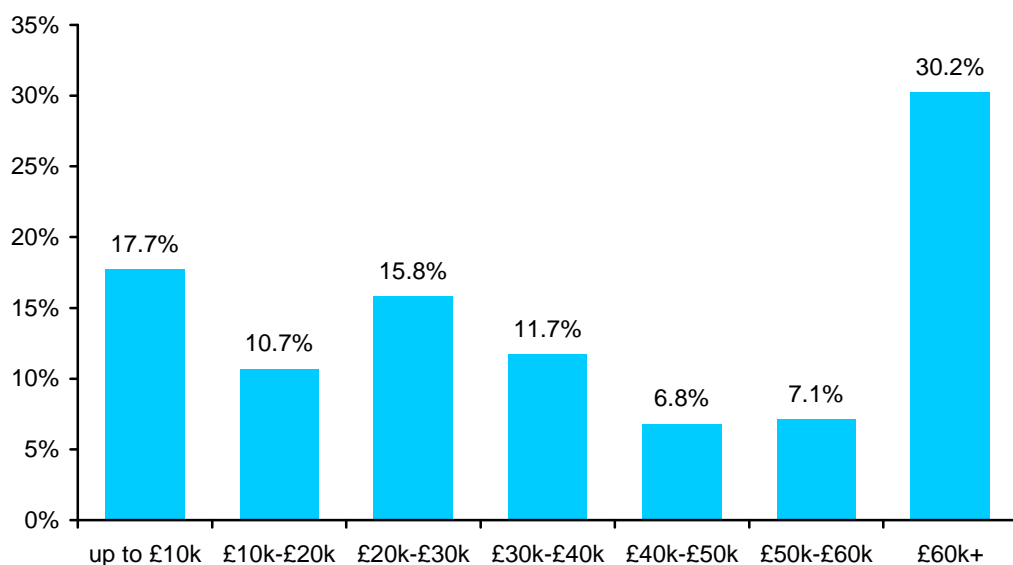
### Introduction

- 2.1 This chapter sets out the stages of the CLG's Practice Guidance model for estimating housing need. It begins by addressing the updated financial information, essential underpinning for the process, and proceeds to the further steps required to produce numbers of households in need.

### Household income

- 2.2 The updated dataset estimates that the mean household income in St Albans is £50,629 and the median figure is £33,567. The 2006 DCA updated HNS does not present any equivalent figures: it provides levels of income required to buy various kinds of property, and discusses affordability, but does not provide a set of household income estimates.
- 2.3 Figure 2.1 shows the distribution of income. It is clear that there is a significant range of incomes, with 17.7% having a household income less than £10,000 and 30.2% having an income in excess of £60,000.

**Figure 2.1 Distribution of annual gross household income**

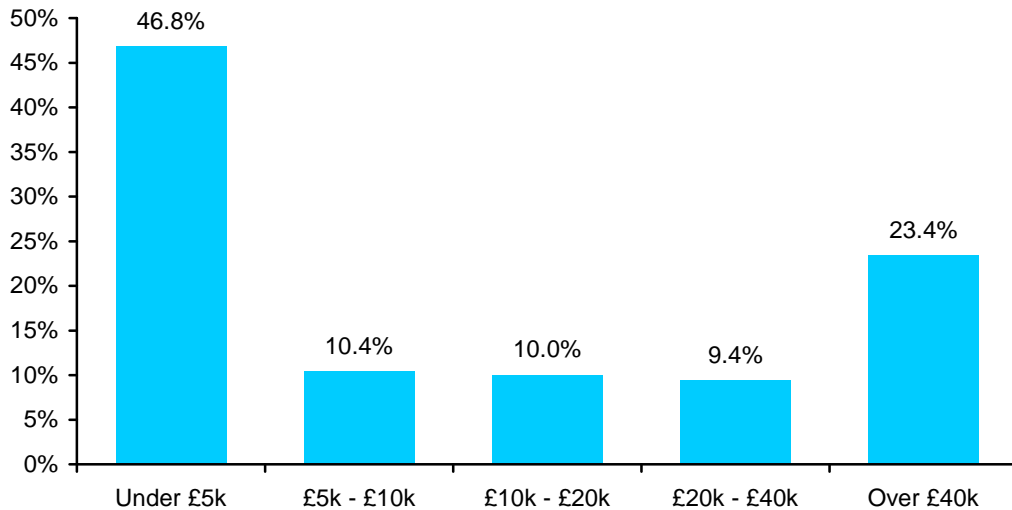


Source: St Albans Future Housing Targets, Fordham Research 2011

## Household savings and equity

- 2.4 The figures for savings and equity have been modelled based on the household survey data. Figures for these two financial quantities do not appear in the DCA HNSs. The mean household savings in St Albans is estimated to be £19,081. The median figure is £8,373. The distribution of household savings in St Albans is shown below.

**Figure 2.2 Distribution of household savings**



Source: St Albans Future Housing Targets, Fordham Research 2011

- 2.5 The mean amount of equity that all owner-occupiers (both those with and without mortgages) have in their property is estimated to be £386,323. The median figure is £364,897. The table shows how the income profile of households varies by tenure.

**Table 2.1 Median financial information by tenure**

Tenure	Median annual gross household income	Median savings	Median equity
Owner-occupied (no mortgage)	£26,330	£33,348	£432,292
Owner-occupied (with mortgage)	£60,260	£2,903	£191,585
Social Rented	£5,260	£1,317	-
Private rented	£37,063	£1,729	-

Source: St Albans Future Housing Targets, Fordham Research 2011

## Hypothetical affordability of market housing

- 2.6 This information on the income, savings and equity held by households, alongside data on the cost of entry-level housing, can be used to examine the ability of households to afford housing locally, based on the affordability criteria set out in the Practice Guidance, and shown in the box below.

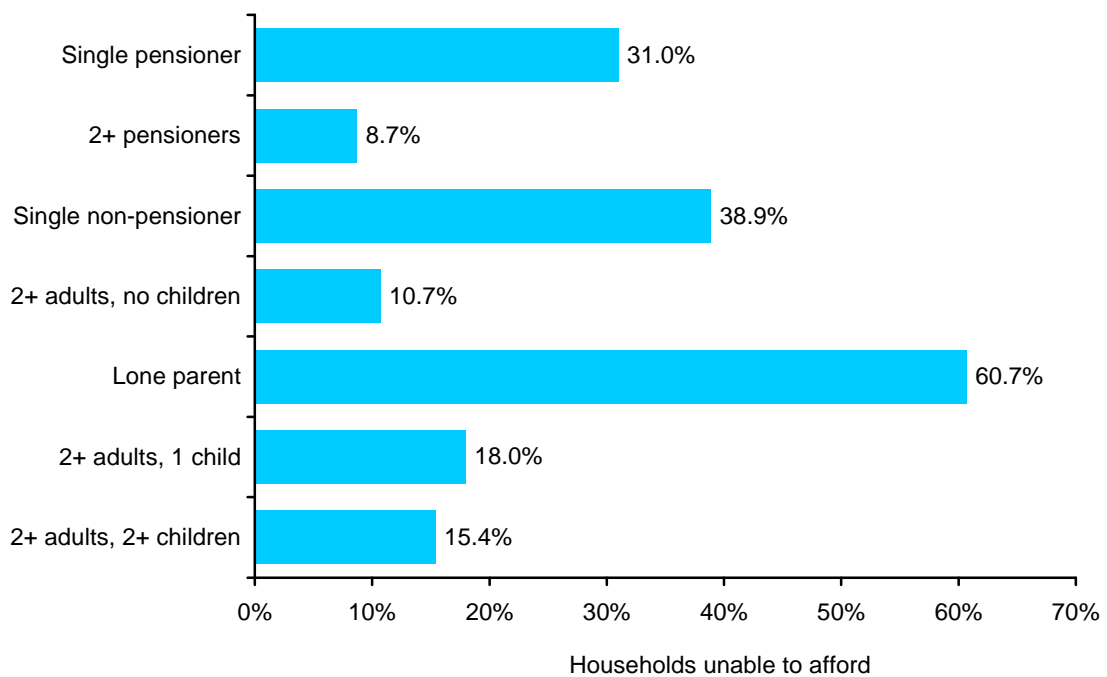
**Assessing whether a household can afford home ownership:** A household is considered able to afford to buy a home if it costs 3.5 times gross household income. Allowance is also made for any access to capital that can be used towards home ownership (e.g. savings or equity).

**Assessing whether a household can afford market renting:** A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 25% of gross income.

2.7 These criteria do not include an assessment of a deposit; however, market housing here is taken to include both owner-occupation and private rented housing. In practice, there are very few households (even without a deposit test) who are able to afford to buy housing that could not also afford a private rent. Housing-related benefits are excluded from the income statistics.

2.8 The figure below shows the proportion of each household type estimated to be able to afford market housing. This is the hypothetical affordability of households as the analysis considers all households and does not take into account their intention of moving. It therefore is not directly comparable with figures in the CLG model, which considers the ability to afford of only those households actually wanting to move. The figure shows that lone parent households and single person households are least likely to be able to afford market accommodation in St Albans.

**Figure 2.4 Proportion of households unable to afford market housing in St Albans**



Source: St Albans Future Housing Targets, Fordham Research 2011

2.9 Overall, some 21.7% of all households are hypothetically unable to afford market accommodation of an appropriate size at the present time.

## Housing Need

2.10 We replicated the analysis in the DCA 2006 update, using current figures for such supply issues as relets and homeless households. The results are set out below.

### Unsuitable housing

2.11 A key element in measuring housing need is an assessment of the suitability of a household's current housing. The Practice Guidance sets out a series of criteria. So far as possible from the questionnaire used by DCA, we have followed this approach using the updated dataset. The results are as follows:

Household type	Number unsuitably housed	All households	Proportion inadequately housed
Single pensioners	846	8,159	10.4%
2 or more pensioners	299	7,287	4.1%
Single non-pensioners	1,453	8,760	16.6%
2 or more adults – no children	1,683	17,680	9.5%
Lone parent	975	3,297	29.6%
2+ adults, 1 child	709	5,044	14.1%
2+ adults, 2+children	832	7,574	11.0%
Total	6,798	57,800	11.8%

Source: St Albans Future Housing Targets, Fordham Research 2011

2.12 As can be seen, the largest proportion of any group that is inadequately housed is Lone Parents. This is quite commonly the case. The next highest proportion of a group is single pensioners: this group is the second highest in proportionate terms, and only slightly smaller than the biggest group: households with two or more adults and no children at home. This pattern is quite typical.

### Affordability

2.13 The ability of each of these households to afford entry-level market housing of an appropriate size can be tested using the affordability criteria described in the glossary at the end of this report. The dataset indicates that there is a gross figure of 2,323 households that cannot afford market housing and are living in unsuitable housing (and require a move to alternative accommodation). This represents 4% of all existing households.

2.14 This figure can be compared with the equivalent gross figure from Table 6.7 of the DCA Housing Needs Survey update. The three figures from the DCA study table are:

- annual need to reduce backlog (row 7) = 53
- total newly arising need (row 13) = 1,056
- total gross housing need in 2006 = 1,109

2.15 The full housing needs calculation is:

Table 2.3 Housing needs assessment model for St Albans		
Stage and step in calculation	Notes	Number
<b>STAGE 1: CURRENT NEED (Gross)</b>		
1.1 Homeless households and those in temporary accommodation <sup>1</sup>		45
1.2 Households in unsuitable housing that need to move, unable to afford market housing		498
1.3 Total current housing need (gross per year)	1.1+1.2	543
<b>STAGE 2: FUTURE NEED</b>		
2.1 Total newly arising housing need (gross per year) (New household formation & existing households falling into need)		1,826
<b>STAGE 3: AFFORDABLE HOUSING SUPPLY</b>		
<i>Current supply</i>		
3.1 Affordable dwellings occupied by households in need		254
3.2 Surplus stock		0
3.3 Committed supply of affordable housing		28
3.4 Units to be taken out of management		-
3.5 Total affordable housing stock available	3.1+3.2+3.3-3.4	282
<i>Future supply</i>		
3.6 Annual supply of social relets (net)		323
3.7 Annual supply of intermediate housing available for relet or resale at sub-market levels		7
3.8 Annual supply of affordable housing	3.6+3.7	330
<b>STAGE 4: TOTAL NET NEED</b>		
4.1 Total housing need (gross per year)	1.3+2.1	2,369
4.2 Total housing supply (gross per year)	3.5+3.8	612
<b>4.3 Annual net need</b>	4.1-4.2	1,757

Source: DCA household dataset updated to reflect current housing market circumstances

2.16 The level of housing need is over twice the 722 shown by DCA in its 2006 update. The table above does not include 'committed units of new affordable housing' but this would not fundamentally alter the table.

<sup>1</sup> CLG (2011) local authorities' action under the homelessness provisions of the 1985 and 1996 Housing Acts: October - December Quarter 2010

- 2.17 The figures used by DCA are somewhat questionable, for example:
- i) New household formation is based by DCA on stated expectations of future moves, which are normally unreliable: we use past moves since they are definite facts. The DCA approach could lead to an overestimate
  - ii) Existing households falling into need is based on changes to the Housing Register: the Housing Register is notoriously unreliable for this purpose. The figure should include those on Housing Benefit/LHA, but households on benefit may not be registered. It does not take account of those paying far more than is appropriate of their household income on housing. Thus the figure used by DCA is unpredictable but likely to be a serious underestimate.
  - iii) Households moving into the area. DCA has only included those moving into social rented accommodation or on benefit. This leads to a substantial underestimate by the DCA route. It does not include those moving into St Albans who pay unreasonable proportions of their income on housing.
  - iv) It should however also be noted that the DCA estimate was carried out under Guidance previous to PPS3, and in principle is not wholly comparable. There is a case for arguing that the need level shown in the DCA study was an overestimate in terms of the Guidance used at the time, as it did not include analysis of savings/debt or equity.
- 2.18 This review is not a full assessment of the DCA methodology, but contains enough detail to suggest that the DCA figure could be an underestimate. St Albans is a very high priced area and so a high level of housing need is quite likely. It is generally the case that councils in all of southern England face levels of housing need far in excess of their ability to meet them. That is due to the cutbacks in public funding and also the sale of substantial parts of the former council housing stock under Right to Buy.

### **The needs of particular groups**

- 2.19 Table 2.4 provides a consolidated updated table on particular needs. It shows both familiar and unfamiliar patterns:
- i) A high concentration of older person households in the owner-occupied 'no mortgage' section: about three quarters of the total. This is an important issue from the point of view of equity release to provide the older person household with a higher standard of support in later years.
  - ii) It is notable that the Black and Minority Ethnic (BME) households in St Albans show a quite untypical pattern. In most cases they are concentrated on the social and private rented sectors. But in St Albans over half (54%) are owners. Consistent with this, the average income of BME households is almost the same as the general average: again quite untypical.

Table 2.4 Particular groups information								
Tenure	Support needs		Older person households		BME households		All households	
	Number	% of group	Number	% of total	Number	% of total	Number	% of total
Owner-occupied (no mortgage)	3,521	41.2%	11,485	74.4%	880	19.3%	21,975	38.0%
Owner-occupied (with mortgage)	1,525	17.8%	799	5.2%	1,577	34.5%	20,014	34.6%
Social Rented	2,373	27.8%	2,172	14.1%	1,043	22.8%	7,015	12.1%
Private rented	1,128	13.2%	989	6.4%	1,067	23.4%	8,796	15.2%
<b>Total</b>	<b>8,547</b>	<b>100.0%</b>	<b>15,446</b>	<b>100.0%</b>	<b>4,567</b>	<b>100.0%</b>	<b>57,800</b>	<b>100.0%</b>
<i>Area</i>								
St Albans	4,115	48.1%	6,464	41.8%	2,581	56.5%	26,607	46.0%
Harpenden	1,423	16.7%	3,980	25.8%	558	12.2%	12,061	20.9%
Northern Villages rural areas	1,112	13.0%	2,098	13.6%	135	3.0%	7,556	13.1%
Southern villages	1,897	22.2%	2,904	18.8%	1,293	28.3%	11,576	20.0%
<b>Total</b>	<b>8,547</b>	<b>100.0%</b>	<b>15,446</b>	<b>100.0%</b>	<b>4,567</b>	<b>100.0%</b>	<b>57,800</b>	<b>100.0%</b>
<i>Household size</i>								
One person	3,225	37.7%	8,159	52.8%	1,422	31.1%	16,918	29.3%
Two people	3,368	39.4%	7,273	47.1%	1,146	25.1%	21,925	37.9%
Three people	894	10.5%	14	0.1%	856	18.7%	7,782	13.5%
Four people	536	6.3%	0	0.0%	548	12.0%	7,662	13.3%
Five or more people	523	6.1%	0	0.0%	595	13.0%	3,513	6.1%
<b>Total</b>	<b>8,547</b>	<b>100.0%</b>	<b>15,446</b>	<b>100.0%</b>	<b>4,567</b>	<b>100.0%</b>	<b>57,800</b>	<b>100.0%</b>
<i>Financial information</i>								
Median income	£16,723		£20,269		£33,567		£33,567	
Median savings	£7,943		£21,684		£2,490		£8,373	
<i>Other</i>								
Would like to but cannot move	545	6.4%	475	3.0%	587	12.9%	6,922	12.0%
In unsuitable housing	1,202	14.1%	893	5.8%	1,247	27.3%	3,820	6.7%
In housing need	409	4.8%	120	0.8%	223	4.9%	2,323	4.0%

Source: St Albans Future Housing Targets, Fordham Research 2011 SOURCES (ASTERISKS AT TOP)

### Support needs households

- 2.20 Support needs households, for the purposes of this report, are defined as households containing one or more people with a (self-defined) disability or long-term limiting illness. Overall 14.8% of all households in St Albans contain a person with a support need, this represents 8,547 households.



2.21 Support needs households are more likely than average to live in social housing, and less likely to be owners with a mortgage. Further analysis suggests that 33.8% of Social Rented households contain at least one person with a support need.

Table 2.5 Support needs: tenure				
Tenure	Support needs		All households	
	Number	% of group	Number	% of total
Owner-occupied (no mortgage)	3,521	41.2%	21,975	38.0%
Owner-occupied (with mortgage)	1,525	17.8%	20,014	34.6%
Social rented	2,373	27.8%	7,015	12.1%
Private rented	1,128	13.2%	8,796	15.2%
<b>Any support need</b>	<b>8,547</b>	<b>100.0%</b>	<b>57,800</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

2.22 The following table shows the location of the groups of support needs households. For support needs households generally have a similar distribution to all households in the area.

