LCB East Sub-region
Strategic Housing Market Assessment
Update 2012

March 2013

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1. Introduction

Project Overview

1.1 Opinion Research Services (ORS) was commissioned in 2008 to undertake a comprehensive and integrated Strategic Housing Market Assessment for the London Commuter Belt East/M11 Sub-region. The study area comprised the following local authorities;

- Brentwood;
- Broxbourne;
- East Hertfordshire;
- Epping Forest;
- Harlow; and
- Uttlesford

1.2 This document represents an update of the original study for East Hertfordshire, Epping Forest, Harlow and Uttlesford. It considers the following issues:

- The existing housing stock of the area;
- Property prices and affordability;
- The role of the private rented sector in meeting housing need;
- The impact of government policy changes since 2010;
- Current housing need; and
- Future housing requirements from 2011-2031 including scenario testing.

The Role of SHMAs

A SHMA is a framework that local authorities can follow to develop a good understanding of how housing markets operate. It promotes an approach to assessing housing need and demand which can inform the development of local development documents and housing policies. The purpose of the SHMA is to form part of a wider evidence base for the development of housing and planning polices, which should be considered alongside other factors such as the viability of delivering Affordable Housing, land availability and local policy priorities including the creation of mixed and balanced communities. Therefore, the evidence provided in the SHMA should not be viewed in isolation and its results on their own cannot be used in support of development applications, as it does not set housing or planning policy. A SHMA provides part of the evidence needed to inform policy development, and other factors are equally important in the policy development process. The government has issued Practice Guidance setting out the scope of a SHMA and suggests how it might be carried out.

The Existing Housing Stock

1.3 Figure 1 identifies the change in the number of dwellings registered for Council Tax in each of the local authorities since 2011. The data shows that the growth in Band A and B properties has been strongest in Harlow. However, even in Harlow it is still the case that less than 25% of the new dwelling stock has been Council Tax band A and B. This indicates that only a small share of the growth in dwellings has come through flats or the conversion of larger dwellings.

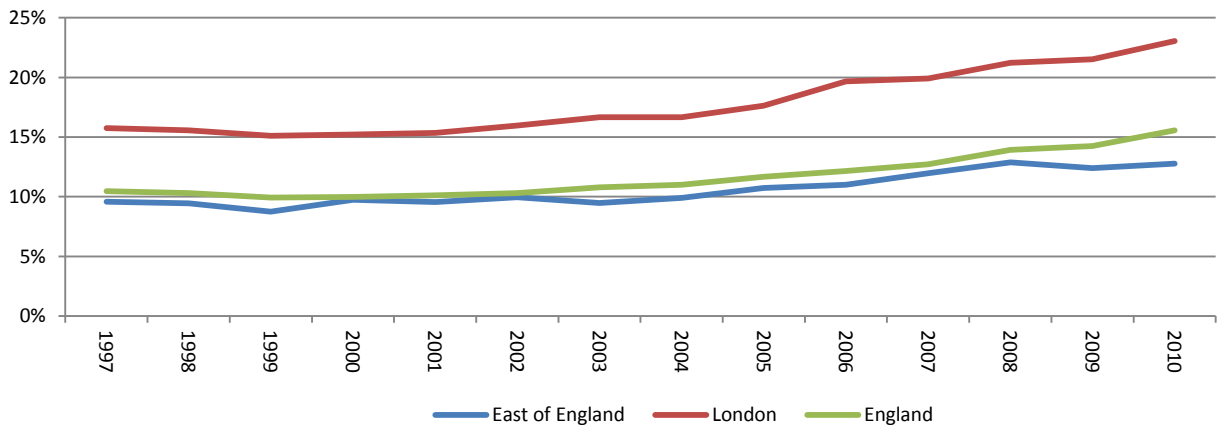
Figure 1
Change in Dwellings by Council Tax Band 2001-2011 (Source: Valuation Office Agency)

Council Tax Band	East Hertfordshire		Epping Forest		Harlow		Uttlesford	
	Number	%	Number	%	Number	%	Number	%
Band A	163	3.4%	77	2.9%	188	10.5%	135	3.5%
Band B	699	14.6%	304	11.6%	231	12.9%	272	7.0%
Band C	1360	28.4%	425	16.3%	533	29.7%	667	17.1%
Band D	1092	22.8%	485	18.6%	404	22.5%	713	18.3%
Band E	447	9.3%	595	22.8%	301	16.8%	905	23.2%
Band F	482	10.1%	380	14.5%	132	7.4%	648	16.6%
Band G	380	7.9%	255	9.8%	3	0.2%	483	12.4%
Band H	173	3.6%	92	3.5%	0	0.0%	73	1.9%
Total Dwellings	4,796	100%	2,613	100%	1,792	100%	3,896	100%

1.4 There has been a large growth in the private rented sector in the last ten years, and the legacy of the credit crunch is that there has been less lending to lower income households and households unable to provide a substantial deposit. This has accelerated the structural change in the housing market from owning to renting, as fewer households are considered to have the financial standing to access a loan.

1.5 Figure 2 shows that growth in the private rented sector for the East of England since 1997. Since 2001, the average growth in the size of the private rented sector has been 33% across the East of England. This is below the 50% average for England as a whole and for London. Evidence from recent household and stock condition surveys undertaken by ORS across the country shows that coastal towns and larger urban settlements with lower priced properties have seen the greatest growth in private renting.

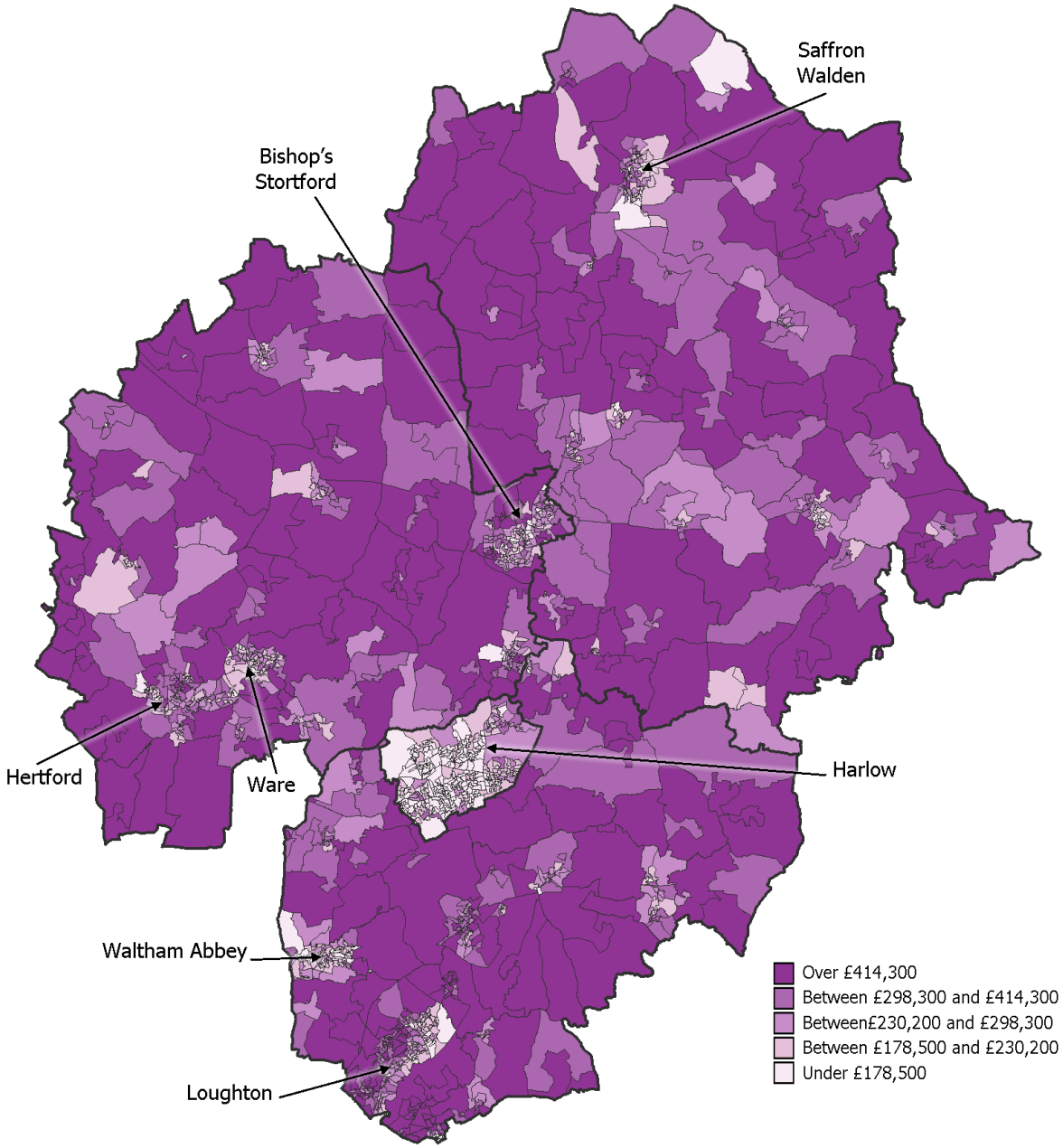
Figure 2
Change in the Size of the Private Rented Sector 1997-2001 (Source: Labour Force Survey and English Housing Survey)



Property Prices and Affordability

1.6 Figure 3 shows the variation of house prices across LCB East from January 2011 to December 2011. Areas in darker shades of purple contain higher average house prices. This shows that Harlow contains lower than average house prices when compared to the wider surrounding area. Figure 3 also shows that rural house prices are typically higher than those in urban areas. However, there are some low value rural areas which often are in areas where much of the land is used for business, which may explain lower house prices in these areas.

Figure 3
Relative House Prices within LCB East (Source: UK Land Registry 2011)