Table 2.6 Support needs: area				
Area	Support needs		All households	
	Number	% of area	Number	% of area
St Albans	4,115	48.1%	26,607	46.0%
Harpenden	1,423	16.7%	12,061	20.9%
Northern Villages rural areas	1,112	13.0%	7,556	13.1%
Southern villages	1,897	22.2%	11,576	20.0%
<b>Total</b>	<b>8,547</b>	<b>100.0%</b>	<b>57,800</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

2.23 The table below shows the situation in terms of income and savings for support needs households. Support need households have income levels notably below that of the Borough average, but savings levels are similar to the figure for St Albans as a whole.

Table 2.7 Support needs: financial situation (medians)		
Need status	Income	Savings
Support needs	£16,723	£7,943
<b>All households</b>	<b>£33,567</b>	<b>£8,373</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

2.24 The table below shows housing need broken down for support needs groups. As can be seen, support needs households are slightly more likely to be in housing need than average.

**Table 2.8 Support needs: gross housing need**

<i>Need status</i>	<i>Number in housing need</i>	<i>% in housing need</i>	<i>% of total housing need</i>
<i>Support needs</i>	409	4.8%	17.6%
<b>All households</b>	<b>2,323</b>	<b>4.0%</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011



## 3. Affordable Rent: a new tenure

### Scope of this report

- 3.1 The Localism Bill is introducing Flexible Tenancies as a new Tenure. Flexible Tenancies will be significantly different to the currently used Social Rented tenure. Flexible tenancies will not give the tenant security of tenure for life and will allow Affordable Rent to be charged. There are a number of issues which have to be resolved in order for any council to establish what its policy should be. The issues which arise will be summarised after a description of the proposed tenure.
- 3.2 The practical implementation of Affordable Rent is bound up with the rules governing Local Housing Allowance, which are in the process of being substantially changed. We therefore also consider this issue, in the next chapter.

### Ministerial Statement and definition of Affordable Rent

- 3.3 In '2011-15 Affordable Homes Programme – Framework' published by CLG/HCA in 2011, Grant Shapps, the Minister said:

*'[T]he money must go further. So we are introducing new flexibilities for providers on using existing assets, and a new offer on rents. The objective of these flexibilities, including the new Affordable Rent product, is to enable providers to deliver up to 150,000 new affordable homes'* (Ministerial Foreword).

- 3.4 This statement is amplified in various ways in the Framework document. Key facts are as follows:
- Affordable Rents can be set at 'up to 80% of open market rental value'
  - it is formally defined as a social tenure (paragraph 3.20)
  - it is intended to be made available to those on the Housing Register, though it will be attractive to some of those on the Register who are on higher incomes and may not be in formally defined housing need
  - Flexible Tenancies must not be less than two years.
- 3.5 Paragraph 3.24 says that accommodation which becomes Affordable Rent must 'be permanently available for letting'. This does not prevent 'staircasing' up to ownership – but does prevent switching to the Social Rent structure in the future.
- 3.6 The most interesting point is the 'up to 80%' of OMV (Open Market Value). The conditions under which an Affordable Rent below 80% may be set are addressed in the following two paragraphs quoted from the Framework document.

- 3.10 While offers which include Affordable Rent for new supply and/or conversions at less than 80% of market rents will be considered, it is expected that providers utilise the flexibility to charge rents of up to 80% of market rents to maximise financial capacity. The HCA would need to understand how any proposal to charge lower rents would help to meet particular housing needs, deliver value for money for the taxpayer and generate the capacity required to deliver new supply aspirations.
- 3.11 There may be specific circumstances where it is appropriate to set rents at less than 80% of market rents. For example, providers may wish to charge a lower rent where a rent at 80% of market rent would exceed or be close to the relevant Local Housing Allowance (LHA) cap, or if the local rented market was considered to be particularly weak or fragile (for example on an existing estate where there may be few market rented properties). The HCA would wish to explore with providers the rationale for considering rents at less than 80% of market rents. In all cases, an Affordable Rent should be no lower than the rent calculated based on the current target rent regime. In cases where an Affordable Rent would otherwise be lower than the target rent for a property, the target rent will constitute a 'floor' for the rent to be charged.

3.7 In terms of letting Affordable Rent the Framework says that the same procedures should be used as with Social Rents:

- 3.20 Allocations and nominations processes for Affordable Rent homes are expected to mirror the existing frameworks for social rented housing. Providers will be under the same statutory and regulatory obligations when allocating Affordable Rent homes as they are when allocating properties for social rent.

3.8 Paragraph 3.10 emphasises the need to maximise the amount of affordable housing created for each pound of money spent:

*'...it is expected that providers utilise the flexibility to charge rents of up to 80% of market rents to maximise financial capacity.'*

3.9 Taken by itself, this would suggest that there is in fact very little flexibility: the HCA wants to see rents at 80% because that way there will be more money than if they are set below 80%

3.10 But paragraph 3.11 softens this message:

*'There may be special circumstances where it is appropriate to set rents at less than 80% of market rents.....The HCA would wish to explore with providers the rationale for considering rents at less than 80% of market rents.'*

- 3.11 The tone of this statement is still directed to 80% as the default position, but does entertain the argument that there may be evidence to justify rents lower than 80%. This statement by the HCA can be set beside many statements by Ministers to the effect that 'up to' is a very important part of the message. For example the statement by Grant Shapps (below):

*'There's another couple of billion plus for the new affordable rent, which is the entirely new scheme of up to 80% - not at 80% , which has often been inferred, wrongly – of the market rent'* [Response to Q47 of Oral Evidence from Ministers to the Communities and Local Government Committee on the Comprehensive Spending Review 21<sup>st</sup> December 2010]

- 3.12 The Minister had been referring to the overall total of £4.5 billion for all forms of social housing (Affordable Rent is now defined to be social housing), but the £2 billion for Affordable Rent is the only 'new money'. There is about the same £2 billion+ left over from the previous spending round which will be spent on Social Rented housing.
- 3.13 The key point in this case is his underlining of the 'up to 80%'. It seems clear that in the wider political agenda it is important that this downward flexibility should exist. At the same time, the HCA has suffered a considerable cut in the funding it had hoped for, and clearly wants to make sure as much as possible from the money that is available.

### Social Rents

- 3.14 It is made clear in the Framework that existing Social Rented units can be relet as Affordable Rent when they become vacant. Indeed this will be a major source of new Affordable Rent units.
- 1.3 Affordable Rent will form the principal element of the new supply offer. At the same time, new flexibilities will allow a proportion of social rent properties to be made available at re-let at an Affordable Rent, with the additional capacity generated from those re-lets applied to support delivery of new supply.
    - i) the additional borrowing capacity that can be generated from the conversion of social rent properties to Affordable Rent (or other tenures) at re-let, as well as borrowing capacity generated by the net rental income stream of the new properties developed;
  - 2.17 Providers are invited to consider offering conversion to Affordable Rent of existing committed social rent schemes begun under the 2008-11 National Affordable Housing Programme (NAHP) which will achieve practical completion in the new programme period.

- 3.15 The analysis in this report does not address the question of the level of conversion of relets of Social Rented units, since it is mainly focussed upon the financial implications of this tenure, and the degree to which it can assist in meeting housing need. The report is not devoted to the source of the Affordable Rented units.

### Local Housing Allowance

- 3.16 Local Housing Allowance (LHA) was established as a replacement for the former Housing Benefit. It is designed to make up the shortfall in people's ability to pay for the housing they need. LHA may represent 100% or some lower percentage of the overall rent paid. A major difference between LHA and the former Housing Benefit is that it is paid directly to the tenant and not to the (private or public) landlord as was the case with Housing Benefit.

- 3.17 LHA had previously been limited to the rent level at the 50% percentile: the halfway point in the local private rental market. The country is divided into housing market areas for the purpose of setting these levels. The new proposals, expected to come into effect are that;

- The overall cap is reduced from the value of the 50% to the 30<sup>th</sup> percentile. This is assessed locally
- There are new national caps for dwelling sizes:
  - 1 bed £250pw
  - 2 bed £290pw
  - 3 bed £340pw
  - 4+bed £400pw
- There is a total benefit cap of £26,000 per household.

- 3.18 There is an interaction between LHA availability and Affordable Rent: at the most basic level there is no point in setting an Affordable Rent when nobody could afford it either because they did not have the income or could not obtain sufficient LHA to pay the rent due to the new caps. The following extract from the Framework expands on that:

- 3.7 The TSA is therefore not proposing to restrict the maximum rent that Registered Providers can charge for Affordable Rent properties based on the Local Housing Allowance. However, landlords will wish to consider the local market context when setting rents, including the relevant Local Housing Allowance for the Broad Rental Market Area in which the property is located. They should also take into account wider benefit policy such as the proposal, subject to the passage of the Welfare Reform Bill, to cap total household benefit payments so that workless families do not receive more in welfare than the median earned income after tax and National Insurance contribution earnings of working families. War widows and households with a member entitled to Disability Living Allowance, Constant Attendance Allowance or Working Tax Credit will be exempt from the cap.

- 3.19 Although therefore the Tenants Service Authority (TSA) part now of the Homes and Communities Agency (HCA), will not restrict the Affordable Rent to the LHA, it expects Registered Providers (RPs) to take account of the wider situation in setting those rents.

### **The purpose of this section**

- 3.20 The main purpose of this section is to provide analysis of how many households in housing need, and on the Register, can take advantage of Affordable Rent at 80% of market rent, and at various levels below that, down to the level of a Social Rent. We also examine the financial implications of such variations in the Affordable Rent level.





## 4. Modelling Affordable Rent

### Introduction

- 4.1 As discussed in Chapter 3, Affordable Rent will be based on the open market value of each property. Therefore the private rented sector (PRS) needs to be understood. This does not only apply to newly built affordable housing but also to re-let Social Rented properties. For all affordable properties, the market price will be inferred from values in the PRS. This chapter outlines the nature of the PRS in St Albans and uses this understanding to model the Affordable Rented sector.
- 4.2 This chapter will look at the PRS for one, two, three and four bedroom properties across St Albans. It is important each market is considered individually by bedroom size as each size market operates differently as will be seen in the following analysis.

### Understanding the Private rented Sector

- 4.3 The following table is based on the range of monthly market rents available in St Albans's PRS in March 2011. This evidence is based on an online and telephone survey of agents in St Albans covering some 500 specific PRS dwellings (116 one-beds, 248 two-beds, 125 three-beds and 50 four-beds).
- 4.4 It can be seen from the figures in the table below that each property size operates in a distinct market as there are big differences between the median rents for each property size and the only overlap within the inter-quartile ranges occurs between two and three bedroom accommodation. The extremes of each market overlap somewhat with the neighbouring size. For example, somebody in a high quality one bed dwelling could live in a median priced two bed property at the same rent but they would have to accept a noticeable drop in quality.

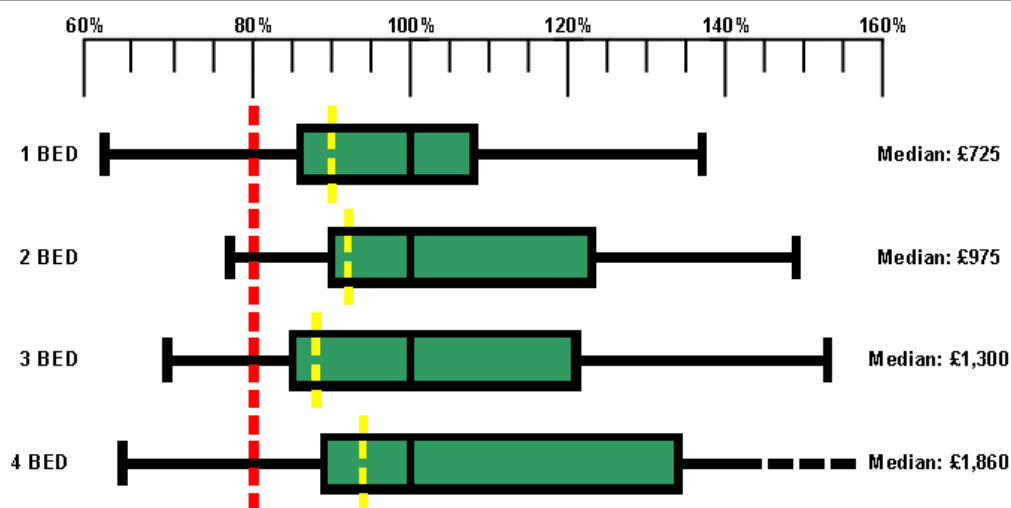
Rent level	House size			
	One bed	Two bed	Three bed	Four bed
Minimum	£450	£750	£900	£1,200
Lower Quartile	£625	£880	£1,100	£1,650
Median	£725	£975	£1,300	£1,860
Upper Quartile	£785	£1,200	£1,575	£2,500
Maximum	£1,000	£1,450	£2,000	£4,250
Inter-quartile range	£160	£320	£475	£850
% difference between quartiles	25.6%	36.4%	43.2%	51.52%

Source: Estate Agent survey (March 2011 Fordham Research)

4.5 It is also important to examine the spread of properties within the range of prices available, i.e. to what extent the properties available ‘bunch’ around the median rent level. Figure 4.1 illustrates this. It shows proportionally how much rents deviate from the median level (at 100%) for each property size. The green boxes show the second and third quartiles (the middle 50% of properties) and the black horizontal lines show the first and fourth quartiles.

4.6 Using the measure along the top of the range diagrams in Figure 4.1 it can be seen that across all the property sizes there is substantial differences in the rents (even for the middle 50% of properties). Focusing on the middle 50% of properties, the range of rents available also appears to increase with the size of the property. For example the middle 50% of one bed properties vary from 85% of the median to 108% whilst three bed properties range from 85% to 121% of the median. This can also be seen in the table above as the inter-quartile range of rents increases notably with the property size. Figure 4.1 shows that in all property sizes except for one bed there is greater variance in rents above the median than below the median.

**Figure 4.1 Range of private sector rents in St Albans**



NB The top scale shows percentage of median rent. The red line shows 80% of the median rent (the typical Affordable Rent line). The yellow line shows the new proposed Local Housing Allowance limit of the 30% percentile of the market rent for each size category.

Source: Estate Agent survey (March 2011) Fordham Research.

4.7 Thus although Figure 4.1 shows quite a degree of overlap in the rental prices of the different sizes, for most tenants there is a big difference in the cost of different sizes of property. When the size increases to three-beds, the middle market (the zone within which 50% of the observations lie) is quite wide, suggesting a much wider range of quality. The price of such property will depend on size and the attractiveness of the location, and clearly for three and four bed accommodation this is much wider.

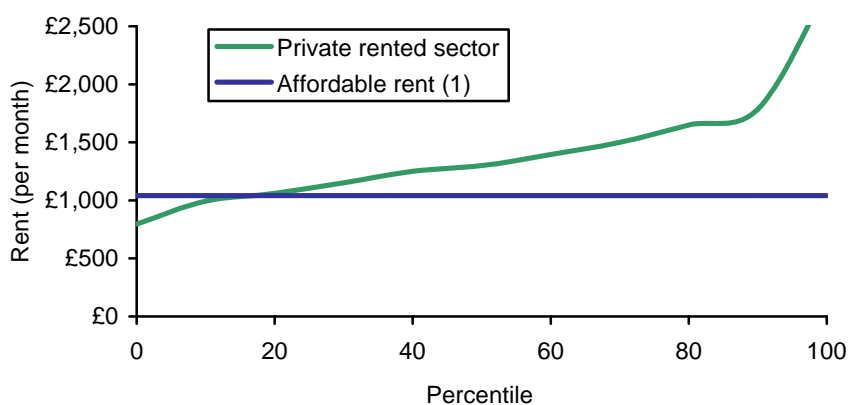
## Estimating the Affordable Rent

- 4.8 Now that the PRS has been outlined we can go on to consider how Affordable Rent will work in practice. This process uses our knowledge of the PRS and the information from the current guidance to model Affordable Rent. However, in practice Affordable Rent may deviate from this model as there is little detail in the Guidance on how Affordable Rent will work and in particular, it will depend on what individual Registered Housing Providers decide to provide. Despite this, it is essential to understand how Affordable Rent may operate to assess to what extent the policy is appropriate for the local housing market and for meeting need.
- 4.9 This model illustrates the way that Affordable Rent is likely to operate from which an in-depth understanding of the implications of adopting Affordable Rent can be gained. These implications are discussed later in the report. This section outlines three different ways that Affordable Rent can be modelled to account for the range of factors that need to be considered.
- 4.10 The three approaches for modelling Affordable Rent will be explained in turn:

### 1) 80% of the PRS: use of overall average rent

- 4.11 Affordable Rent is defined as being 80% of the market value of the property. Therefore we could consider Affordable Rent to be 80% of the median price for that property size. Figure 4.2 shows this. The green curve shows the level of private sector rents across the market (using the data at decile intervals). This illustrates that there is a small low priced end, a larger high priced end and a broad 'plateau' in the centre suggesting similar location/attractiveness across the middle of the market. The blue line shows the Affordable Rent level at 80% of the median figure. Consistent with the red line on Figure 4.1, this falls very close to the bottom of the range: around 80% of the of three bed properties available in St Albans charge rents above 80% of the median value.