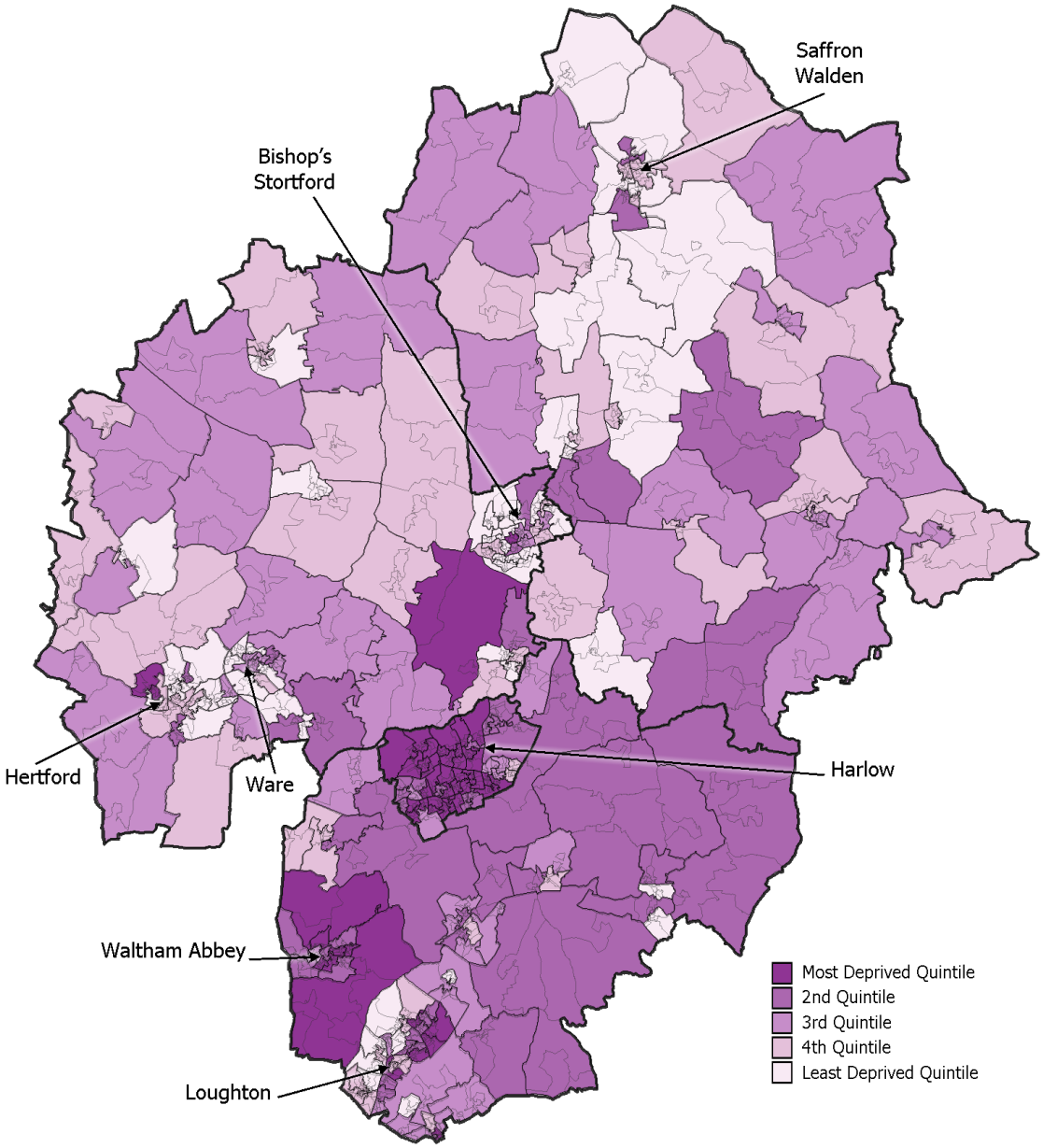


1.7 Many of the characteristics of an area can be aggregated to generate an overall picture of the relative wellbeing of the area. This is the purpose of The Index of Multiple Deprivation (IMD), produced by

Department of Communities and Local Government. IMD shows relative levels of deprivation using multiple domains. Domains include: crime; employment; education, skills and training; income; living environment; health deprivation and disability; and barriers to housing and services. We would note that while there is a specific barrier to housing and services sub-domain for IMD, this is dominated by issues such as distance from a shop and a Post Office. Therefore, rural areas tend to score poorly and show high levels of deprivation, while poor quality housing is often found in urban areas. Therefore, the results for the barriers to housing and services sub-domain for IMD are frequently counter-intuitive and hence have not been used here.

1.8 In Figure 4 areas marked in darker shades contain higher levels of relative deprivation. This shows that areas scoring poorly for IMD typically have lower house prices in Figure 3.

Figure 4
Index of Multiple Deprivation for LCB East 2010 (Source Index of Multiple Deprivation 2010)



1.9 Figure 5 shows the average property prices in LCB East from the first quarter of 2000 until the first quarter of 2012. The data is the average price of all dwellings sold, with the top and bottom 2.5% of property prices excluded to remove potential outliers. The bottom and top 2.5% have been excluded based on extensive experience by ORS of using Land Registry data and reflect that it does contain some anomalously low price data and that a small number of high price sales can skew the results for average prices. Properties bought under 'right-to-buy' are not included in the statistics.

1.10 In this period the average property price rose by 113% in East Hertfordshire, 116% in Epping Forest, 107% in Harlow and 92% in Uttlesford. Much of the increase in property prices occurred between 2001 and 2005, with average prices falling in the final period of 2007 until 2009 before starting to rise again.

1.11 Figure 6 shows the ratio of median full time earnings to average house prices in each of the local authority districts between 2002 and 2011. The figure clearly shows a worsening affordability trend until 2007. However, the decline in house prices in 2008 combined with continued growth in average full-time earnings have made properties more affordable to those in work in 2009. However, it should be remembered that the availability of mortgages to first time buyers has been limited to those with larger deposits and therefore while affordability may have improved first time buyers will not have been able to take advantage of this. It should also be noted that affordability has worsened again since 2010.

Figure 5
Average Price of Properties Sold by Local Authority: Q1 2000-Q1 2012 (Source: HM Land Registry)

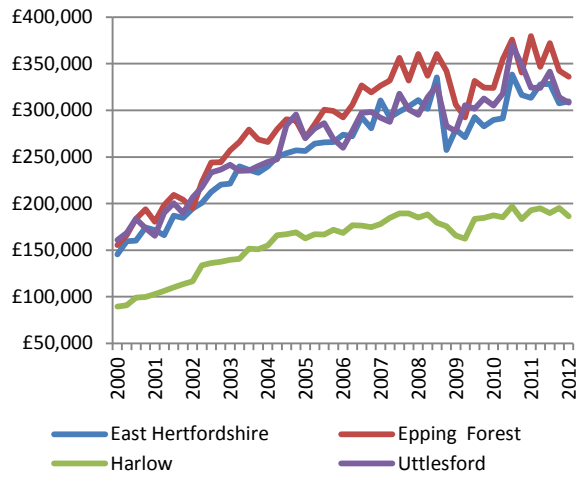
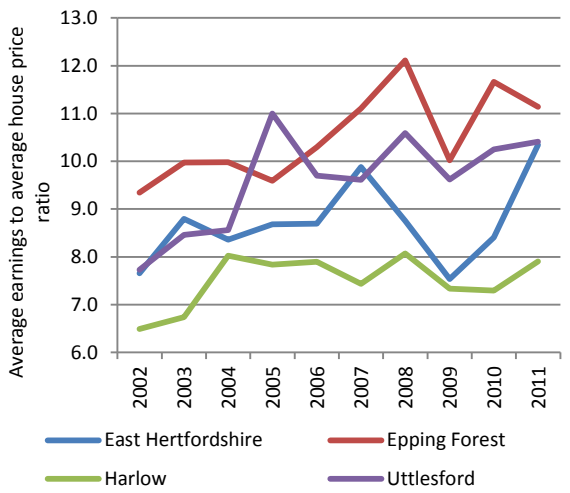


Figure 6
Median Full-time Earnings to Average House Price Ratio for Properties Sold in LCB East 2002-2011
(Source: ASHE and HM Land Registry)



1.12 Figure 7 to Figure 14 illustrate how property prices and the volume of sales have changed in LCB East. In East Hertfordshire less than 10% of the stock now sells for under £150,000, with around 50% selling for more than £250,000. Comparing 2007 with 2009, annual transactions fell in East Hertfordshire by 63%.