**Figure 4.2 Affordable Rent model one for three bedroom properties**

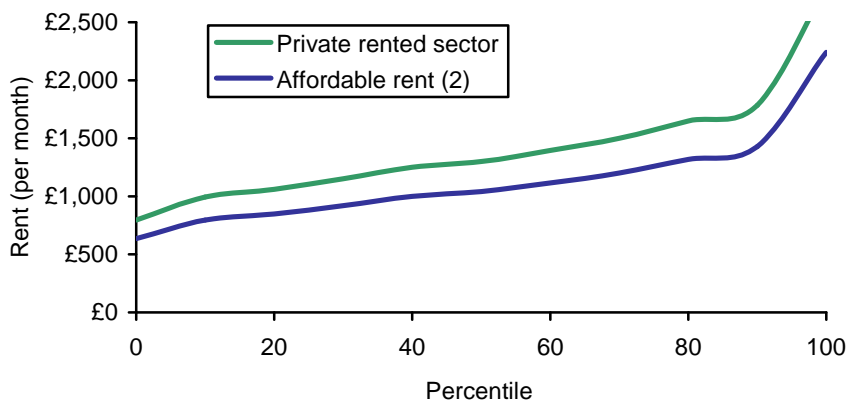


Source: Estate Agent survey (March 2011) Fordham Research

**2) 80% of the entire PRS range: use of moving average**

4.12 However, we know that Affordable Rent, unlike fixed Social Rents, will vary with the market value of each individual property. Therefore Affordable Rent could be modelled as mirroring the private rented sector, offering a range of products and a range of rents, all 20% below the market value. This is illustrated in Figure 4.3. The result is a wide range of 80% figures, across the spectrum of property in the St Albans PRS market. In this model some high-end properties charging Affordable Rents could be more expensive than the median private sector rents for that property size.

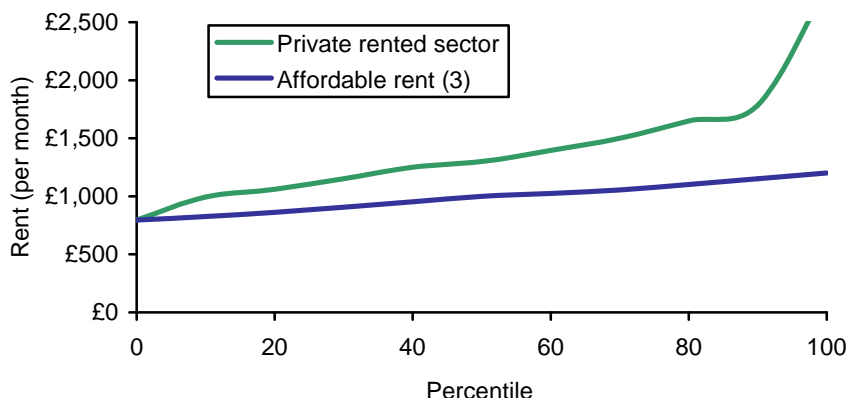
**Figure 4.3 Affordable Rent model two for three bedroom properties**



Source: Estate Agent survey (March 2011) Fordham Research

**3) 80% of the mid-market PRS range: use of mid-market average**

4.13 We believe that a more practical approach is to omit the top and bottom of the market. The top is the luxury end and therefore not appropriate for Affordable Rent, while the bottom end of the PRS is usually of poor quality and therefore not appropriate for a social tenure. A major proportion of the new Affordable Rent units will be built by RPs and therefore to good standards. For these reasons the third approach examines only the middle of the range of the PRS. This is the market Affordable Rent would occupy. The figures above show that the three bedroom PRS in St Albans is very broad and includes properties between the 10th and 70th percentile which represents the middle of the market. (The middle market for one bedroom properties was between the 20th and 80th percentiles, for two bedrooms it was between the 10<sup>th</sup> and the 60<sup>th</sup> and the four bedroom middle market occupied only the 10<sup>th</sup> to 50<sup>th</sup> percentiles). We have therefore taken the middle market PRS range of rents to represent the entire range of Affordable Rents that would be offered by RPs. The figure below shows this (i.e. Affordable Rent as 80% of the equivalent PRS mid-range market level).

**Figure 4.4 Affordable Rent model three for three bedroom properties**

Source: Estate Agent survey (March 2011) Fordham Research

#### **Tabulation of these three options**

- 4.14 Table 4.2 presents results for all three options. For the reasons stated above we believe that the third option gives a better picture of the likely price of Affordable Rent in practice. Method two can be rejected as it overestimated the range of products that would be made available through registered housing providers. However, if providers or developers express an interest in building top-end products for Affordable Rent or Affordable Rent products in sought after areas that the range should be re-considered.

<b>Table 4.2 Affordable Rent levels in St Albans</b>				
	<i>House size</i>			
	<i>One bed</i>	<i>Two bed</i>	<i>Three bed</i>	<i>Four bed</i>
1) 80% of median	£580	£780	£1,040	£1,490
2) 80% of range of PRS	£360 - £800	£600 - £1,160	£720 - £1,600	£960 - £3400
3) 80% of mid-range of PRS	£480 - £635	£635 - £850	£800 - £1,200	£1,200 - £1,500

Source: Estate Agent survey (March 2011) Fordham Research

- 4.15 Table 4.3 focuses upon the figures for option three. As can be seen, there are no gaps between the maximum rent for a property size and the minimum of the next property size. In fact there is some overlap between two and three bedroom properties. This suggests that it represent better value in terms of rent charged to build more low-end three bedroom properties than high-end two bedroom properties. The range in rents is much greater for three and four bedroom properties which will have implications in terms of affordability, as some households will be able to afford the minimum but not the maximum in this range. Overall, the ranges are reasonably compact but reflect reality: in practice Affordable Rent will be built in more and less attractive locations and so the outturn rents will cover a range.

Table 4.3 Affordable Rent ranges for St Albans				
	House size			
	One bed	Two bed	Three bed	Four bed
Minimum	£480	£635	£800	£1,200
Median	£580	£740	£1,000	£1,400
Maximum	£635	£850	£1,200	£1,500
Range	£155	£215	£400	£300

Source: Estate Agent survey (March 2011) Fordham Research

### Affordable Rents and the PRS

- 4.16 Table 4.4 shows the range of Affordable Rents generated in Table 4.3 in comparison with the range of PRS rents shown in Table 4.1. It shows that for one and two bedroom properties the Affordable Rents rates fall below the private rents available. However, for three and four bedroom properties there is more likely to be an overlap between the high-end Affordable Rent products and low-end private sector products, with the maximum Affordable Rent properties close to or higher than the lower quartile private rent. This overlap tends to only occur at the extremes of the market but is much more likely with larger property sizes.
- 4.17 This range of prices should represent the vast majority of Affordable Rent homes that are made available in St Albans under the current policy guidance. However, it is important to note that some properties may deviate from this range. For example, Affordable Rent may exceed this range if newbuild accommodation is built in a highly desirable area or it could fall below the range if a previously Social Rent property in an undesirable area is relet as an Affordable Rent property. But as a general picture we believe that Table 4.4 shows the likely outcome for the majority of Affordable Rent stock.
- 4.18 The final row of the table below estimates the LHA level in St Albans for each property size under the new definition (of the 30th percentile of the PRS market rents). It shows that the entire ranges of Affordable Rents expected under this model will be below the LHA cap.

Table 4.4 PRS rent levels compared to Affordable Rent levels in St Albans				
	House size			
	One bed	Two bed	Three bed	Four bed
<b>PRS</b>				
Maximum	£1,000	£1,450	£2,000	£4,250
Upper Quartile	£785	£1,200	£1,575	£2,500
Median	£725	£975	£1,300	£1,860
Lower Quartile	£625	£880	£1,100	£1,650
Minimum	£450	£750	£900	£1,200
<b>Affordable Rent</b>				
Maximum	£635	£850	£1,200	£1,500
Median	£580	£740	£1,000	£1,400
Minimum	£480	£635	£800	£1,200
<b>Social Rent</b>				
Typical rent	£347	£427	£461	£461
<b>LHA (30<sup>th</sup> percentile in PRS)</b>	£650	£895	£1,150	£1,750

Note: the LHA figures applicable to St Albans have recently (April 2011) been lowered, but since they may vary again over the period to which this study applies the original figures are left in: they only represent a base for comparison.

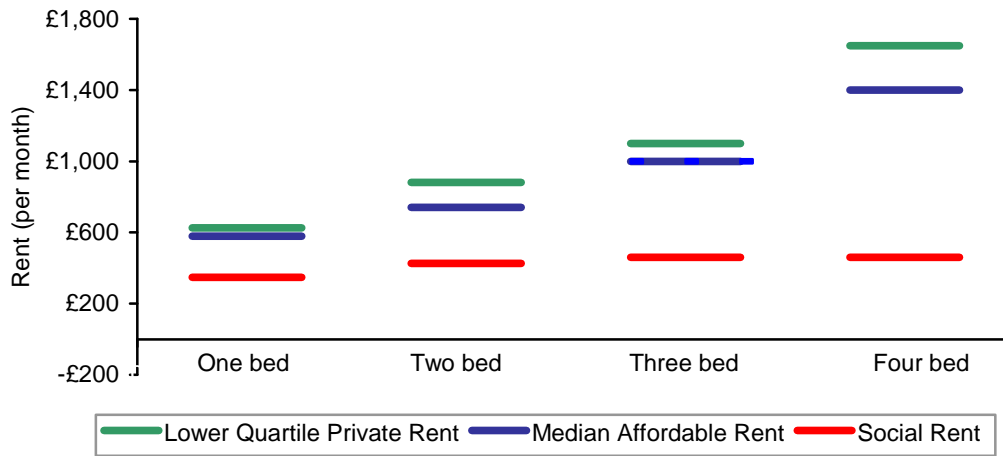
Source: Estate Agent survey (March 2011) Fordham Research.

4.19 Table 4.4 also shows the Social Rent levels in St Albans. The Social Rents are consistently below the entire range of rates for Affordable Rent products. However, the gap between Social Rent and Affordable Rent increases with property size. This can be seen more clearly in Figure 4.5 which shows the gaps between the Social Rent level, the median Affordable Rent level and the lower quartile Private Rented Sector level (considered to be the market entry level rate). This diagram highlights two key implications of the introduction of Affordable Rents:

- i) If the only newly available social tenure is Affordable Rent, this means a significant increase in the previous Social Rents available however these will largely remain below open market levels.
- ii) The gap between Social Rent and Affordable Rent increases substantially with property size increases.



**Figure 4.5 Affordable Rent: Third rent approach for three bedroom properties**



Source: Estate Agent survey (March 2011) Fordham Research

4.20 Having established a broad range of price for the Affordable Rent product, we go on in further chapters to consider what types of household may be able to access it.

## 5. Affordable Rent at what price?

### Introduction

- 5.1 Affordable Rent is defined as a social tenure, and is intended to be the modern alternative to Social Renting. It is designed for those on the Housing Register (the old Waiting List), but is addressed to those on higher incomes on the Register as well as those in housing need.
- 5.2 This chapter provides an assessment of the potential numbers of households who could access Affordable Rent housing at different rent levels.
- 5.3 Two groups of households from the 2006 survey can assist in such an assessment. Households on the Housing Register provide an insight into those on the waiting list; however, the total size of the sample is rather small, in part because only households expecting to move in the next two years are included. The number in the sample of households found to be in need is rather larger and this group is felt to provide a more reliable picture of those households who are prospective tenants of the new tenure.
- 5.4 In carrying out the assessment we have used the traditional '25% of income on housing' test, rather than a higher one. This is because for households on low incomes, as those in housing need mainly are, anything much higher than 25% of income on housing leaves very little to live upon.
- 5.5 In order to provide the assessment we first need to consider the rent levels at which Affordable Rent dwellings could be come available.

### Rent levels

- 5.6 The rent level used for this analysis is the third method discussed in Chapter 4, and whose figures are illustrated in Table 5.1.
- 5.7 The monthly rent levels which result from using proportions of 80% (the ceiling) downwards are shown in Table 5.1 below. In St Albans, as can be seen from the figures in the table, a 50% proportion for Affordable Rent is very nearly down to the Social Rent level for 1 and 2 bed properties.

Table 5.1 Monthly rental figures				
	Bedrooms			
	One	Two	Three	Four
Lower Quartile Private Rents	£625	£878	£1,100	£1,650
Affordable Rent at 80%	£580	£740	£1,000	£1,400
Affordable Rent at 70%	£508	£648	£875	£1,225
Affordable Rent at 60%	£435	£555	£750	£1,050
Affordable Rent at 50%	£363	£463	£625	£875
Social Rent of median market rent	£347	£427	£461	£461

Note percentages are of median market rent

Source: Estate Agent survey (March 2011) Fordham Research.

### Affordability of Affordable Rent for households in housing need

5.8 The table below illustrates how many households are able to afford different kinds of affordable housing products. The table shows the net number of additional households in need who can afford Affordable Rent at each successive step down from 80% to 50%, the latter being virtually the same as a Social Rent for 1 and 2 bed properties.

5.9 So, for example, in Table 5.2. it can be seen that although only a modest number of households in need can afford at 80% of median market rent, an additional 272 (households per annum) can afford Affordable Rent if the percentage is set at 70% of median market rent.

5.10 Tables 5.3 and 5.4 show the same figures by bedroom size in absolute numbers and percentages. It can be seen that, across the three tables:

- about one third of households in need can afford Affordable Rent if the threshold is set as low as 50% of median market rent, nearly at the Social Rent level, but some 15% of those in need can still afford Affordable Rent if the percentage is lowered to 70%
- about half of the 2,323 households in gross need require one bed accommodation and most of the rest require two-beds. Only relatively small numbers require three and four bed accommodation
- sharply varying proportions of each bed size are unable to afford anything without LHA. The majority (60%) of those requiring one bed depend on LHA, 70% of two-beds, and 80% of three bed requiring households in need depend on LHA. But only 28% of four bed households require LHA, and that can be seen to be because a large proportion of them (38%) can afford Social Renting. This is the only case where Social Renting captures a large proportion of those below the 50% of median market rent.

Table 5.2 Affordability of households in need (annual)

<i>Product type</i>	<i>Number of households</i>	<i>Proportion of households</i>
Affordable Rent at 80%	82	3.5%
Affordable Rent at 70%	272	11.7%
Affordable Rent at 60%	217	9.3%
Affordable Rent at 50%	179	7.7%
Social Rent	89	3.8%
Households that require LHA to afford anything	1,486	63.9%
<b>Total</b>	<b>2,323</b>	<b>100.0%</b>

Note percentages are of median market rent

Source: St Albans Future Housing Targets, Fordham Research 2011.

Table 5.3 Detailed breakdown of size and type of Affordable Rent home required by those in need (households)

	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Affordable Rent at 80%	68	1	7	6
Affordable Rent at 70%	221	15	27	10
Affordable Rent at 60%	115	85	2	14
Affordable Rent at 50%	100	67	5	6
Social Rent	0	33	15	40
Households that require LHA to afford anything	691	551	214	30
<b>Total</b>	<b>1,194</b>	<b>752</b>	<b>271</b>	<b>106</b>

Note percentages are of median market rent

Source: St Albans Future Housing Targets, Fordham Research 2011.

Table 5.4 Detailed breakdown of size and type of Affordable Rent home required by those in need (percentage)

	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Affordable Rent at 80%	5.7%	0.2%	2.6%	5.5%
Affordable Rent at 70%	18.5%	2.0%	9.9%	9.1%
Affordable Rent at 60%	9.6%	11.3%	0.9%	13.5%
Affordable Rent at 50%	8.4%	8.9%	1.9%	6.1%
Social Rent	0.0%	4.4%	5.7%	37.6%
Households that require LHA to afford anything	57.8%	73.2%	79.0%	28.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note percentages are of median market rent

Source: St Albans Future Housing Targets, Fordham Research 2011.

## Households on the Register, including those in need

- 5.11 As can be seen from Table 5.5, very few of the households on the Register can manage Affordable Rent at 80%. These are the main target of the policy, so this is not encouraging for retention of the 80% threshold. But going down to 70% improves the situation markedly: it produces the biggest step gain of the series shown.
- 5.12 It must be borne in mind that, due to a limitation of the household survey questionnaire, the households on the Register are only those who had indicated a need to move, not all of those on the Register. However there is a big enough sample to produce useful indicative results.
- 5.13 The true total on the Register as of April 2011 is some 2,256, with a further 518 on the Transfer List. As can be seen from the table below, this is about twice the total on the register at the time of the DCA update in 2006. The pattern is different from that of the households in need: it is not so concentrated upon one-bed households, though one- and two-bed households do make up the majority of the total. Nor does this group show any big requirement for social tenure among the four-bed households, as the housing needs households did.

**Table 5.5 Affordability of households on register (HNS 2002)**

<i>Product type</i>	<i>Number of households</i>	<i>Proportion of households</i>
Market housing	248	18.8%
Affordable Rent at 80%	7	0.5%
Affordable Rent at 70%	146	11.0%
Affordable Rent at 60%	45	3.4%
Affordable Rent at 50%	31	2.3%
Social Rent	34	2.6%
Households that require LHA to afford anything	807	61.2%
<b>Total</b>	<b>1,317</b>	<b>100.0%</b>

As noted above, the figure for the Register is only for households who indicated a desire to move, not all households on the Register.

Source: St Albans Future Housing Targets, Fordham Research 2011.

**Table 5.6 Detailed breakdown of size and type of Affordable Rent home required by those on register (households)**

	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Market housing	93	130	3	22
Affordable Rent at 80%	7	0	0	0
Affordable Rent at 70%	146	0	0	0
Affordable Rent at 60%	0	32	12	0
Affordable Rent at 50%	0	31	0	0
Social Rent	14	0	21	0
Households that require LHA to afford anything	257	298	193	58
<b>Total</b>	<b>516</b>	<b>492</b>	<b>229</b>	<b>80</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

**Table 5.7 Detailed breakdown of size and type of Affordable Rent home required by those on register (percentage)**

	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Market housing	18.0%	26.4%	1.3%	27.7%
Affordable Rent at 80%	1.4%	0.0%	0.0%	0.0%
Affordable Rent at 70%	28.2%	0.0%	0.0%	0.0%
Affordable Rent at 60%	0.0%	6.6%	5.3%	0.0%
Affordable Rent at 50%	0.0%	6.2%	0.0%	0.0%
Social Rent	2.6%	0.0%	9.1%	0.0%
Households that require LHA to afford anything	49.8%	60.7%	84.3%	72.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

### All other households: not in need and not on the Register

- 5.14 This group are not eligible for Affordable Rent and so are shown for background interest only. It can be seen, for instance, that of the 53,000 households not in need and not on the Register, some 8,000 (8,081) cannot afford market housing, and 6,000 (5,917) cannot afford any housing without use of LHA. This is because over half of these households (4,500) are already resident in the Social Rented sector and another 2,300 live in the PRS (30% supported by LHA). The rest pay very high proportions of their income on housing. The remaining 1,300 of this 8,000 includes owners in negative equity or those who have bought a home at less than the entry level price.

5.15 The pattern of size is more like that of housing need than those on the Register: a major concentration upon one-beds: some 64% of all households in this group. This will, among other things, reflect the number of older people involved. It is notable, from Table 5.10, that very few of them require LHA. That is reassuring, as their eligibility for it would be questionable.

Table 5.8 Affordability of other households		
<i>Product type</i>	<i>Number of households</i>	<i>Proportion of households</i>
Market housing	45,011	84.8%
Affordable Rent at 80%	233	0.4%
Affordable Rent at 70%	343	0.6%
Affordable Rent at 60%	457	0.9%
Affordable Rent at 50%	668	1.3%
Social Rent	464	0.9%
Households that require LHA to afford anything	5,917	11.1%
<b>Total</b>	<b>53,092</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

Table 5.9 Detailed breakdown of size and type of Affordable Rent homes required by other households (households)				
	<i>Bedrooms</i>			
	<i>One</i>	<i>Two</i>	<i>Three</i>	<i>Four</i>
Market housing	28,495	10,097	5,371	1,048
Affordable Rent at 80%	133	16	72	11
Affordable Rent at 70%	222	101	14	5
Affordable Rent at 60%	236	205	15	0
Affordable Rent at 50%	366	83	203	16
Social Rent	230	17	149	69
Households that require LHA to afford anything	4,234	1,158	443	82
<b>Total</b>	<b>33,915</b>	<b>11,678</b>	<b>6,268</b>	<b>1,231</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

5.16 Table 5.9 shows the size profile actually required by the household population of St Albans. It shows a major element of one bed dwellings. It does not, in the case of market housing, involve a demand test. The results can be compared with Table 8.12, which shows the size profile based on analysis of household behaviour and ability to afford. As will be seen, the latter shows a preponderance of three- and four-bed dwellings. This shows what the housing market actually produces.

Table 5.10 Detailed breakdown of size and type of Affordable Rent homes required by other households (percentage)				
	Bedrooms			
	One	Two	Three	Four
Market housing	84.0%	86.5%	85.7%	85.1%
Affordable Rent at 80%	0.4%	0.1%	1.2%	0.9%
Affordable Rent at 70%	0.7%	0.9%	0.2%	0.4%
Affordable Rent at 60%	0.7%	1.8%	0.2%	0.0%
Affordable Rent at 50%	1.1%	0.7%	3.2%	1.3%
Social Rent	0.7%	0.1%	2.4%	5.6%
Households that require LHA to afford anything	12.5%	9.9%	7.1%	6.7%
<b>Total</b>	100.0%	100.0%	100.0%	100.0%

Source: St Albans Future Housing Targets, Fordham Research 2011

### Effect of relets and newbuild

5.17 We understand from the Council that the figures for relets are:

2009/10      325

2010/11      320

5.18 There is no exact data on the split between RSL/RP and Council but it is likely that about 20% of the relets are from RSL/RPs. If we look at the combined relets and newbuild, which is the absolute maximum that could be converted to Affordable Rents the figure is:

$320 + 74$  (para 7.37) = 394 units per annum

5.19 This provides an indication, if all relets and newbuild were converted to Affordable Rent, of the overall numerical requirement.

### Scope for Affordable Rent: what percentage discount?

5.20 Going back to Table 5.5: households on the Register, we can consider the level at which Affordable Rent might be set in St Albans. We know that this table contains only part of the Register: households who expressed a desire/need to move, we can infer the totals from the actual Register figures.

5.21 Just under 20% of the households on the Register could affordable market housing, and so perhaps would be candidates for Shared Ownership products. Only a small fraction (0.5%) could afford 80% of market rent.



5.22 The figures in Table 5.5 would suggest that even by lowering the threshold to 50% it would not be possible to achieve 394 households able to afford Affordable Rent without using LHA. But we know that this is an underestimate, since it only includes households wanting to move. If we take the proportions able to afford given discounts below 80% and apply them to the known total on the Register (2,256) a better indication is provided. Taking those over 60% of median market rent, some 14.9 of the households in Table 5.5 could afford this.

5.23 If we apply this to the total:

$$14.9\% \times 2,256 = 336$$

5.24 This is a bit less than the 394 figure shown above as the number who could afford 60% of market rent. But we have to bear in mind that some of these households are likely to be able to afford Shared Ownership, while not all council/RP relets will be re-allocated as Affordable Rent.

5.25 On balance we would therefore suggest 60% of market median rent as the general level of discount to seek for Affordable Rent.

## 6. Generating new affordable dwellings vs. meeting need

### Introduction

- 6.1 One of the key aims of the Coalition policy on affordable housing is to make the much reduced HCA budget go further. Thus Affordable Rent is expected to yield almost 1.5 times the number of new affordable units as compared with Social Renting. That is because the higher Affordable Rents will, when the rent streams are used to raise capital funding through borrowing or securitisation, generate more finance, which can then be used to build more affordable units.
- 6.2 However there is a trade-off. Although it is desirable, in order to meet housing need, that the Affordable Rent level should be set below 80%, this means that the rent flow available to the housing association or developer to secure additional borrowing or funding is shrunk.

### Background

- 6.3 When Grant Shapps, the Housing Minister, announced the introduction of Flexible Tenancies and Affordable Rents on the 12th December 2010 he said:

*Housing associations will be able to let an Affordable Rent property (whether a converted void or newbuild) at up to 80 per cent of market rent for an equivalent property for that size and location.*

- 6.4 The reason for this was the massive cuts in the Homes and Communities Agency's budget. It has declined from over £8.4 billion to less than £2.5 billion. The hope and objective of Affordable Rents is that by charging higher rents the affordable housing developers would require less grant and subsidy and thus the development of affordable housing would therefore fund itself. The theory being that if the developer could charge a higher rent then it can borrow more money to finance the construction and development process.
- 6.5 Much of the rest of this report covers whether the Flexible Tenancies and associated Affordable Rent have a place in meeting the housing requirements of those households in housing need and on the housing register however it is useful to consider some of the financial issues behind development and look at how high the Affordable Rent actually has to be to make up the shortfall in grant due to the cutting of the HCA budget.

- 6.6 Flexible Tenancies will be able to be granted for more than just newbuild properties. Some of the relets will be able to be at Affordable Rents rather than Social Rents. The extra income from the relets going to fund further development.
- 6.7 These changes have caused considerable uncertainty within the affordable housing sector. The lack of grant – and the fact that there is little prospect of grant being available in significant amounts for the foreseeable future means that some Housing Associations are now considering Stock Market listings. Traditionally the development of affordable housing has been dominated by not-for-profit organisations and grant has been restricted to them. The HCA is now encouraging a greater diversity of providers – including conventional ‘for profit’ developers.

### Current Grant Funding

- 6.8 For many years the HCA and Local Planning Authorities (LPAs) have aspired to ensure that affordable housing is delivered without grant. When LPAs have negotiated with developers during the planning process about the number and type of affordable housing to be provided through the s106 agreement and planning conditions, the initial basis of those discussions has been that the affordable units would be made available without any grant.
- 6.9 The reality has been rather different with the developer either transferring the serviced land for affordable housing to the Private Registered Provider (RP) for no cost or the RP purchasing the completed units from the developer with grant assistance from the HCA.
- 6.10 The amount of grant paid by the HCA has been assessed project by project depending on that site’s financial characteristics. Typically the grant within London is about £60,000 per unit. Outside London it is about £35,000 per unit and in the rural areas where the costs of development tend to be higher around £42,000.
- 6.11 The aim of the extra income from Affordable Rents is to replace this grant. The RP will be able to service new borrowings to make up the gap in grant. The funding available to subsidise Affordable Housing is going to be massively reduced and restricted to very few schemes – Affordable Rents are the ‘only show in town’ for now.

### Development economics of Affordable Rents

- 6.12 The economics of development is very simple. Either the income from a development exceeds the costs and a profit is generated or the costs exceed the income and a loss arises. The equations is:

**Gross Development Value**  
(The combined value of the complete development)

LESS

**Cost of creating the asset, including a profit margin**  
(land + construction + fees + finance charges)

=

**Profit or Loss**

- 6.13 In the development of affordable housing for rent the value of the development is the worth of the income that the completed let unit will produce. This is the amount an investor or other RP would pay for the completed unit. This will depend on the amount of the rent, the cost on managing the property (letting, rent collection, repairs etc) and other uses to which it may be able to be put to at some time in the future. If for example the unit could be sold on the open market in the future then a buyer may be willing to pay more to take into account the long term value (known by valuers as the reversion).
- 6.14 As noted in Chapter 1, the HCA has published 2011-15 Affordable Homes Programme – Framework. This contains the ‘rules’ and guidance around Flexible Tenancies and Affordable Rents. It is quite a brief document so some areas are not perfectly clear. It says
- 3.24 There will be a presumption that new Affordable Rent properties which receive funding under the new programme **will be permanently available for letting**. Flexible tenancies have been introduced to meet the differing needs of prospective tenants – but the homes themselves are expected to be available to meet need over the long-term, and it is on that basis that funding will be made available. We recognise that circumstances may change over time and any future disposal of properties will require TSA consent in the usual way, including consultation with the relevant local authority.*
- 6.15 Based on this we know that the reversionary period is worth no more as the new property can only be used for Affordable Rent. It should be noted that this only appears to apply to new properties and not relets.
- 6.16 What is the rental stream worth – either to the RP or to somebody else? There are two aspects to this.
- i) How much additional borrowing the additional income from the Affordable Rent income will support.
  - ii) What a unit let on Affordable Rent is actually worth.
- 6.17 This figure obviously depends on the level at which Affordable Rent is set.

- 6.18 We have next to consider how RPs raise their money for building housing. RPs operate in the commercial borrowing markets. They have two main sources of finance. They can issue a bond or they borrow conventionally.
- 6.19 When an organisation issues a bond it borrows a large amount of money for a fixed period of time and at a fixed interest rate. Housing Associations that are RPs are registered with the HCA and one has never been allowed to fail – they are in effect guaranteed by the State (although their borrowings do not appear on the national balance sheet). That is to say, if they were to fail the Government would step in and make good the losses. The bond is normally secured on an income stream from a portfolio of Social Rented properties or similar. Traditionally RPs have been well regarded in the financial markets and have been able borrow relatively inexpensively.
- 6.20 Only the larger Housing Associations are able to issue bonds (due to the cost associated with the process) – although there is a movement towards smaller organisations clubbing together to issuing a joint bond.
- 6.21 The conventional borrowing route is simpler and works in the same way as for any commercial organisation trying to borrow money. The financial institution will consider the merits and risks of the project, the income and the security on offer. It will then set the terms to reflect that.
- 6.22 In both bond and the conventional borrowing the actual interest rate will depend on the prevailing interest rates in the capital markets, base rates and the individual circumstances. Typically interest rates are between 5% and 7.5%. The table below illustrates how much income in terms of additional rent per week is required to finance the gap left by the major cuts in HCA grant funding.

Table 6.1 Borrowing leveraged by additional rent

Interest Rate	5.00%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	1,040	7,800	15,600	23,400	31,200	39,000	46,800	54,600	62,400	70,200	78,000	85,800	93,600	104,000
Interest Rate	5.50%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	945	7,091	14,182	21,273	28,364	35,455	42,545	49,636	56,727	63,818	70,909	78,000	85,091	94,545
Interest Rate	6.00%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	867	6,500	13,000	19,500	26,000	32,500	39,000	45,500	52,000	58,500	65,000	71,500	78,000	86,667

Table 6.1 Borrowing leveraged by additional rent														
Interest Rate	6.50%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	800	6,000	12,000	18,000	24,000	30,000	36,000	42,000	48,000	54,000	60,000	66,000	72,000	80,000
Interest Rate	7.00%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	743	5,571	11,143	16,714	22,286	27,857	33,429	39,000	44,571	50,143	55,714	61,286	66,857	74,286
Interest Rate	7.50%													
Additional rent per week	1.00	7.50	15.00	22.50	30.00	37.50	45.00	52.50	60.00	67.50	75.00	82.50	90.00	100.00
Additional rent per year	52	390	780	1,170	1,560	1,950	2,340	2,730	3,120	3,510	3,900	4,290	4,680	5,200
Additional Borrowing	693	5,200	10,400	15,600	20,800	26,000	31,200	36,400	41,600	46,800	52,000	57,200	62,400	69,333

Source: St Albans Future Housing Targets, Fordham Research 2011

- 6.23 In preparing these figures it has been assumed that there will be no additional costs associated with Flexible Tenancies and Affordable Rents relative to Social Rents and that all the additional rent over and above the Social Rent can be used to secure extra borrowing to fund development. This may not in fact be the case as Flexible Tenancies will be for a fixed period so may be subject to voids between tenancies. This reduces revenue and increases costs.
- 6.24 Looking at the 5.5% interest rate it can be seen that to make up a shortfall of £60,000 additional rent of a little under £65 per week is required, to make up a shortfall of £35,000 additional rent of about £37.50 is needed and in the rural situation to make up a shortfall of £42,000 about £45 per week is needed. To set this in context the Social Rent on the property would probably be about £80 per week.
- 6.25 Clearly not all this additional rent needs to come from the home being developed. Some could come from the additional rent generated by relets. If the additional rent from say two relets and one newly developed home were combined then only a third of the weekly increase would be required. Each developer will have to consider its own situation and the locality (i.e. the need and demand for housing and different rental levels) when deciding how to proceed with developments.

### Value of Affordable Rented homes

- 6.26 Regardless of how much additional borrowing an Affordable Rented property is able to fund in terms of interest payments it is unlikely that any financial institution would lend more than the property in question is actually worth. But what is worth? As no Flexible Tenancies have yet been granted and no Affordable Rent charged there is no established market. It is therefore not possible to say with any certainty how the market will approach the valuation of homes subject to this new tenure.
- 6.27 The value can however been considered in the wider context. There are a number of factors that will effect the value. The amount of rent, the costs of managing the home and the returns sought by investors and property owners in the wider market.
- 6.28 The initial rent is important – but so is the way that it changes over time. The HCA's 2011-15 Affordable Homes Programme – Framework says:

*3.9 In order to provide protection and certainty for tenants, providers and funders, the maximum annual rent increase on an Affordable Rent property will be Retail Price Index (RPI) + 0.5%. RPI will be taken as at September of the previous year. Additionally there will be a requirement to rebase the rent on each occasion that a new Affordable Rent tenancy is issued (or renewed) for that property to ensure that the rent remains at no more than 80% of market rent (inclusive of service charges) – this requirement overrides the RPI + 0.5% limit.*



- 6.29 At first sight this appears attractive to the property owner as the rent will always increase a little faster than inflation. This means that even if rents in the private rental market are going down the Affordable Rents will go up. The exception is when the home is relet when the rent will return to a maximum of 80% of the Open Market Rent.
- 6.30 It is likely that the market will consider Affordable Rents to be a product somewhere between Social Rent and Open Market Rent. When considering the worth of assets producing an income, valuers commonly use Years Purchase (YP) to capitalise the rents – i.e. to work out the capital value of an income stream. The capitalisation of rents using the yields and Year's Purchase is widely used by chartered surveyors and others. The Year's Purchase is the factor by which the rent is multiplied to calculate the capital value (calculated at 1/ yield). The lower the yield the higher the value as the income is considered to be of higher quality so an investor is willing to pay more for less income.
- 6.31 Typically Privately Rented investments have YP of 12.5 or so (Yield of 8%). Social Rented units tend to have a lower yield and a YP of 18 or so (Yield of 5.5%). This means that £1,000 of income from Privately Rented homes is worth about £12,500 whilst from Social Rented homes is worth £18,000 or so – some £5,500 more. Investors perceive the Social Rent to be more secure and attractive. The rent is quite low and defaults and voids are less than in the Private Rented market – hence the willingness to pay more.
- 6.32 It is likely that the closer the rent is to a Social Rent then the lower the yield will be and the higher the rent the higher the yield. It will be interesting to see how this is actually treated by the market but there is certainly a logic to this approach. The following table shows how values may vary as rents vary and impact on the YP.

Table 6.2 Variation in the worth of different income levels in St Albans (3 Bedrooms)							
	Open Market Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Affordable Rent	Social Rent
		80%	70%	65%	60%	50%	
Open Market Rent	1,100	1,250					
Affordable Rent		1,000	875	813	750	625	
Social Rent							461
<b>Annual Income</b>	<b>13,200</b>	<b>12,000</b>	<b>10,500</b>	<b>9,750</b>	<b>9,000</b>	<b>7,500</b>	<b>5,532</b>
Yield	8.00%	7.00%	6.50%	6.25%	6.25%	6.00%	5.50%
Years Purchase	12.50	14.29	15.38	16.00	16.00	16.67	18.18
<b>Capitalised Rent</b>	<b>165,000</b>	<b>171,429</b>	<b>161,538</b>	<b>156,000</b>	<b>144,000</b>	<b>125,000</b>	<b>100,582</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

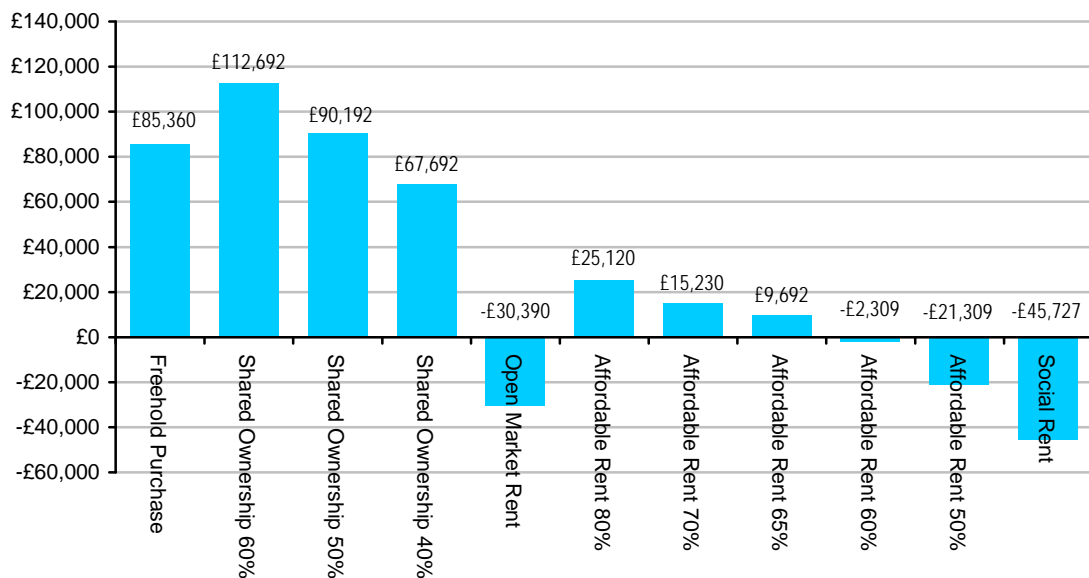
- 6.33 Clearly the setting of Affordable Rents is going to be sensitive – not only to meeting the Need for affordable housing but also relative to its value.
- 6.34 The table above shows the current Market and Social Rents – with a range of alternative Affordable Rents. The cost of developing these affordable units is about £146,000 – assuming land cost of £25,000 per unit and a 17% developers profit (on costs). It should be noted the land cost would be substantially more for Private Rent tenure.