Figure 7
Percentage of Houses Sold for Less Than Key Price Bands in East Hertfordshire Sub-region Q2 2000-Q4 2011 (Source: HM Land Registry)

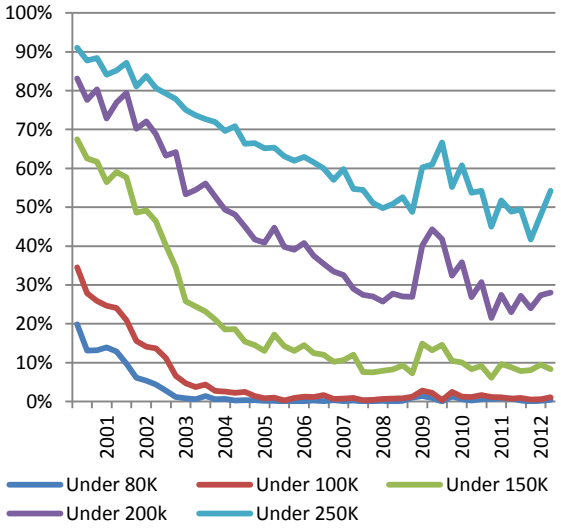
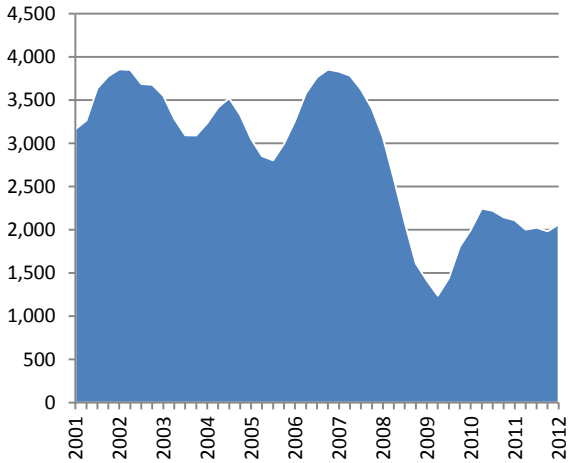


Figure 8
Volume of Properties Sold Annually in East Hertfordshire Q2 2000-Q1 2012 (Source: HM Land Registry. Note: Figures show rolling annual total based on quarterly data)



1.13 In Epping Forest, only around 6% of the stock now sells for under £150,000, with around 60% selling for more than £250,000. Annual transactions fell in Epping Forest by 72% between 2007 and 2009.

Figure 9
Percentage of Houses Sold for Less Than Key Price Bands in Epping Forest Q1 2000-Q1 2012 (Source: HM Land Registry)

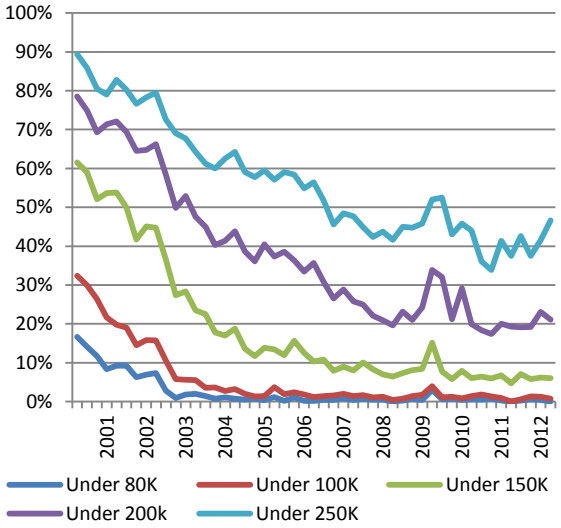
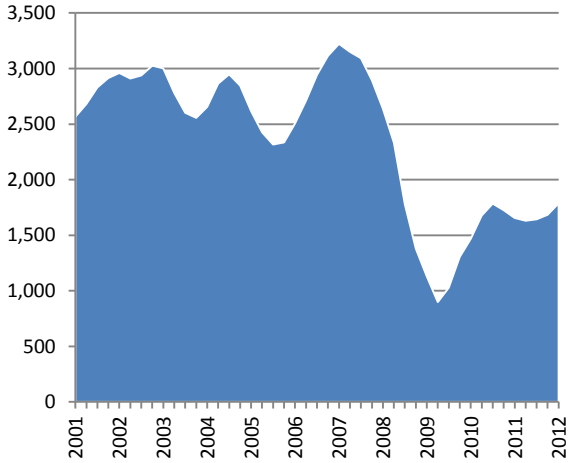


Figure 10
Volume of Properties Sold Annually in Epping Forest Q2 2000-Q4 2011 (Source: HM Land Registry. Note: Figures show rolling annual total based on quarterly data)



1.14 In Harlow, from 2005 onwards fewer than 10% of all sales were for prices of less than £100,000.. Conversely, the number of dwellings selling for over £200,000 rose from almost zero to around 20% of the total. However, in 2008 and 2009 a higher share of sold properties did so for lower prices. Comparing 2007 with 2009, annual transactions fell in Harlow by 67%.

Figure 11
Percentage of Houses Sold for Less Than Key Price Bands in Harlow Q1 2000-Q1 2012 (Source: HM Land Registry)

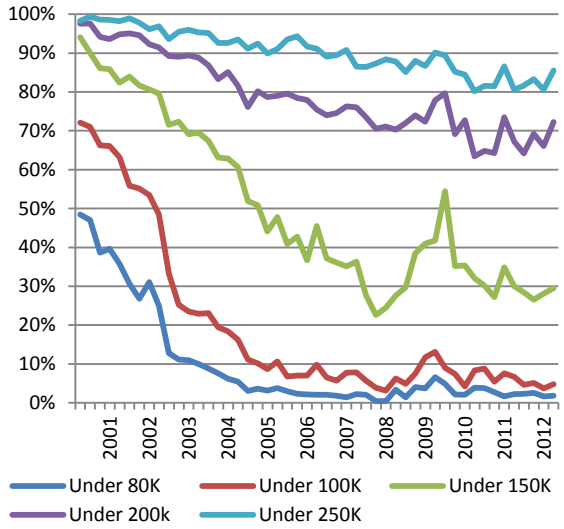
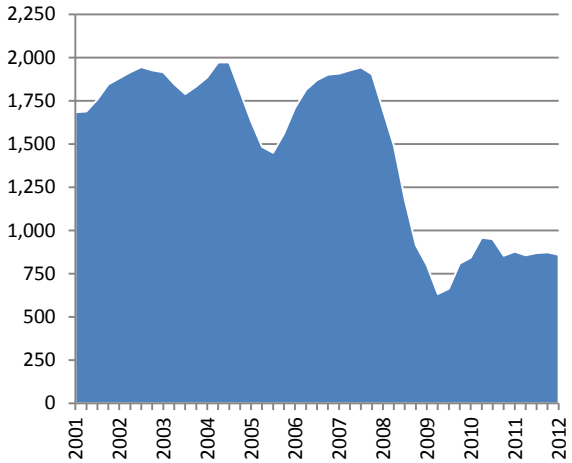


Figure 12
Volume of Properties Sold Annually in Harlow Q2 2000-Q4 2011 (Source: HM Land Registry. Note: Figures show rolling annual total based on quarterly data)



1.15 In Uttlesford, around 10% of the stock now sells for under £150,000, with around 50% selling for more than £250,000. Annual transactions fell in Uttlesford by 56% between 2007 and 2009.