**Surpluses generated in the St Albans context**

- 6.35 Across the spectrum of housing products there is a wide range of surplus generated by development as summarised in the Figure 6.1. This was prepared using the following land prices for St Albans. The assumptions were for land prices at (Market Housing) £100,000 per unit, for PRS at £75,000 per unit and for Affordable Housing at £25,000 per unit. These land values are illustrative of the kind of prices found in St Albans (about £2 million per acre) but is not intended to be literally applied.
- 6.36 All examples used 3 bed units.

**Figure 6.1 Development Surplus by Tenure (3 Bedroom)**

Land for Market Housing at £100,000 per unit, PRS at £75,000 per unit and Affordable Housing at £25,000 per unit.



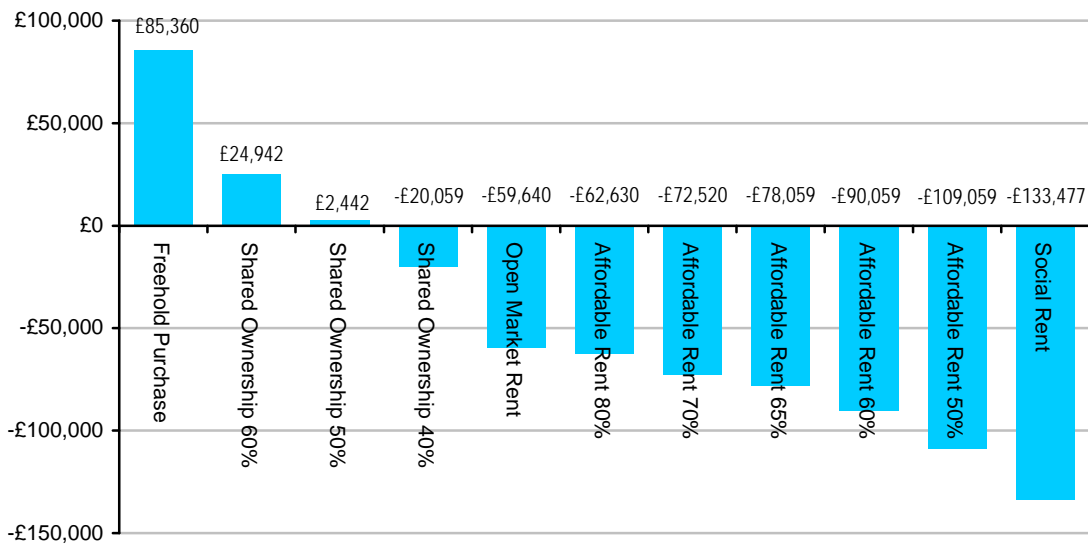
Source: St Albans Future Housing Targets, Fordham Research 2011

6.37 Freehold purchase is clearly profitable, but building for private rent is not (as evidenced by the lack of Build-to-Rent development actually taking place). This is because of the high cost of land and the additional cost of building a property in this scenario. Building Affordable Rent at 60% generates a small loss, but close to breakeven – assuming the land is priced at £25,000 per affordable unit rather than £100,000 per market unit, while social renting, not surprisingly, requires a subsidy.

6.38 If the land is priced at £100,000 per unit for all the units in the scheme shows a very different pattern:

**Figure 6.2 Development Surplus by Tenure (3 Bedroom)**

Land at £100,000 per unit



Source: St Albans Future Housing Targets, Fordham Research 2011

6.39 As can be seen only Market Housing and some Shared ownership housing is affordable – but the reality is that developers and Housing Associations do not pay an open market price for land to develop affordable housing. Hence Figure 6.1 presents the more realistic picture. Figure 6.2 is merely an example of what would happen if a constant land price were used. In practice it would not be.

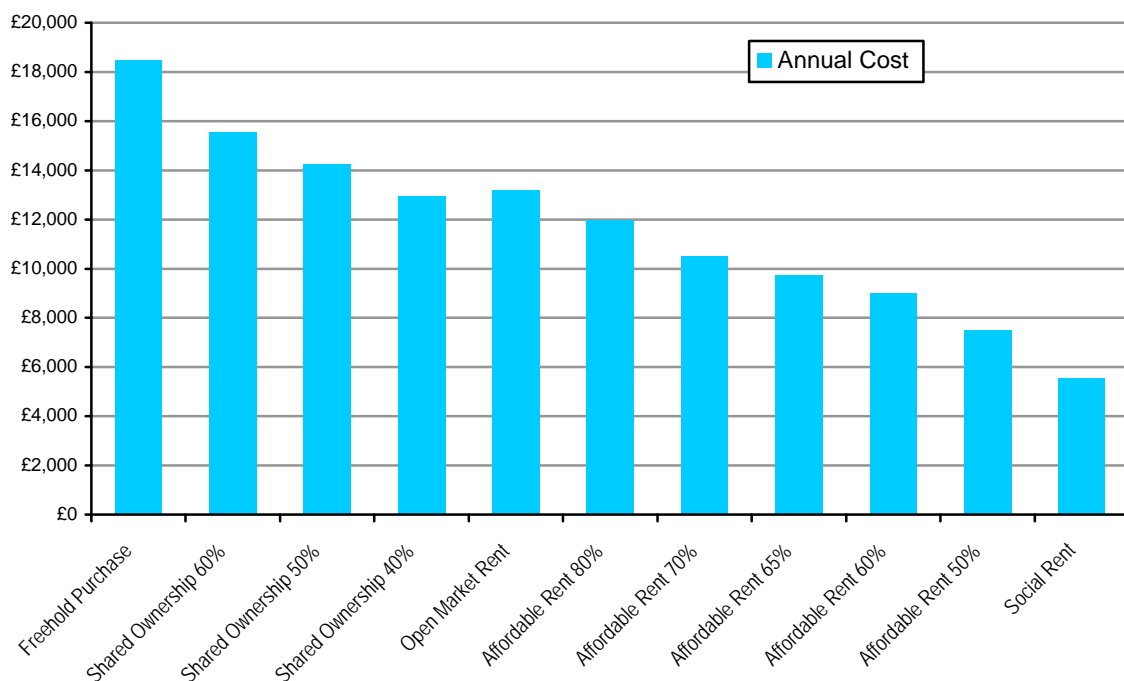
6.40 Using three-beds as the example, the following levels of subsidy are required:

**Table 6.3 Subsidy required for a new 3 bedroom affordable unit at various levels of rent**

<i>Tenure status</i>	<i>Level of subsidy</i>
Affordable Rent at 80% Open Market Rent (OMR)	None
Affordable Rent at 70% OMR	None
Affordable Rent at 65% OMR	None
Affordable Rent at 60% OMR	£2,309
Affordable Rent at 50% OMR	£21,309
Social Rent	£45,727

Source: St Albans Future Housing Targets, Fordham Research 2011

6.41 Another dimension worth noting is the relative costs of occupation of each tenure. Using the same database, Figure 6.3 shows these.

**Figure 6.3 Costs of occupation of each tenure (3 Bedroom)**

Source: St Albans Future Housing Targets, Fordham Research 2011

6.42 As can be seen, in the St Albans situation the most expensive tenure is owner occupation. Shared ownership at 40-50%, the most common variants, is similar to private rental cost. All of the Affordable Rent variants are cheaper to occupy than PRS or shared ownership, though not by much in the case of 80% Affordable Rent.

### What level should the Affordable Rent be set at?

- 6.43 It will be recalled from the end of Chapter 4 that about a 60% discount for Affordable Rent would fill the total of annual newbuild and relets. The analysis of the surplus generated by the discounts also suggests that 60% is the appropriate level at which to set the discount.
- 6.44 It can be seen from Figure 6.1 that all variants of Affordable Rent down to 65% generate a surplus . Given that a 60% Affordable Rent level would help people on the Housing Register the most, and would not generate any significant requirement for grant, we would suggest that 60% is the most sensible level for Affordable Rent.

## 7. Developing future scenarios

### Introduction

- 7.1 To plan for future housing over nearly two decades is clearly a challenging business. It is only necessary to reflect on the recent Credit Crunch, and what that has done to the national housing market, though not the local Hertfordshire one, to see that.
- 7.2 For the purpose of future planning, the well established route is to construct sets of assumptions and develop combinations of them into alternative scenarios. These are then tested using the local data from the household survey plus other secondary sources. This enables as balanced a judgement as possible about targets for future housing.

### Unique moment for target setting

- 7.3 It is notable that this is the first time, in St Albans, that the target has not been 'top down' and set from the regional to the local authority scale. This means that the Council has much more room for choice in terms of the future path of its housing.
- 7.4 St Albans lies in an attractive part of the London commuter belt. By definition there is a lot of commuting to London by households who have chosen to live in the City and District. But St Albans also has its own employment base. Moreover it has a strong household growth path identified in the 2008 ONS based projections.
- 7.5 There is therefore a high demand for both additional housing and employment. However there are also strong constraints on growth derived both from the presence of large areas of Green Belt and the views of local people as expressed in the recent consultation over Strategic Options for growth.

### Relationship between new jobs and homes in the St Albans context

- 7.6 In most circumstances it is important to examine the future prospects for jobs in the context of considering future housing numbers. This is not really the case in the instance of St Albans. The district is located in South Hertfordshire among a series of significant settlements around the periphery of London. The economy is extremely open: as will be seen from the figures discussed later in this chapter there is a high level of both in- and out-commuting to work. There is no clear relationship between a given quantum of new jobs in the South Hertfordshire area, or indeed within St Albans itself, and the number of new homes required.
- 7.7 Unlike many other locations, it is possible, and perhaps desirable, to consider the growth of new housing almost independently of new employment and vice versa. This is for two main reasons:

- i) The demand for both new housing and employment in St Albans is greater than its capacity, given Green Belt constraints etc, to meet. The limit on both housing and employment is provided by space constraints, not by the relationship between homes and employment
- ii) Although there must be concern about the jobs/homes balance within each district within South Hertfordshire, the small distances involved and the already high level of interconnection mean that any imbalance in provision of either homes or employment in one district can be made up by others, or by the large metropolitan area of London to the south

7.8 For these reasons we would suggest that planning for new housing in St Albans should mainly be focussed upon choosing a future target which suits the district, rather than one driven by considerations of employment or other factors.

7.9 Our consideration of scenarios for future housing targets is therefore focussed much more upon the housing factors than on employment ones. We should, however, devote some space to considering the employment situation in the district, as its evolution will have some effects upon new housing. It is also the case that employment change may help to reduce out-commuting and generally lower the amount of travel, which is in itself a valuable objective.

### **The prospective employment situation in St Albans**

7.10 The amount of future employment development is uncertain. This is partly a reflection of the difficulty in finding employment sites in a situation of overall land scarcity and high demand from housing, which can in general outbid employment uses. Only where a site is ring-fenced for employment use, such as if it is allowed as an exception in the Green Belt, is a large scale employment site easy to visualise.

7.11 There are two recent studies of employment in South Hertfordshire. The first comes from a joint analysis of councils in South Hertfordshire: Broxbourne, Dacorum, Hertsmere, St Albans, Three Rivers, Watford and Welwyn Hatfield. The study is '*Hertfordshire London Arc Jobs Growth and Employment Land study* by Roger Tym and Partners, March 2009 (ARC for short)'. The second comes from a recently published study for Hertfordshire County Council: *Hertfordshire Strategic Sites Study* by Regeneris Consulting (2011): HSS for short.

7.12 The ARC study reviews the general economy and then the particular markets for different kinds of employment (industrial/warehouse and office). These are generally labelled 'B' uses (use classes B1-B8), and are distinct from retail, leisure, health and education employment which are differently planned for. The ARC study was written before the announcement to abolish the RSS, and so it pays close attention to the studies and results which were generated by the regional planning process.

- 7.13 The employment spatial strategy for the London Arc (ARC paras 2.25-26) is based on the two principles of preserving the Green Belt and encouraging regeneration and sustainability. This led to the identification of three Key Centres in the districts of Dacorum, Welwyn Hatfield and Watford. None was proposed for St Albans. Tym based their work on a study carried out as part of a new RSS round by Oxford Economics. This used the conventional method of taking forecasts for national employment by sector and then using a 'step-down' approach to apply these forecasts to regional and local authority levels.
- 7.14 The allocation of future employment growth to districts is based on reemployment and population based ratios. A population based ratio is used for 'service' employment including retail, and an employment based ratio for the types of employment studied by Tym in the ARC. The levels of employment used in ARC are affected indirectly by the high housing targets in the RSS housing newbuild assumptions, which became considerably inflated in later years: many districts are now seeking lower targets. This may have an indirect effect on the employment forecasts but not much in the case of St Albans. That is because so little new employment is forecast (as shown by paras 8.34-35 quoted above from ARC). The study goes on to caution against using district level results in this situation:
- 'In general forecasts are more robust the larger the area being considered, and at the level of individual districts can be only indicative. One particular problem is that, to predict a district's share of the regions' employment, the forecasts carry forward past trends in that share. In a district like St Albans, where growth in the past has been constrained by land supply, the forecasts are likely to underestimate potential future demand' (paragraph 7.10).*
- 7.15 The report also points out that the districts of South Hertfordshire contain a number of adjacent employment centres, as well as the overriding London jobs market. In that situation it is even more difficult to provide accurate district level projections.
- 7.16 The issue may also be viewed in the rather artificial light of the ratio of new jobs to new homes. Artificial because the new jobs do not need to be in the same place as the new homes, even if ideally they should be. The East of England ratio for new jobs to new home for the plan period 2001-2021 is 0.82 for the region (paragraph 7.26). By this (quite arbitrary) standard the Hertfordshire Arc as a whole is deficient in jobs: for the same period the ratio of new jobs to new homes is 0.62. Tym do admit that the approach of increasing job allocations to make the two ratios equivalent would be 'unhelpful'. Aside from anything else, the difference in the Arc area would be about 5,000 jobs, which is within the margin of error of calculations ranging over 20 years.
- 7.17 In a situation such as that of St Albans, it may be more sustainable to get on a train to London than to build offices for new jobs within St Albans district which involves net additional car travel. The Oxford Economics preferred forecast was taken by ARC as its basis for planning jobs. It contains the following figures for St Albans. As can be seen, the jobs growth in St Albans is essentially nil.



**Table 7.3 Total Employment, 2006-31, London Arc, Preferred Scenario**

Jobs	2006	2021	2026	2031	Change 06-26	% Change 06-26
Broxbourne	39,938	41,952	42,170	42,399	2,232	6%
Dacorum	68,866	78,104	82,146	87,014	13,280	19%
Hertsmere	48,342	54,163	56,677	59,748	8,335	17%
St Albans	69,587	70,452	69,947	69,408	360	1%
Three Rivers	38,584	40,709	40,962	41,246	2,378	6%
Watford	57,147	61,595	63,564	65,852	6,416	11%
Welwyn Hatfield	72,573	82,233	85,981	90,315	13,408	18%
<b>London Arc</b>	<b>395,037</b>	<b>429,208</b>	<b>441,445</b>	<b>455,981</b>	<b>46,408</b>	<b>12%</b>

Source Oxford Economics

7.18 As can be seen, the base number of jobs for St Albans from this table is:

69,587

7.19 It should be noted that the Oxford Economics figures were 'influenced' by the RSS new dwelling target distribution: for St Albans this is the higher 360 new dwellings per annum figure. This does not seem to have had much effect since, as noted above, the ARC pointed out that in St Albans the past trend of lower job growth affects the future projections in the same direction. The ARC study also considers non B-class employment, as follows:

**Table 7.7 Non-B Employment Change, 2006-26**

	Broxbourne	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	Welwyn Hatfield	Herts London Arc
Agriculture & Extradition	-101	-141	-46	-245	-54	-1	-200	-788
Utilities	-36	-71	-72	-165	-54	0	-278	-676
Non B Construction	137	909	1,085	679	375	279	1,255	4,719
Non B Wholesale & Dist	-106	-137	36	-106	-132	-315	4	-756
Retailing	-554	-353	-64	-742	-104	-1,707	890	-2,634
Hotels & Catering	108	1,776	300	1,034	109	464	1,005	4,797
Non B Transport & Comms	190	-631	-378	-307	315	459	-360	-710
Non B Business Services	1,160	2,155	2,551	655	98	3,212	2,056	11,887
Non B Public Admin	35	36	-108	-59	314	-84	-1	135
Education	514	1,239	978	287	293	1,056	1,424	5,791
Health	251	1,871	1,178	-212	165	-312	2,229	5,169
Other Services - Misc	-296	-107	-557	-625	-516	-371	731	-1,741
<b>Total Non B</b>	<b>1,304</b>	<b>6,546</b>	<b>4,902</b>	<b>193</b>	<b>810</b>	<b>2,681</b>	<b>8,755</b>	<b>25,192</b>

Source Oxford Economics, RTP

7.20 As can be seen, although there are significant growth areas within the St Albans total (hotels and catering) the net effect is again essentially nil.