Figure 13
Percentage of Houses Sold for Less Than Key Price Bands in Uttlesford Q1 2000-Q1 2012 (Source: HM Land Registry)

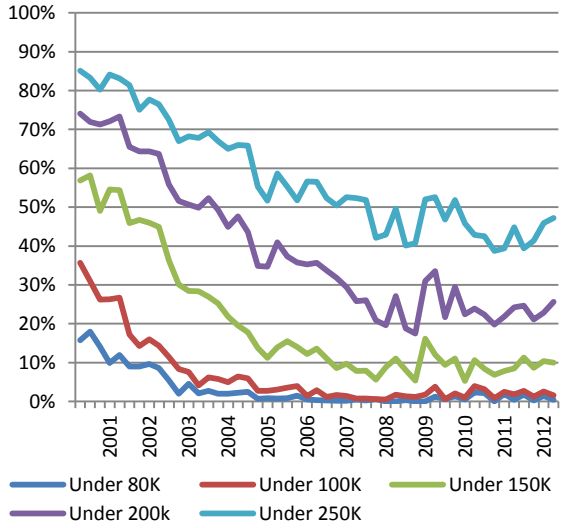
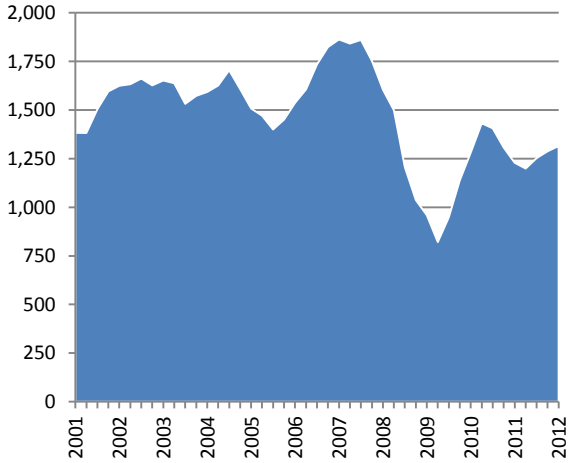


Figure 14
Volume of Properties Sold Annually in Uttlesford Q2 2000-Q4 2011 (Source: HM Land Registry. Note: Figures show rolling annual total based on quarterly data)



1.16 The impact of the credit crunch from the end of 2007 onwards is clearly shown in the reduction in transactions from 2007 onwards. Some of this change is due to a fall in newbuild completions in this period, but much of the change is due to a decline in sales in the second hand market. It was also the case that the number of buy to let landlords entering the market nationally in 2008 and 2009 fell away sharply when compared with earlier years as shown in Figure 15.

Figure 15
Buy to Let Mortgages in England and Wales 2006-2011 (Source: Council of Mortgage Lenders)

1.17 Figure 16 to Figure 19 show how property prices have changed by property type since 2000. In all cases, the figures show the growth in house prices by property type since the first quarter of 2000. With the exception of Uttlesford, the highest rate of house price growth has occurred in flats with the lowest rate of growth typically being in detached dwellings. However, the rate of growth in the price of flats was steepest in the period 2000-2007 and has since fallen back more sharply. Prices in houses have remained more stable since 2007.

Figure 16
Growth in Average Price of Properties Sold by Dwelling Type for East Hertfordshire: Q1 2000-Q1 2012 (Source: HM Land Registry)

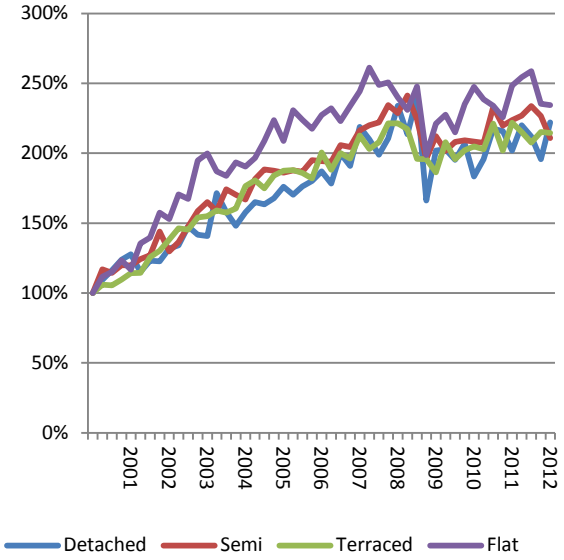


Figure 17
Growth in Average Price of Properties Sold by Dwelling Type for Epping Forest: Q1 2000-Q1 2012 (Source: A HM Land Registry)

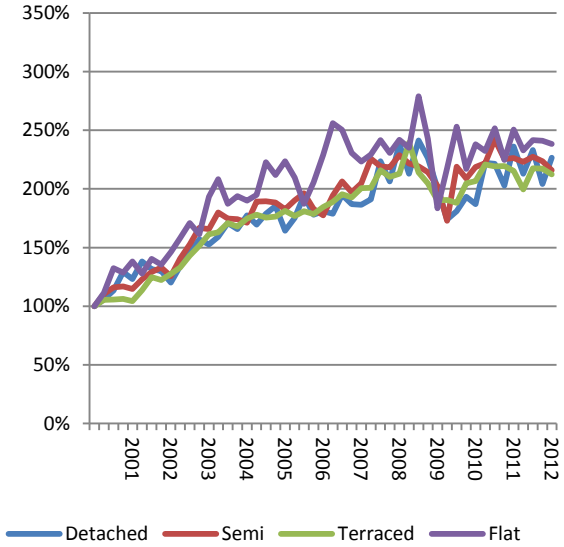


Figure 18
Growth in Average Price of Properties Sold by Dwelling Type for Harlow: Q1 2000-Q1 2012 (Source: HM Land Registry)