7.21 ARC identified need for 1 or 2 high quality business parks in Hertfordshire. The study suggested St Albans and Welwyn Hatfield as preferred locations. The HSS study is more recent than the ARC one, and produces different conclusions. Its stance derives from analysis which suggests that Hertfordshire has underperformed in terms of new jobs growth as compared with Cambridgeshire and other surrounding counties. Its approach is to consider potential growth sectors and sites which might cater for them. It focuses upon three sites in St Albans (Figure 6.1 of the HSS):

Building Research Establishment (BRE): this could expand its green technology emphasis within its large existing site

London Road St Albans: this is a greenbelt site with strong commercial potential through its rental values but with 'significant delivery risks', therefore was rejected by the St Albans District Council

Radlett Aerodrome: this is a big site currently the subject of appeals for a Strategic Rail Freight Interchange and is being considered as a possible location for an Eco Park. Its future use is therefore currently uncertain

7.22 St Albans is currently considering whether the Core Strategy should include proposals for a business park in the Green Belt.

7.23 In the case of the 20 year forecasts from HSS, the position is quite different from ARC:

ARC (Table 7.3) 2006-26: total change: 46,408 jobs; in St Albans 360 (1%)

HSS (Table 5-1) 2011-31 total change: (all Herts): 79,300 jobs); St Albans 14,600 (18%)

7.24 Both these forecasts were made within a few years of each other and both use the same model from Oxford Economics. The difference is of course bigger than shown in the paragraph above, as the second row includes all the districts of Hertfordshire and not just the southern ones.

7.25 ARC also produce a total forecast for the 7 council areas of the South Hertfordshire Arc based on total floorspace targets:

ARC Total jobs implied by suggested floorspace targets 2006-26:

46,644 jobs in total; 2,621 in St Albans (6%)

7.26 As can be seen from this summary there are wide variations in the job forecasts for St Albans even using the same economic model. There is certainly a risk in forecasting jobs within one district in a highly interconnected market such as that of South Hertfordshire.

7.27 The model is based on using secondary data only, and has the disadvantages of such models: it cannot consider the interactions of factors like income, housing and employment for individual households. The latter produces the most accurate results as it is based on specific household behaviour and economic data.

7.28 This discussion produces no clear basis for a future job scenario for St Albans. In the light of the above conclusion that homes can be treated as largely independent from jobs in setting future housing targets for St Albans this is quite fortunate: the issue would otherwise be more uncertain. In effect our conclusion is that, in the highly interdependent job market of South Hertfordshire, we can treat housing as largely an independent policy variable, to be decided on the basis of analysis of the housing market and the land use constraints.

### Demographic projections

7.29 The most recently published population projections available at a local level are the 2008-based estimates from the Office of National Statistics (ONS). Unlike the situation in quite a few districts there is no major difference between the 2006 based and 2008 based St Albans projections from ONS. There can therefore be some confidence that they are of the right order.

7.30 Such projections depend to an extent upon assumptions about migration flows into and out of the Council area. This is the main source of difference between projections of different recent dates. It points to the fact that the overall urban system can adjust to whatever levels of newbuild housing occur. They will have an effect upon those migration flows: leading to increased migration to places where more housing is built, as well as where housing is cheaper. The latter is not a clearcut attractor of in-migration.

7.31 That is because there is usually a reason for cheapness: normally in the form of distance from suitable jobs. In that respect St Albans's location is excellent; just outside the London conurbation and surrounded by Green Belt. There will never be 'enough' dwellings in St Albans: its attractiveness guarantees that its dwelling stock will always be in demand.

7.32 The key statistics from the 2008 based projections are set out in Table 7.1.

Topic	2011	2013	2028
2008 based households	56 (2008) implying 58 for 2011	59	69
2008 based natural change (popn)	0.9	0.9	1.0
2008 based all net migration (popn)	0.4	0.4	0.1
2008 gross internal migration: IN (popn)	8.0	8.2	8.7
2008 gross internal migration: OUT (popn)	7.7	7.8	8.7

Source: Office for National Statistics

7.33 As can be seen, these figures imply significant growth for St Albans: some 11,000 new households over the 17 years involved: implying a 19% growth. This is very substantial for an established urban area that is highly constrained by its Green Belt location.

- 7.34 The ONS provides migration figures for population only, not households. As can be seen, most of the growth in St Albans' households shown in the top row comes from natural increase, rather than net in-migration. The two internal (domestic) migration figures are very close to each other, and the net increase is relatively small: 400 people a year at the beginning and only 100 people at the end. But this difference is made up from two large figures: the in and out-migration figures are both about 8-9,000 people per annum. It would only require a small reduction in the inflow of 8,000 persons per annum to produce a major reduction in the overall annual increase of about 650 new households per annum.
- 7.35 The international migration figures are also closely balanced, but much smaller than the internal migration figures: about 1,000 people in and out per annum.

### Commuting

- 7.36 The growth of St Albans is very much based on commuting, mainly to and from London, but also to the other towns in the county. The workforce is highly qualified (51% with NVQ4 and above, as compared with 27% in the East of England and 30% for England: (Draft St Albans Employment Monitoring Report April 2010 Figure 1). Some 51% of the resident workers out-commute, 16% of the total being to Inner London (same source Figure 2). About 6% commute to Outer London and most of the remainder to other Herts districts, outside which only Bedfordshire (4%) is noticeable. From the point of view of in-commuters to work in St Albans the vast majority are from neighbouring Hertfordshire districts, but 10% come from Bedfordshire and 4% from Outer London.
- 7.37 There is, as would be expected, a pattern of higher income residents out-commuting and less well paid in-commuting workers to St Albans. This is the common pattern all round London. The higher paid residents commute in to the centre of the City, and other less well paid commuters come into the district from further out. In the case of St Albans the figures are (from London Commuter Belt (West) SHMA 2008 (ORS):

Resident in area: annual income: £34,096

Employed in area: annual income £28,031`

- 7.38 This is the biggest difference in the sub-region: £6k higher residence based income. In most other districts the workplace based and residence based pay is similar, with Watford being the only other council with a pattern resembling St Albans (but much lower absolute figures: £25k and £31k respectively). Thus St Albans attracts high income residents who commute to jobs in Central London.
- 7.39 The net balance of commuting is given in the Draft Employment Monitoring Report 2010 paragraph 25:

Table 7.2 Balance of commuting in St Albans

Topic	Census 1991	Census 2001
Out- commuting	31,000	33,436
In-commuting	22,560	23,340
Net out-commuting	8,440	10,096

Source: St Albans Future Housing Targets, Fordham Research 2011

- 7.40 Given the low levels of employment generating development in the District since 2001, it seems likely that there will have been an increase in out commuting, but this will not be known definitely until the 2011 census reports are published. The household survey database comes from 2002, only just after the last published census and did not contain questions on commuting.

### Land supply and building rates

- 7.41 There is evidence on employment land supply (Draft Employment Monitoring Report April 2010). This comments that *'there is very little land available for employment development'* (paragraph 7.6). What supply there is, is subject in some cases to re-allocation for housing. The Housing Monitoring Report 2010 demonstrates a nearly 100 dwelling deficit (96 units) in relation to the 5 year land supply (based on a target of 360 dwellings per annum). This small deficit should not be regarded as a problem as additional housing sites will be proposed in the LDF.
- 7.42 There is no formal requirement for a target for employment land, and the Council has not yet set one. This is not surprising in the circumstances summarised by LAHELRL. There is a formal target requirement for new house building, and as it stood in 2010, there was a marginal deficit in meeting it.
- 7.43 The housing land and newbuild position is much more fully detailed. The Housing Monitoring Report April 2010 shows that:
- i) In most recent years over 300 new homes have been built (Table 2).
  - ii) Of the 300 homes built the affordable housing proportion averages 72 units per annum over the period 1994-2010 (Table 12).
- 7.44 The Council's December 2010 Core Strategy consultation pamphlet proposed a target of 250 newbuild homes per annum with 100 of them affordable. The current performance is about 20% affordable rather than 40%. This is because many of the schemes coming forward in recent years were below the 15 dwelling threshold for affordable housing provision, because the affordable housing threshold in the past was higher than 15 dwellings, because the affordable housing percentage target in the past was lower at 25% (currently 35%) and because the Council has not proactively sought affordable housing on Council owned land. The Council has completed an Affordable Housing Development Economics Study (DES) which concluded that in most cases a percentage target of 40% will be viable in the District.

7.45 In practice there is limited scope of major employment development in St Albans. There is obviously a demand for it but may be limited practical scope. The Council has consulted on options for some employment development. The same does not apply to new housing, but the same context of severe restraint due to the Green Belt affects the situation.

### Future scenarios based on likely newbuild levels

7.46 The level of out-commuting has risen significantly, as demonstrated by Table 7.2. However net out-commuting has not changed much, falling between 1981 and 1991 before rising modestly between 1991 and 2001. The 2001 Census shows that the level of out-commuting of all St Albans residents is very close to 50%.

7.47 If the growth in St Albans housing stock can be related to the (limited) information on out-commuting, the following pattern is seen (combining the information in Table 7.1 from information in the Housing Trajectory 2011 and Table 1 of the Housing Monitoring Report 2010). In relation to commuting patterns, there is an emerging pattern of more and more people working from home either on a full or part time basis. This will reduce the impact on the road and rail network per person who is nominally in or out commuting.

Dates	Dwelling completions	Change in out-commuting
1981-1991	5,166	5,620
1991-2001	4,198	2,436
2001-2011 (relying on the Trajectory for the last year)	3,566	na
2011-2021 (from Trajectory)	2,865	na

Source: St Albans Housing Trajectory 2011

7.48 It can be seen from this that the change in out-commuting is about 58% based on 1991 to 2001 newbuild, but 86% based on 1981 to 2001 newbuild. We cannot be sure of the position in the current decade or indeed future decades. Taking the most recent figures about half of the newbuild appears to have been occupied by out-commuters.

7.49 It is also true, from Table 7.2, that in-commuting to work in St Albans grew over the decade 1991 to 2001, but not nearly as much as the out-commuting, and hence the net out-commuting gap rose by 1,500 or so, although net out commuting fell between 1981 and 1991

7.50 In terms of scenarios which are worth considering for future target purposes, the following seems to be the range of choice:

- i) Net changes in jobs: the change in the current level of employment in St Albans during the Core Strategy plan period to 2028 is very uncertain (please see paragraph 7.10 and paragraphs 7.21 to 7.28) and hence it is not considered appropriate to vary the employment total.
- ii) In terms of housing growth, it is clear that 250 new homes per annum is the popular choice from the recent Options Consultation. We should also consider the RSS target of 360 per annum, and for balance, a lower target such as 100 per annum. The aspiration to achieve 100 new affordable dwellings per annum has not been achieved even with 300+ new dwellings being built yearly. Much of course depends on the size of the sites coming forward, and they are often going to be small. We therefore proposed to test 360, 250 and 100 new dwellings per annum.

7.51 The impact on out-commuting over a decade due to the difference between these dwelling growth rates is likely to be (using 60% as the likely ratio based on 1991 to 2001) an increase in out-commuting of:

- 360 new dwellings pa: 2,160 extra out-commuters per decade
- 250 new dwellings pa: 1,500 extra out-commuters per decade
- 100 new dwellings pa: 600 extra out-commuters per decade

7.52 There is also a small implied increase in in-commuting, if other things remain the same, but not enough to become concerned about. The question is: do these levels of additional out-commuting pose problems? There will be a number of impacts on the District as a result of additional housing. The most severe impacts will be on the road network and on existing infrastructure. St Albans has a historic road network which has little potential for physical improvement. The M1 and M25 motorways run through the District and are key routes to and from London; congestion is exacerbated on the St Albans road network when problems arise on these major motorways..

7.53 The Hertfordshire Infrastructure and Investment Study (HIIS) identifies an infrastructure deficit in the District. Any additional housing will result in increased pressure on existing infrastructure facilities such as GP's and schools.

# 8. Long Term projections

## Introduction

- 8.1 This chapter uses the ONS projections and the household survey to generate various scenarios of growth for St Albans. This is done using the scenario discussion at the end of the preceding chapter. The aim is to develop locally adjusted population projections to produce implications for changes in the local housing stock under the different scenarios. This employs our Long-Term Balancing Housing Markets (LTBHM) model.

## The purpose of the Long Term BHM model

- 8.2 It is important to consider newbuild housing from the long-term perspective because there is a lag in the planning system, which means that it is not possible to respond immediately to imbalances between the demand for accommodation and the supply response from the stock currently available. It is therefore desirable to consider the alterations required to the housing stock over the long-term to enable future action to be planned to cater for the prospective changes.
- 8.3 The model described below compares the current housing stock profile with the stock of housing that might be required in the future according to the three employment scenarios, using data from the SHMA household survey carried out in 2008.
- 8.4 The purpose of the LTBHM model is to identify the new accommodation required to adequately house the future population in the Borough and in doing so to improve the housing market balance. This is a long-term goal; however the model is based on the assumption that it is better to move toward that goal than away from it. The information gained in the process on the nature of the imbalances in the market is also likely to be useful for housing and planning policy in both shorter and longer terms.

## Stock vs Flow models of future housing change

- 8.5 The LTBHM is a 'stock' model rather than a 'flow' model. Fordham Research has developed both, but the stock version is the more robust. The stock emphasis means that it deals in totals rather than differences. The outcome is that its results are much more accurate than flow based models. It does not take into account the likelihood that an individual household will move, or consider supply from turnover. That is the approach which generates error to the point of producing results that are more or less meaningless.
- 8.6 Instead, it considers the total stock in the area, and matches this to the stock that would be needed to house every household in the area adequately. It is assumed that the market (and social housing allocation system) will continue to function as now to allocate housing to the appropriate households.



- 8.7 The model projects forward from the current housing circumstances of existing households, so it avoids dealing in an 'ideal' allocation of housing to households. It incorporates the results of existing 'inefficiencies' in the market or allocation system (e.g. under-occupation by households whose children have left home) and assumes that these trends will remain largely unchanged into the future. There are some exceptions to this, intended to reduce the proportion of the population living in housing inadequate for their needs, as explained in the next section of this chapter.
- 8.8 The whole stock approach offers considerable advantages in terms of robustness and statistical reliability over flow-based models which attempts to estimate both likely demand and likely supply. Whether a household will move in the future (even in the short-term) is always subject to uncertainty, particularly in the current rapidly changing housing market; considering the stock as a whole leaves much less room for error.
- 8.9 The Long-term Balancing Housing Markets model developed by Fordham Research also fully integrates future expected demographic changes into the outputs; this is an advantage because when planning newbuild housing it is important to ensure that it is useful not just now but well into the future. Flow models can only predict future household moves for two or three years in advance, and may be heavily influenced by recent short-term trends. By incorporating the best estimates of future household growth for the area from population and household projections, the model here gives the Council an insight into the types of housing that could be useful to residents in the long-term.
- 8.10 It is worth noting that, in the interests of simplicity, and unlike the CLG Housing Needs model (CLG Practice Guidance 2007 Chapter 5) this model does not subtract any estimate of likely newbuild property. As a result, any newbuild housing that is to be (or has already been) constructed from the base date of the research (March 2008 forward) can be counted as contributing to the total requirements produced by the model.

### **Key criterion of the LTBHM**

- 8.11 For the purpose of LTBHM, the housing market is considered 'balanced' if the local population (now or in the future) is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of St Albans. This is determined through responses to the household survey. The procedure is summarised in the table below:

Table 8.1 Basis for assessment of the suitability of housing

A household is considered adequately housed currently unless:

- (i) They are in unsuitable housing (as defined by CLG Guidance) and cannot resolve this unsuitability without moving to a different property
- (ii) Their property is overcrowded (according to the bedroom standard)
- (iii) They are living in ordinary housing when they state that they need to live in sheltered, supported, extra care or other similar specialist housing

In each of these cases the household is allocated to a property with characteristics more suitable for their needs, of a different size, type or tenure.

Also if a household plans to move soon because it is unsuitably housed (for reasons of size, cost, type or tenure) it is 'moved' to a dwelling that would remove the problem.

Some further adjustments are also made to remove over the long-term any undesirable elements of market imbalance that exist currently:

- (iv) Households living in Social Rented accommodation that can afford market or intermediate accommodation are re-allocated to these tenures to ensure that the stock is being most appropriately and efficiently used.
- (v) Households resident in the private rented sector on Local Housing Allowance (LHA) are assumed to move into the form of affordable accommodation that they can afford (intermediate or Social Rented). The private rented sector on LHA is not an adequate long-term equivalent to affordable housing. There is not the same security of tenure or, as survey data shows, quality of housing within the private rented LHA stock as within most of the Social Rented sector.

It should be noted that adjustment number (v) counts toward the inadequate housing totals. Because of the inclusion of this additional group (and those needing to move from ordinary to sheltered or other specialist accommodation) the numbers are higher than those considered in housing need or in (more narrowly defined) unsuitable housing by the CLG model. The difference between the housing need figure and the LTBHM one based on inadequate housing does not in general require newbuild housing: there should be little difference in that respect. The difference is in the need to adapt or improve the existing housing stock.

Source: Fordham Research 2010

## Implied requirements for change in St Albans

- 8.12 The table below shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The table shows that some 11.8% of households are classified as inadequately housed currently. Lone parent households are the household group least likely to reside in adequate accommodation, with multiple pensioner households the most likely.