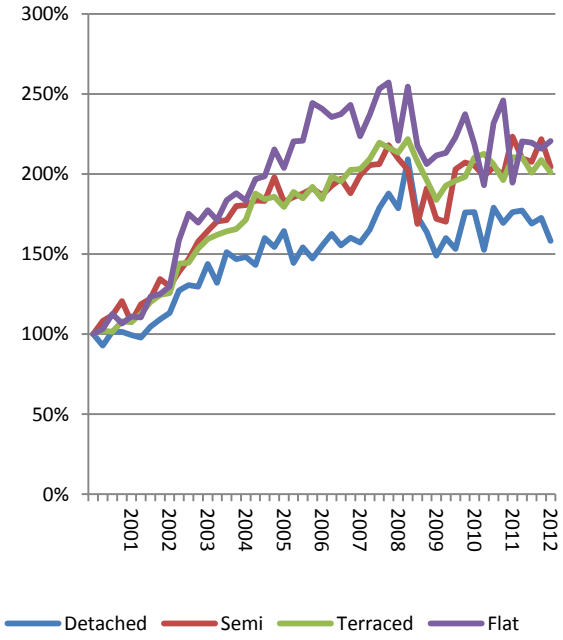
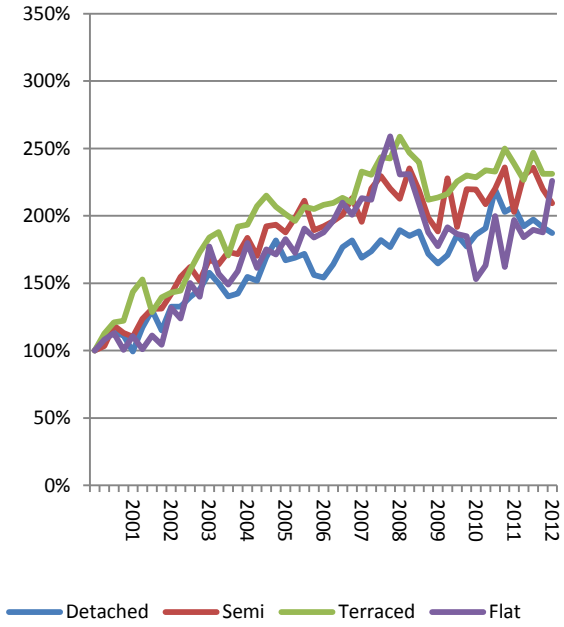


Figure 19
Growth in Average Price of Properties Sold by Dwelling Type for Uttlesford: Q1 2000-Q1 2012 (Source: A HM Land Registry)



The Impact of Government Policy Changes: Affordable Rent and Housing Needs

1.18 The Government's new Affordable Rent model allows housing associations to charge rents which are up to 80% of market rents for the area on new build developments and re-lets. All new affordable homes funded through the National Affordable Housing Programme are expected to be at Affordable Rents, with a proportion of relets also being converted to Affordable Rent. The Affordable Rent model is designed to bring greater flexibility for housing associations and to provide financial support to allow new Affordable Housing to be delivered with less grant from the HCA.

1.19 The National Planning Policy Framework March 2012 contains the following statements on the supply of new dwellings across all tenures.

- **Affordable Housing**: Social Rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable Housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative Affordable Housing provision.
- **Social Rented housing** is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.
- **Affordable rented housing** is let by local authorities or private registered providers of social housing to households who are eligible for Social Rented housing. Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).
- **Intermediate housing** is homes for sale and rent provided at a cost above Social Rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

The term **Market housing** refers to homes for sale or rent where the price is set by the open market and there are no eligibility restrictions on occupiers.

1.20 As will be discussed later in this report, Affordable Rent can typically be considered as another form of Social Rent. In our core modelling assumptions in Chapter 2 we have assumed that Affordable Rent dwellings are allocated to households who are eligible for Social Rent. This process would allow all new build lets and re-lets to be converted to Affordable Rent without any consequence for Affordable Housing requirements.

1.21 However, in Chapter 2 we also test a scenario where Affordable Rent dwellings are only targeted at households who can afford to pay the rent associated with these dwellings without receiving Housing Benefit. This has the effect of turning new Affordable Housing provision and a proportion of relets into intermediate tenure dwellings.

1.22 This section looks at available evidence for current and prospective Social Renters and examines whether households currently being allocated Social Rent could afford to pay Affordable Rents without Housing Benefit.

Affordable Rent and the Allocation of Social Housing

1.23 Current tenancies will not be affected by Affordable Rent, but the allocation of new households to social housing may be affected. It is possible that those applicants on low incomes, but not in receipt of Housing Benefit / Universal Credit, may be less likely to seek affordable rented accommodation than those in receipt of Housing Benefit or who have incomes that can afford Affordable Rents.

1.24 An analysis of the income distribution of non homeowners shows some interesting results. Figure 20 to Figure 23 show CACI Paycheck data which has been adjusted to show only non-owners. CACI Paycheck shows the distribution of all household incomes in an area. ORS have developed a method which adapts this so as to only show the incomes of non-owners.

1.25 This reveals that over 46% of all non-homeowners in East Hertfordshire, 47% in Epping Forest, 55% in Harlow and 47% in Uttlesford have incomes of under £15,000 per annum and these households can realistically afford no more than Social Rent. In most cases these households would need assistance from Housing Benefit before they would be able to meet the cost of Affordable Rents. This assessment of affordability is based upon households spending no more than 25% of their gross income on rent. Therefore, to meet a rent of £75 per week requires an income of £15,600 per annum (£75x 52weeks x 4). It should also be noted that rents on larger dwellings will be higher, so higher levels of income will be required to meet housing costs.

1.26 An analysis of recent (2006-2010) social lets in LCB East from the CORE system shows around 80% of all new social lets were made to households with no earnings from work. Therefore, the incomes of those who are accessing Social Rent are even lower than the average income of non-owners in the study area.

Figure 20:
Income distribution of non owners in East Hertfordshire in 2011 (Source: CACI Paycheck adjusted to account for non-owners)

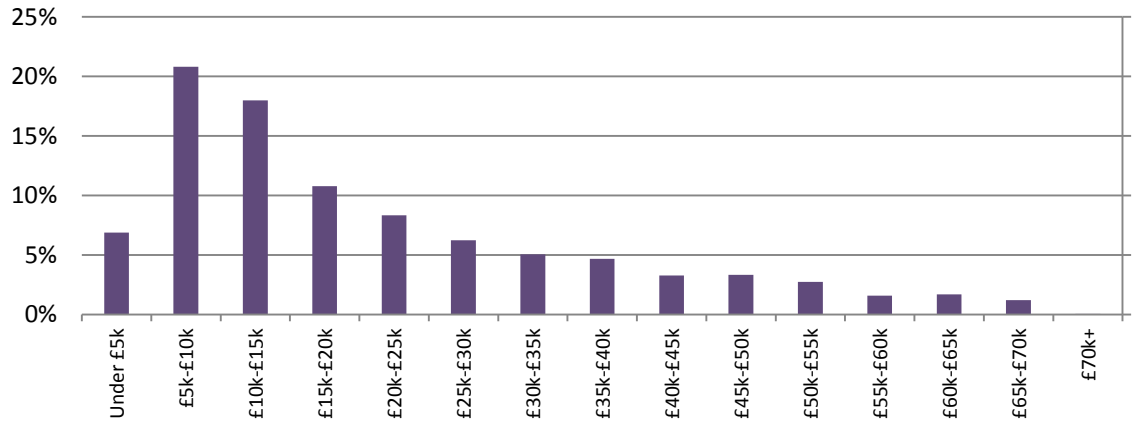


Figure 21:
Income distribution of non owners in Epping Forest in 2011 (Source: CACI Paycheck adjusted to account for non-owners)