Household type	Number inadequately housed	All households	Proportion inadequately housed
Single pensioners	846	8,159	10.4%
2 or more pensioners	299	7,287	4.1%
Single non-pensioners	1,453	8,760	16.6%
2 or more adults – no children	1,683	17,680	9.5%
Lone parent	975	3,297	29.6%
2+ adults, 1 child	709	5,044	14.1%
2+ adults, 2+ children	832	7,574	11.0%
Total	6,798	57,800	11.8%

Source: St Albans Future Housing Targets, Fordham Research 2011

## The meaning of LTBHM model outputs

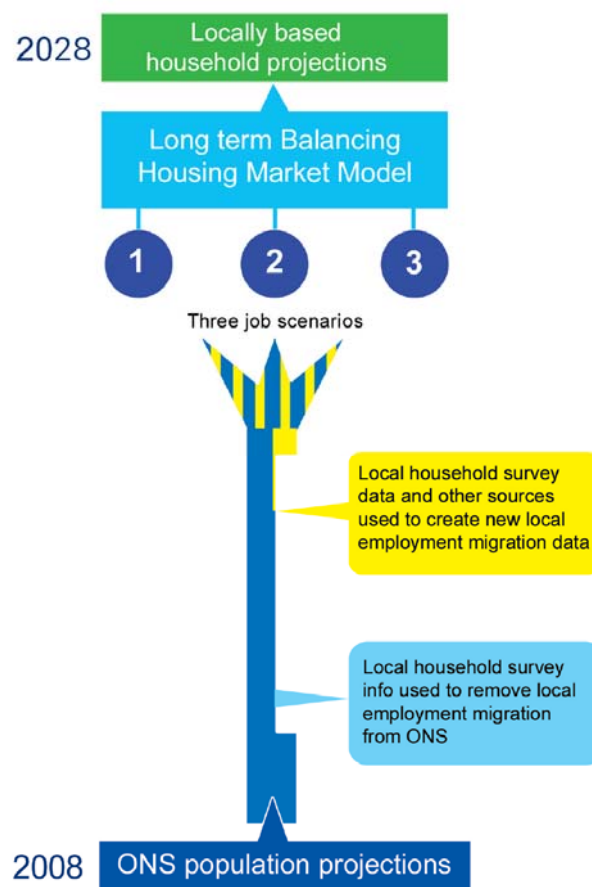
- 8.13 The results of the model show the additional types and sizes of housing required by 2028. They focus on the mix of housing that would be required in 2026 assuming that the ONS projections are correct, and that households continue to require similar types of housing to what they require now. This seems reasonable: tastes change, but households of given size and financial capacity require much the same type of housing as they did 18 years ago, and we are forecasting the position 18 years hence.
- 8.14 The outputs presented here are not policy recommendations in themselves; but an intermediate stage on the way to policy. For policy purposes they must be viewed in conjunction with other information. Due to economic constraints, it is not always possible to address housing problems immediately: short-term priorities may sometimes differ from long-term aspirations. This issue is addressed in more detail in the last section of Chapter 5, in relation to varying affordable targets.
- 8.15 The model provides longer term objectives as to mix of tenure and size of dwelling. The analysis is carried out at the District level. Clearly there are many neighbourhoods within any district which require different treatment. This has to be borne in mind when considering the figures which follow: they are broad brush ones at the District level, rather than a template for more specific localities within it.
- 8.16 As a footnote, it is worth pointing out that negative figures in a given cell do not imply a requirement for demolition. All that they mean is that there is a surplus of that particular type and size of dwelling.

8.17 With that summary explanation, the following tables provide the outputs for the three job-led scenarios.

### Modelling approach

8.18 The LTBHM is applied to a modified set of ONS projections, combining them with the household survey data. We have combined elements of ONS population projections with major elements of the household survey and other information to produce a local population and household projection. This can then be fed into a long-term housing market model to produce housing requirement figures. The process is illustrated by the diagram below:

**Figure 8.1 Structure of the approach**



Source: Fordham Research (2010)

8.19 The basic method is to modify the ONS population projections by removing the existing component of employment-related migration, and replacing it with a component based on local employment projections.

## The ONS projections used

8.20 These are the ONS 2008 based population projections used in Chapter 7.

## Adequacy of the housing stock

8.21 For the purpose of this model, the housing market is considered balanced if the local population is adequately accommodated. It is therefore initially appropriate to assess the adequacy of the current accommodation to house the residents of St Albans. This is determined through response to the household survey. Table 8.2 provides the data for St Albans.

8.22 A household is considered currently adequately housed unless the household has indicated that they need to move home now because the accommodation is inadequate for the household. This is ascertained from the reason cited for the household moving. Households whose moves are caused by the accommodation size, cost and services available within it being currently unsuitable for the resident are considered to be inadequately housed and to require alternative accommodation. The type, tenure and size of dwelling these households expect to achieve when they move are presumed to represent the nature of the accommodation that they require.

8.23 Some further adjustments are also made to remove over the long-term undesirable elements of market imbalance that exist currently:

- Households that are overcrowded are assumed to require a property large enough for overcrowding not to take place.
- Households resident in unsuitable housing (as defined by CLG for the purposes of the model in Chapter 5) and who cannot solve that unsuitability without moving (e.g. the housing costs are too high) are assigned to a tenure that they can afford according to the Practice Guidance affordability test.

8.24 The table below shows the proportion of each household type currently requiring alternative accommodation in order to be adequately housed. The table shows that some 7.8% of households are classified as inadequately housed currently. Lone parents are the household group least likely to reside in adequate accommodation, whilst households containing pensioners are least likely to be inadequately housed.

## Long Term BHM: choice of scenarios and base data

8.25 The following tables present the LTBHM results for St Albans. They are arranged in a series:

- i) Scenario 1: Housing to meet the ONS full projected population for 2028
- ii) Scenario 2: Housing to meet 360 new dw per annum

- iii) Scenario 3: Housing to meet 250 new dw per annum
- iv) Scenario 4: Housing to meet 100 new dw per annum

8.26 The headline tables showing total numbers and tenure breakdown are shown in all cases, but the size breakdown by tenure group is shown only for Scenarios 1 and 3, to keep the number of tables within bounds.

8.27 In the Long Term BHM tables which follow, the ability to afford different tenures has been set out. Where the households cannot, without subsidy, afford any tenure, they are put under the general rubric:

LHA.

8.28 This covers those in both social and private rented (and Affordable Rented in due course) who can only live in this tenure with the aid of LHA.

8.29 The base number of dwellings in St Albans can be stated as:

2001: 52,300 (SHMA (London Commuter Belt West) Figure 16(b))

2001-2011: 3,566 (St Albans Housing Monitoring Report 20010

Total: 55,866 dwellings

8.30 According to ONS (reported in Table 7.1) there were 56,000 households in St Albans in 2008, and by interpolation, just under 58,000 in 2011. That means, assuming that there are about 2-3,000 dwellings vacant or owned by households who already own a house in St Albans or who live elsewhere.

8.31 Before providing the scenario outputs we give the current pattern of tenure (which of course excludes Affordable Rent) and also the 'ideal' tenure pattern for 2028 assuming ONS projections. The latter also assumes that all unsuitable housing is removed by newbuild where necessary and moving within the stock where not.

Table 8.3 Current 2011 tenure profile		
<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	49,526	85.7%
Shared Ownership	147	0.3%
Social rented	3,741	6.5%
LHA (both private and social rented)	4,386	7.6%
Total	57,800	100.0%

Total households as per 2011 interpolation from ONS

Source: St Albans Future Housing Targets, Fordham Research 2011.

**Table 8.4 Ideal tenure profile in 2028**

<i>Tenure</i>	<i>Number of households</i>	<i>Percentage of households</i>
Market	57,613	83.5%
Shared Ownership	321	0.5%
Affordable Rent	1,408	2.0%
LHA	9,658	14.0%
<b>Total</b>	<b>69,000</b>	<b>100.0%</b>

Total households from ONS 2008 based projection for 2028

Source: St Albans Future Housing Targets, Fordham Research 2011.

- 8.32 The Ideal tenure pattern shows Affordable Rent subsuming all Social Rented housing except that required by households dependent on LHA. The latter could be accommodated within the Social Rented tenure, the private rented sector or, indeed, Affordable Rent. However we have taken it that Affordable Rent is primarily intended for those who can afford to pay for it.
- 8.33 It is easy enough to go further, if desired, and simply add the entire LHA row into the Affordable Rent one. This would imply that 16% rather than 2% of the future households (if the ONS projections were realised) would be in Affordable Rent.

### **Scenario 1: the full ONS projection for 2028**

- 8.34 Table 8.5 sets out the results. They are the same as for the 'ideal' projection above. The reason for this is that if the ONS projections depicted a realistic outcome, we would work on the ideal outputs to make them more realistic in various ways, adjusting to planned building programmes etc. But the truth is that the ONS projections provide a quite unrealistic scenario for St Albans's future.
- 8.35 It would require newbuild of some 660 per annum (659 to be exact) which is wildly beyond any target that has been proposed. It would require a level of building which would involve coalescence of some urban areas within the Council area, plus substantial loss of Green Belt land, which of course would be quite unacceptable. It would also add enormously to the strain on the existing overstretched road and other infrastructure. For this reason we have simply set out the ONS projection's implications for completeness, rather than as a practical proposal.

**Table 8.5 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	57,613	8,087	72.2%
Shared ownership	147	321	174	1.6%
Affordable Rent	0	1,408	1,408	12.6%
Social Rented	3,741	9,658	1,531	13.7%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>69,000</b>	<b>11,200</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

- 8.36 The following three tables set out the size implications of Scenario 1. They are not discussed in detail for the same reason as above. It will be noticed that the three bed size for Shared Ownership shows by far the largest figure. This is partly because the sample size is small, and tends to produce exaggerated figures, but also because the existing supply of Shared Ownership is small, and additional demand is from families who require larger units.

**Table 8.6 Size of new market accommodation required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	3,724	5,300	1,576	19.5%
Two bedrooms	11,314	14,667	3,353	41.5%
Three bedrooms	19,543	21,804	2,261	28.0%
Four or more bedrooms	14,945	15,842	896	11.1%
<b>Total</b>	<b>49,526</b>	<b>57,613</b>	<b>8,087</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

**Table 8.7 Size of new Shared Ownership accommodation required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	37	43	6	3.2%
Two bedrooms	25	36	11	6.5%
Three bedrooms	74	223	149	85.7%
Four or more bedrooms	11	19	8	4.6%
<b>Total</b>	<b>147</b>	<b>321</b>	<b>174</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011



**Table 8.8 Size of new Affordable Rent homes required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	0	703	703	49.9%
Two bedrooms	0	156	156	11.1%
Three bedrooms	0	488	488	34.7%
Four or more bedrooms	0	62	62	4.4%
<b>Total</b>	<b>0</b>	<b>1,408</b>	<b>1,408</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

**Table 8.9 Size of new LHA accommodation required in St Albans over the next 17 years (to 2028): Scenario 1**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	3,023	3,879	856	55.9%
Two bedrooms	2,885	3,055	171	11.1%
Three bedrooms	2,142	2,557	415	27.1%
Four or more bedrooms	77	168	90	5.9%
<b>Total</b>	<b>8,127</b>	<b>9,658</b>	<b>1,531</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

## Scenario 2

- 8.37 This is the same as the RSS target. It would add 6,000 or so new dwellings to the stock, and generate about 3,000 extra commuters (representing about a 10% increase as can be seen from Table 7.2). Nor would such a level of newbuild remove the limit on in-migration which any level of newbuild below the ONS implied figure requires. As can be seen from Table 7.1, about 8-9,000 people are forecast to in-migrate to St Albans annually. This scenario, being about half the ONS figure, implies in-migration of around 4,000 instead.

**Table 8.10 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 2 (360 new homes per year)**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	53,371	3,845	62.8%
Shared ownership	147	297	150	2.5%
Affordable Rent	0	1,305	1,305	21.3%
Social Rented	3,741	8,947	820	13.4%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>63,920</b>	<b>6,120</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

8.38 We will consider the merits of the Scenarios 2-4 outputs when we have set them out.

### Scenario 3

8.39 This contains the 250 target as is in the St Albans City & District Council's *Core Strategy Consultation on the Strategy for Locating Future Development in the District (Dec 2010)*. This newbuild rate would generate just over 4,000 new dwellings. In turn this would increase the net out-commuting by about two thirds as much as Scenario 2 would do (ignoring major new employment, which could alter the outcome).

8.40 As can be seen from the third and fourth columns about half of this new housing would be market and about a third of it would be Affordable Rent (set at levels which people could afford). Some 13% of the increase would be of housing whose inhabitants would be dependent on LHA. It can also be seen that about 54% (53.7%) of this additional housing would be market housing, and therefore 46% would be affordable. However as discussed in Chapter 6, the cost of the affordable housing varies a great deal depending on type and price, so that the only thing that can be said for certain is that the social rented and LHA section (558 new homes) would be expensive in terms of subsidy or grant. This, however, only represents 13% of the total new housing required. It is therefore quite possible that the rest of the new housing could subsidise it.

Table 8.11 Tenure of new accommodation required in St Albans over the next 17 years (to 2028): Scenario 3 (250 new homes per year)				
Tenure	Current tenure profile	Tenure profile 2028	Change required	% of change required
Market	49,526	51,810	2,284	53.7%
Shared ownership	147	289	142	3.3%
Affordable Rent	0	1,266	1,266	29.8%
Social Rented	3,741	8,685	558	13.1%
LHA	4,386			
Total	57,800	62,050	4,250	100.0%

Source: St Albans Future Housing Targets, Fordham Research 2011

- 8.41 The following tables show the way that the increases break down by tenure and size mix. Table 8.12 shows that nearly all the market housing required would be one and two bed accommodation: in practice probably two-bed as one bed accommodation is not normally commercially attractive to build. It should be emphasised that this is based on demand patterns shown within the household survey, and is not just an arithmetic calculation. The negative figure for four-beds does not imply that any four bedroom dwellings should be demolished, but simply that they are not needed by the prospective new population. Thus the new population would require the indicated numbers of dwellings of one to three bed sizes and an extra 699 would remain to be occupied by households not predicted to arrive by the ONS projections.
- 8.42 If the proportionate change in the size mix shown in Table 8.12 is examined, it can be seen that the smaller sizes are the ones shown to require an increase. That is because of a historic shortfall in provision of smaller dwellings by the market. This is found in many areas and is in part due to a historic antipathy to market provided flats. However the market demand is likely to result in a demand for smaller dwellings if the locally generated demand is to be met.
- 8.43 The small Shared Ownership newbuild is shown in Table 8.13 to be mainly three-bed. Affordable Rent (Table 8.14) shows a mixed size range mainly across one to three-beds. The LHA requirement is two thirds one bed, but is unspecific as to tenure. If Affordable Rent becomes the main or sole social tenure then the extra dwellings indicated in Table 8.15 would all be Affordable Rent as well as those in Table 8.14.

**Table 8.12 Size of new market accommodation required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	3,724	4,766	1,042	34.9%
Two bedrooms	11,314	13,190	1,876	62.9%
Three bedrooms	19,543	19,608	65	2.2%
Four or more bedrooms	14,945	14,246	-699	0.0%
<b>Total</b>	<b>49,526</b>	<b>51,810</b>	<b>2,284</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

8.44 Table 5.9 showed the size profile actually required by the household population of St Albans. It showed a major element of one bed dwellings. It does not, in the case of market housing, involve a demand test. The results can be compared with Table 8.12 above, which shows the size profile based on analysis of household behaviour and ability to afford. As will be seen, the latter shows a preponderance of three- and four-bed dwellings. This shows what the housing market actually produces.

**Table 8.13 Size of new Shared Ownership accommodation required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	37	38	1	0.9%
Two bedrooms	25	33	8	5.4%
Three bedrooms	74	201	127	89.4%
Four or more bedrooms	11	17	6	4.3%
<b>Total</b>	<b>147</b>	<b>289</b>	<b>142</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

**Table 8.14 Size of new Affordable Rent homes required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	0	632	632	49.9%
Two bedrooms	0	140	140	11.1%
Three bedrooms	0	439	439	34.7%
Four or more bedrooms	0	55	55	4.4%
<b>Total</b>	<b>0</b>	<b>1,266</b>	<b>1,266</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

**Table 8.15 Size of new LHA accommodation required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)**

<i>Dwelling size</i>	<i>Current size profile</i>	<i>Size profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
One bedroom	3,023	3,488	465	66.8%
Two bedrooms	2,885	2,747	-137	0.0%
Three bedrooms	2,142	2,299	157	22.6%
Four or more bedrooms	77	151	74	10.6%
<b>Total</b>	<b>8,127</b>	<b>8,685</b>	<b>558</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

### Scenario 4

- 8.45 This scenario is included simply to show the implications of a very low newbuild programme. As can be seen, it would add less than 2,000 new dwellings, and correspondingly lower net out-commuting increases. But due to the LTBHM's aim of reducing unsuitable housing the result is that hardly any of the new housing would be market (1%) and therefore in terms of cross subsidy to support new affordable housing the 1% of new market housing could not do much.

**Table 8.16 Tenure of new accommodation required in St Albans over the next 17 years (to 2028) scenario 4 (100 new homes per year)**

<i>Tenure</i>	<i>Current tenure profile</i>	<i>Tenure profile 2028</i>	<i>Change required</i>	<i>% of change required</i>
Market	49,526	49,680	154	9.1%
Shared ownership	147	277	130	7.6%
Affordable rent	0	1,214	1,214	71.4%
Social rented	3,741	8,328	201	11.9%
LHA	4,386			
<b>Total</b>	<b>57,800</b>	<b>59,500</b>	<b>1,700</b>	<b>100.0%</b>

Source: St Albans Future Housing Targets, Fordham Research 2011

### Review of the scenarios

- 8.46 The outcome of this analysis of future scenarios covering a wide range of dwelling totals can be summed up as follows:

**Scenario 1** would involve serious damage to the Green Belt and other planning aims and it cannot be seen as a practical outcome for St Albans.

**Scenario 2** is clearly much less damaging than Scenario 1. However it would result in a considerable (10%) increase in out-commuting and general pressure on the road and other infrastructure.

**Scenario 3** adds somewhat to the net out commuting, but not very much. It provides a potentially viable 54:46 mix of market to affordable housing. That is said in the context of Affordable Rent, which as discussed in Chapter 6 is capable of being 'grant neutral' and therefore no burden on either the housebuilders or the HCA.

**Scenario 4**; is clearly impractical as it is mostly affordable housing.

- 8.47 There is clearly no chance of building the level of new housing implied by the ORS projections without fatal damage to the character of the district. At the same time Scenario 4 shows that if as few as 100 new dwellings were set as a target, while retaining an aspiration to address housing need, the result is unattainable. There is not enough market housing to subsidise the affordable housing.
- 8.48 Thus the effective choice is between Scenario 2 and Scenario 3. Scenario 3 looks more attractive. It has obviously received popular support. It clearly involves less pressure on the Green Belt and upon the infrastructure of the district. The latter is unlikely to be changed much by the volume and type of new housing shown in Scenarios 2 and 3, which do not involve very large housing sites of the kind that can generate major new infrastructure. There is no room for such sites within St Albans, without radical damage to its character.
- 8.49 It can be seen from the above figures that Scenario 3 generates significantly less pressure on the infrastructure than does Scenario 2. Neither option would generate large enough cross subsidies to transform the infrastructure, particularly the road network. As a result Scenario 3 is clearly more attractive, as it creates less pressure. This is reflected by the public consultation response to the draft December 2010 Core Strategy consultation pamphlet.
- 8.50 We would therefore advise that Scenario 3 is preferable



## 9. Key findings

### Introduction

- 9.1 This chapter summarises the key findings. A longer account will be found in the Executive Summary, which seeks to explain the results in a more self-contained way.