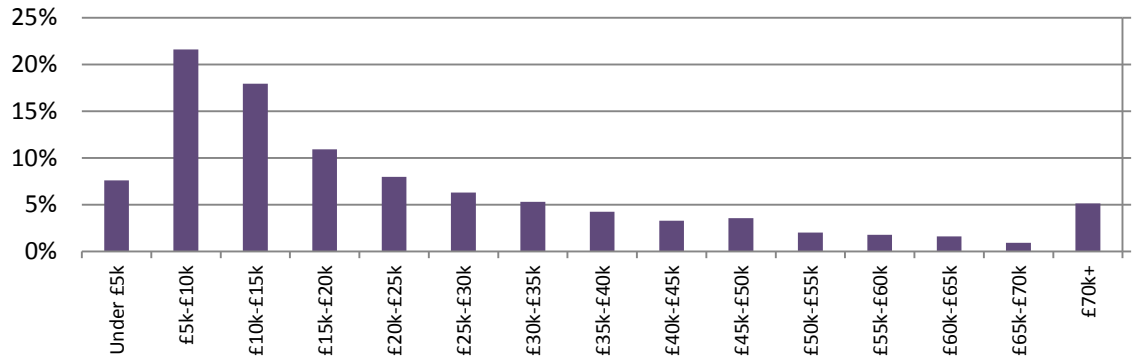


Figure 22:
Income distribution of non owners in Harlow in 2011 (Source: CACI Paycheck adjusted to account for non-owners)

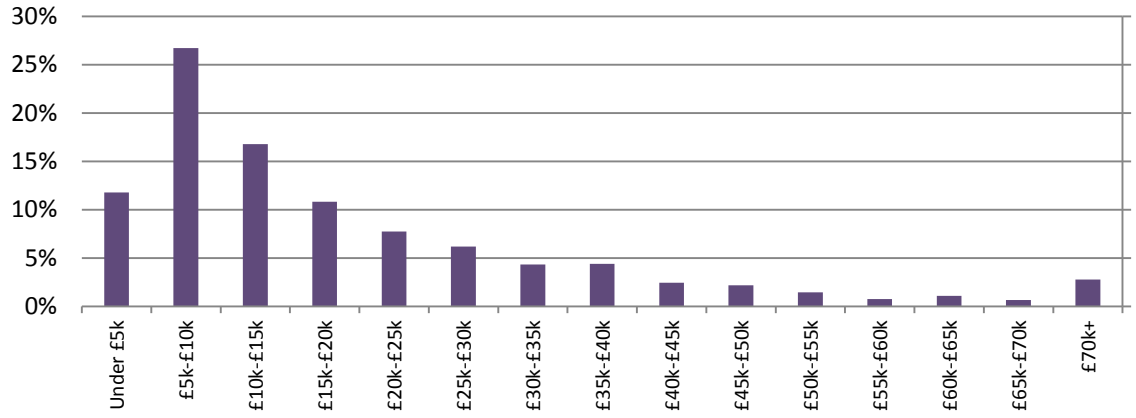
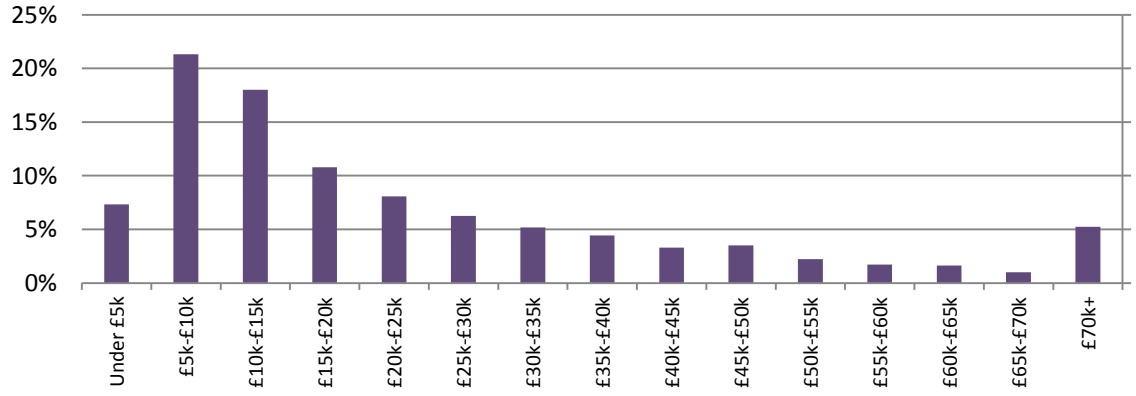


Figure 23:
Income distribution of non owners in Uttlesford in 2011 (Source: CACI Paycheck adjusted to account for non-owners)