### Affordable Rent

- 9.2 We conclude that the best policy would be to set the Affordable Rent at:

60% of median market rent

- 9.3 This figure would permit all the potential tenants who can afford to pay to access this new tenure. This would minimise the number of households obliged to depend on LHA. The 60% figure would also ensure no net need for grant.

### Future housing target

- 9.4 We considered four scenarios, ranging from the full ONS population projection down to 100 new dwellings per annum. We consider that the most sustainable target is:

250 new dwellings per annum

- 9.5 This is about the lowest future target that is consistent with retaining an aim to make significant contributions of affordable housing, while not adding unreasonably to pressure on the existing infrastructure.

### Size mix required

- 9.6 The sizes of additional dwellings required for the preferred Option 3 are shown in Table 9.1 below. as will be noticed, the numbers for shared ownership are very small and only indicative. For LHA they are unspecific as to tenure for necessary reasons: we do not know from which of three tenures the supply may come.



Table 9.1 Size of new Affordable Rent homes required in St Albans over the next 17 years (to 2028): Scenario 3 (250 dwellings per year)				
Dwelling size	Numbers required per tenure group			
	Market priced dwellings	Shared ownership	Affordable rent	LHA
One bedroom	1,042	1	632	465
Two bedrooms	1,876	8	140	-137
Three bedrooms	65	127	439	157
Four or more bedrooms	-699	6	55	74
<b>Total</b>	<b>2,284</b>	<b>142</b>	<b>1,266</b>	<b>558</b>

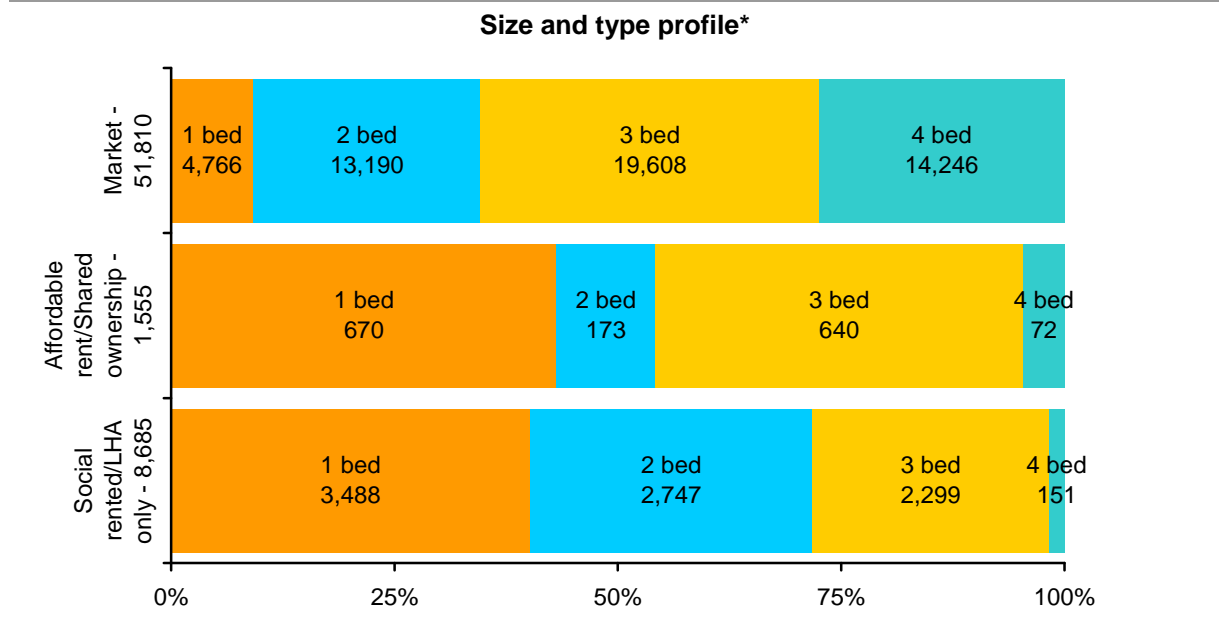
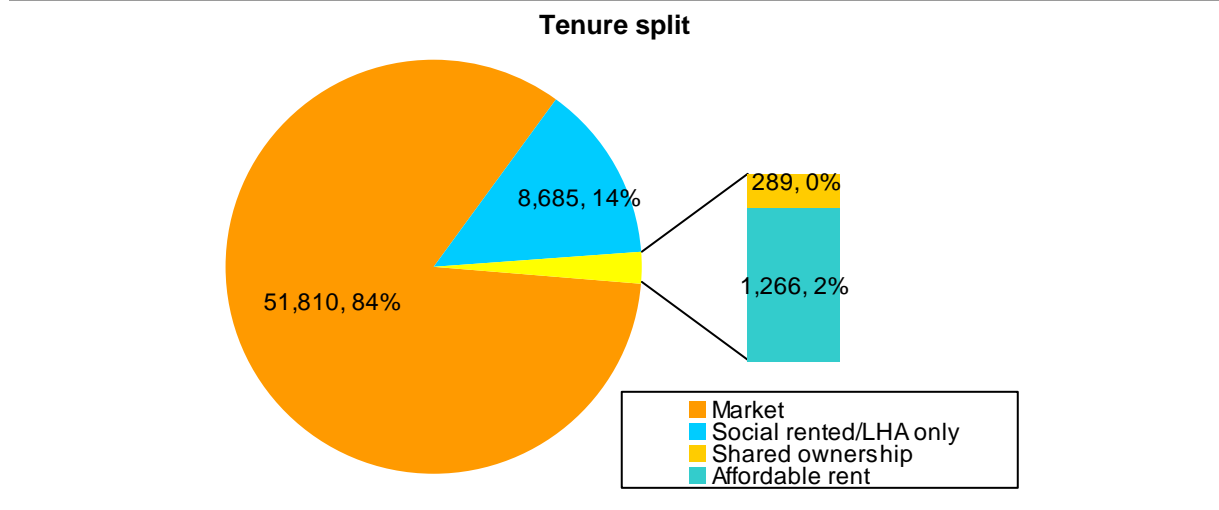
Please note that the sample size is very small for Shared Ownership and therefore the figures shown are only indicative. In the case of LHA this refers to social rented/Affordable rented/ and private rented accommodation in an as yet unknown combination

Source: St Albans Future Housing Targets, Fordham Research 2011.

### PPS3 outputs

- 9.7 The table below presents the figures for Scenario 3: the 250 new dwellings target which we recommend. It provides the PPS3 key outputs of tenure split and size and type of dwellings required.

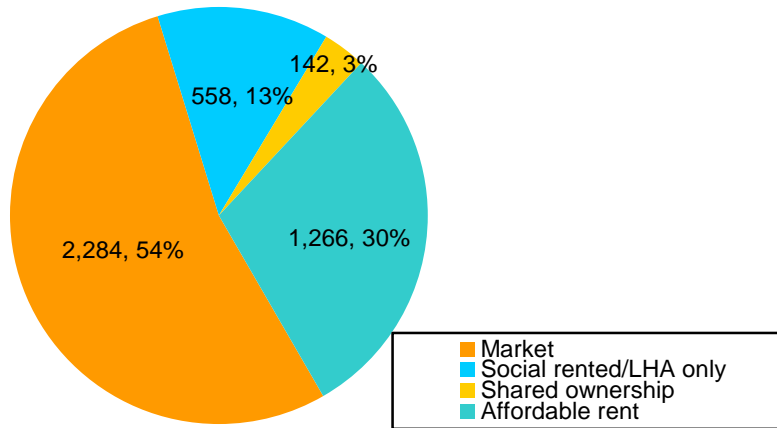
**Figure 9.1 Profile of accommodation required in 2028:  
Scenario 3 (250 new homes per year)**



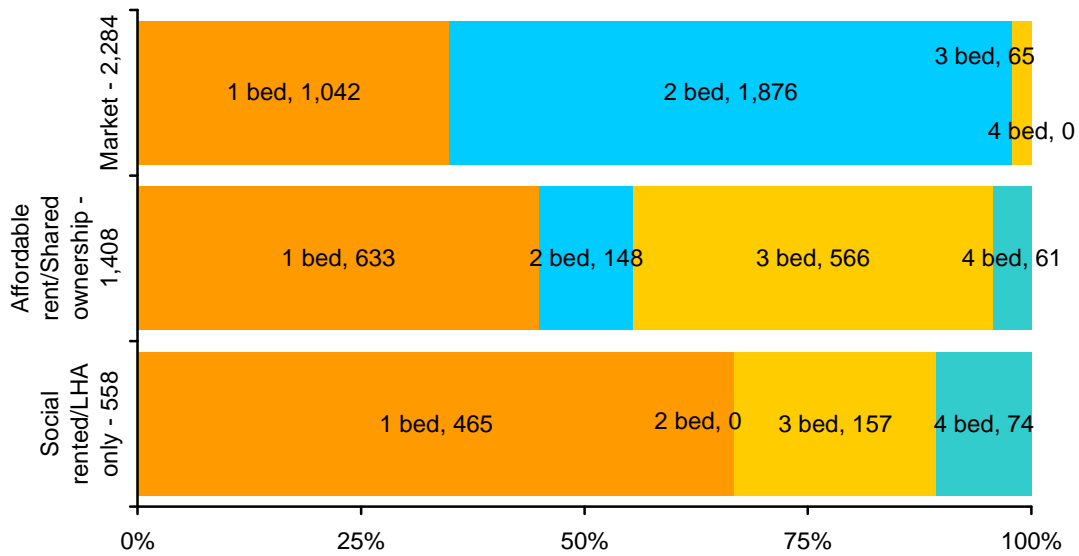
Source: St Albans Future Housing Targets, Fordham Research 2011

**Figure 9.2 Profile of additional accommodation required in 2028:  
Scenario 3 (250 new homes per year)**

**Tenure split**



**Size and type profile\***



Source: St Albans Future Housing Targets, Fordham Research 2011

9.8 We believe that the outputs summarised above provide the best future trajectory for St Albans. These are of course only consultants' recommendations, and must be considered by St Albans Council.

# Glossary

## **Affordability**

Affordability (or ability to afford) is a measure of whether households can access and sustain the cost of private sector housing. This can be assessed via mortgage or rental costs. Mortgage affordability is based on conditions set by mortgage lenders, usually using a standard mortgage multiplier of 3.5 times income. Rental affordability is defined as the total weekly outlay less than 25% of the household's gross weekly income, although this percentage may be varied.

## **Affordable housing**

Affordable housing includes both Social Rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should be at a cost which is below that of housing typically available in the open market and should be available at a sub-market price in perpetuity. This may include some Shared Ownership housing, but such schemes are not by definition affordable, since their overall cost to the purchaser is frequently above market entry level.

There is an ambiguity in PPS3; intermediate housing is defined as being 'below market price or rents', while 'affordable housing' is defined with reference to 'local house prices'. In principle, however, the Guidance defines affordable housing as being targeted at those households 'whose needs are not met by the market', and rationally speaking, this would suggest that all affordable and intermediate housing should be below the overall market entry level, including private rent.

## **Annual need**

The combination of the net future need plus an allowance to deal progressively with part of the net current need (the backlog of need).

## **Average**

The term 'average' when used in this report is taken to be a mean value unless otherwise stated.

### **Bedroom standard**

The bedroom standard is that used by the ONS General Household Survey, and is calculated as follows: a separate bedroom is allocated to each cohabiting couple, any other person aged 21 or over, each pair of young persons aged 10-20 of the same sex, and each pair of children under 10 (regardless of sex). Unpaired young persons aged 10-20 are paired with a child under 10 of the same sex or, if possible, allocated a separate bedroom. Any remaining unpaired children under 10 are also allocated a separate bedroom. The calculated standard for the household is then compared with the actual number of bedrooms available for its sole use to indicate deficiencies or excesses. Bedrooms include bed-sitters, box rooms and bedrooms which are identified as such by respondents even though they may not be in use as such.

### **Concealed household**

A household that currently lives within another household, but which has a preference to live independently.

### **Current need**

Households in current need are those whose current housing circumstances fall below accepted minimum standards. This would include households living in overcrowded conditions, in unfit or seriously defective housing, families sharing, and homeless people living in temporary accommodation or sharing with others.

### **Demand**

This refers to market demand for housing, rather than simply aspirations. For the purposes of this study, a household is only considered able to create demand for housing if they have both the aspiration to buy or rent that type of housing and the financial capacity to do so.

### **Financial capacity**

This is defined as 3.5 times household income, plus savings and equity (the value of the property owned by owner-occupiers, typically the family home, net of mortgage). This provides an indication of the amount which the household concerned could afford to pay for housing.

**Grossing up**

Converting the numbers of actual responses in a social survey to an estimate of the number for the whole population. This normally involves dividing the expected number in a group by the number of responses in the survey.

**Household**

A household is defined as either one person living alone, or a group of people who have the address as their only or main residence, and who either share one meal a day or share a living room.

**Household formation**

The process whereby individuals in the population form separate households. 'Gross' or 'new' household formation refers to households which form over a period of time, conventionally one year. This is equal to the number of households existing at the end of the year which did not exist as separate households at the beginning of the year (not counting 'successor' households, when the former head of household dies or departs).

**Housing Market Area**

The geographical area in which a substantial majority of the employed population both live and work, and where most of those changing home without changing employment choose to stay.

**Housing need**

A household in housing need is defined as a household that lacks their own housing or lives in unsuitable housing and who cannot afford to meet their housing needs in the market.

**Housing Register**

A database of all individuals or households who have applied to a local authority or an RSL for a social tenancy or for access to some other form of affordable housing. Housing Registers, often called waiting lists, may include not only people with general needs but people with support needs or requiring access because of special circumstances, including homelessness.

**Housing type**

Refers to the physical built form of a dwelling, for example, a flat or a terraced house.

## **Income**

The term 'income' can be taken to refer to gross household income exclusive of any housing-related benefits (but inclusive of all other benefits, pensions, dividends etc.) unless otherwise qualified.

## **Intermediate housing**

PPS3 defines intermediate housing as '*housing at prices and rents above those of Social Rent but below market prices or rents and which meet the criteria set out above. These can include shared equity products, other low cost homes for sale and intermediate rent.*' It should be noted, however, that a shared equity product (such as Low Cost Home Ownership) does not automatically become intermediate housing since it is possible for the cost of that product to be higher than entry level market rent.

## **Key workers**

Nationally, key workers are usually defined as individuals in specific occupations considered critical for the smooth running of local infrastructure. Usually these are public sector workers, especially those in the emergency services, although there is no standard or universally agreed definition.

## **Lower quartile**

The value below which one quarter of the cases in question fall. 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 available in an area.

## **Mean**

The mean is the most common form of average used. It is calculated by dividing the sum of a distribution by the number of incidents in the distribution.

## **Median**

The median is an alternative way of calculating the average. It is the middle value of the distribution when the distribution is sorted in ascending or descending order.

**Migration**

The movement of people between geographical areas, usually measured as an annual number of households, living in one area at a point in time, who were not resident in that area one year earlier.

**Net need**

The difference between gross need and the expected supply of available affordable housing units (e.g. from the turnover of existing dwellings).

**Newly arising need**

Need generated by new households which are expected to form over a period of time and are likely to require some form of assistance to gain suitable housing, taken together with need generated by other existing households whose circumstances change over the period so as to place them in a situation of need (e.g. households losing accommodation because of loss of income, relationship breakdown, eviction, or some other emergency).

**Overcrowding**

An overcrowded dwelling for the purposes of this study is one which has fewer rooms than are required for the occupants according to the Bedroom Standard (see above).

**Primary data**

Information that is collected from a bespoke data collection exercise (e.g. surveys, focus groups or interviews) carried out for this study.

**Random sample**

A sample in which each member of the population has an equal chance of selection.

**Relets**

Social Rented housing units which are vacated during a period and become potentially available for letting to new tenants.



### **Rounding error**

Totals in tables may differ by small amounts (typically one) due to the fact that fractions have been added together differently. Thus a table total may say 2011, and if the individual cell figures are added the total may come to 2012. This is quite normal and is a result of the method of calculation; results are weighted to fit the estimated population and therefore an individual response to the survey will not normally be taken to represent an exact number of whole households. The usual practice is to use the stated total (in the above case 2011) rather than the figure of 2012 to which the individual figures sum. That is because the total will have resulted from a rounding after all the fractions are taken fully into account.

### **Sample survey**

Collects information from a known proportion of a population, normally selected at random, in order to estimate the characteristics of the population as a whole.

### **Sampling frame**

The complete list of addresses or other population units within the survey area which are the subject of the survey.

### **Secondary data**

Existing information that has been collected for a different study or different purpose. For example, data from administrative systems and some research projects are made available for others to summarise and analyse for their own purposes (e.g. Census, Annual Business Enquiry).

### **SHMA (Strategic Housing Market Assessment)**

The term SHMA derives from Government Guidance suggesting that the 'evidence base' required for the good planning of an area should be the product of a process rather than a technical exercise.

**Social Rented housing**

PPS3 defines Social Rented housing as '*rented housing owned by local authorities and Registered Social Landlords, for which guideline target rents are determined through the national rent regime, the proposals set out in the Three Year review of Rent Restructuring (July 2004) were implemented in policy in April 2006. It may also include rented housing owned or managed by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Housing Corporation as a condition of grant.*

**Stratified sample**

A sample where the population or area is divided into a number of separate sub-sectors ('strata') according to known characteristics based, for example, on sub-areas and applying a different sampling fraction to each sub-sector.

**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).

**Support needs**

Relating to people who have specific additional housing needs, for example associated with a disability or long term illness.

**Under-occupation**

An under-occupied dwelling, for the purposes of this report, is one which exceeds the number of bedrooms required for the household according to the Bedroom Standard (see above) by two or more bedrooms.

**Unsuitable housing**

Housing inhabited by a household for which it is deemed unsuitable due to a set of fixed criteria taking into account its size, type, design, location, condition or cost. An individual household can have more than one reason for being in unsuitable housing. A household in unsuitable housing is not considered to be in housing need unless it is also found to be unable to afford suitable housing in the market either to buy or to rent.