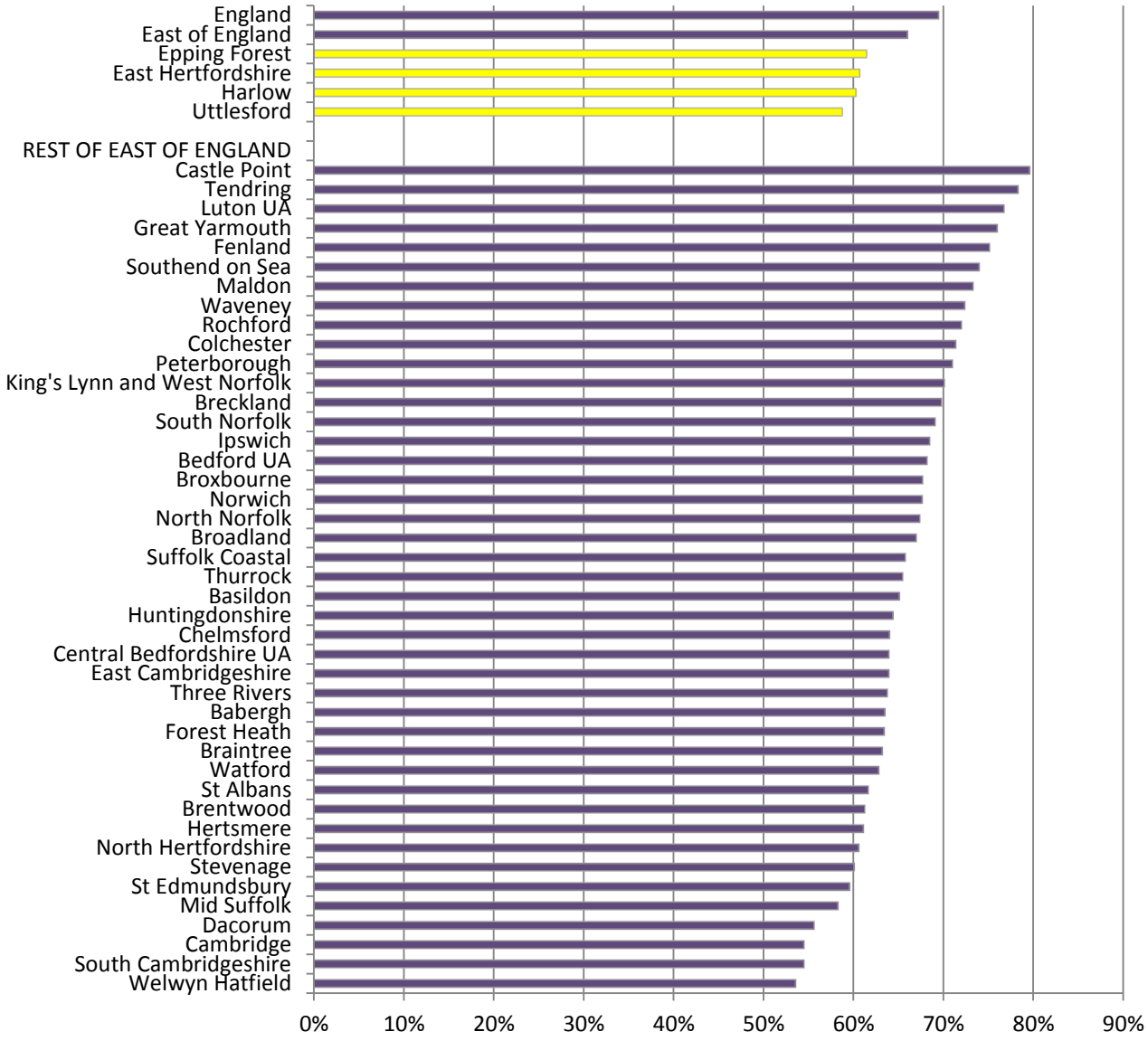


1.27 To emphasise the importance of this issue, Figure 24 shows the percentage of all current Social Rented tenants who receive Housing Benefit. 61% of all social tenants in Epping Forest and East Hertfordshire, 60% in Harlow and 59% in Uttlesford are in receipt of Housing Benefit. Therefore, these households have been assessed as not being able to afford current Social Rents, so will not be able to afford to pay Affordable Rent.

1.28 This does still imply a large number of households currently in the social sector who could potentially be able to pay more than current Social Rents. Currently in East Hertfordshire 2,900 households in Social Rent do not receive Housing Benefit while the figure is 3,200 in Epping Forest. Meanwhile, Harlow has 4,600 households in Social Rent who do not receive Housing Benefit while the figure in Uttlesford is 1,700.

1.29 However, we would note that the incomes of current housing applicants are typically lower than current tenants so few households newly allocated to Affordable Rent are likely to be able to afford to meet their own rents. However, their circumstances may improve in the future, allowing them to meet their own housing costs.

Figure 24:
Percentage of all Social Tenants who Receive Housing Benefit (Source: CLG Live Table 100 for Tenure in March 2011 and DWP Housing Benefit Statistics March 2012)



Affordable Rent and the Supply of Social Rent

1.30 The impact of converting Social Rented re-lets to Affordable Rents will ultimately depend upon who is housed in these properties. If the properties are let to households who can afford to pay the Affordable Rents then these dwellings will form part of the effective intermediate housing stock. However, if they are let to households who meet the cost of the properties through Housing Benefit receipt they form part of the effective social housing stock and therefore there will be no change in this stock.

Key Findings on Affordable Rent

1.31 Under the following combined circumstances the introduction of Affordable Rent will have no impact on the requirement for Affordable Housing or the way in which housing need is modelled in the ORS Housing Mix Model:

- The allocation policies currently in place continue and households are required to pay Affordable Rent if they are able to afford to do so; and
- Households who cannot afford to meet the costs of Affordable Rent receive Housing Benefit to cover the cost of the Affordable Rent.

1.32 Under these circumstances Affordable Rent dwellings will form part of the effective social housing supply. The only impact would be on the rents paid by those who do not receive Housing Benefit. Currently they only pay Target Social Rents (or lower rents, if Target Social Rents cannot yet be achieved), but would now be required to pay Affordable Rents.

1.33 Affordable Rent may also make the problem of the poverty trap worse for many households who are currently out of work, as they may have to pay higher rents if they take a job. Therefore, the disincentive to take a job will become worse. However, this in turn should at least be partly addressed by the introduction of the Universal Credit, which commences in 2013 and will be fully implemented by 2017, and which is intended to deliver a more gradual withdrawal of benefits for those in work.

1.34 The area where Affordable Rents may impact upon housing requirements is if they are only let to households who can afford to pay the cost of the property and are not let to households in receipt of Housing Benefit, or such households affected by the proposed benefits cap and, thereafter, the Universal Credit cap. Under these circumstances Affordable Rent becomes interchangeable with Intermediate Rent. This could see existing Social Rented dwellings converted to become part of the effective intermediate stock and then let to households who would not normally be considered for Social Rent. This scenario is explored in Chapter 2.

The Private Rented Sector and the Role of Housing Benefit

1.35 Many households in both the social and private rented sectors are currently able to claim support with rent costs in the form of Housing Benefit. The Department of Work and Pensions (DWP) publish monthly statistics for Housing Benefit recipients.

1.36 In recent years Housing Benefit support in the private rented sector has increased in order to help meet housing need. In March 2012, just over 1,500 households in East Hertfordshire, 2,000 households in Epping Forest, 1,700 households in Harlow and 900 households in Uttlesford received Housing Benefit support to live in the private rented sector.

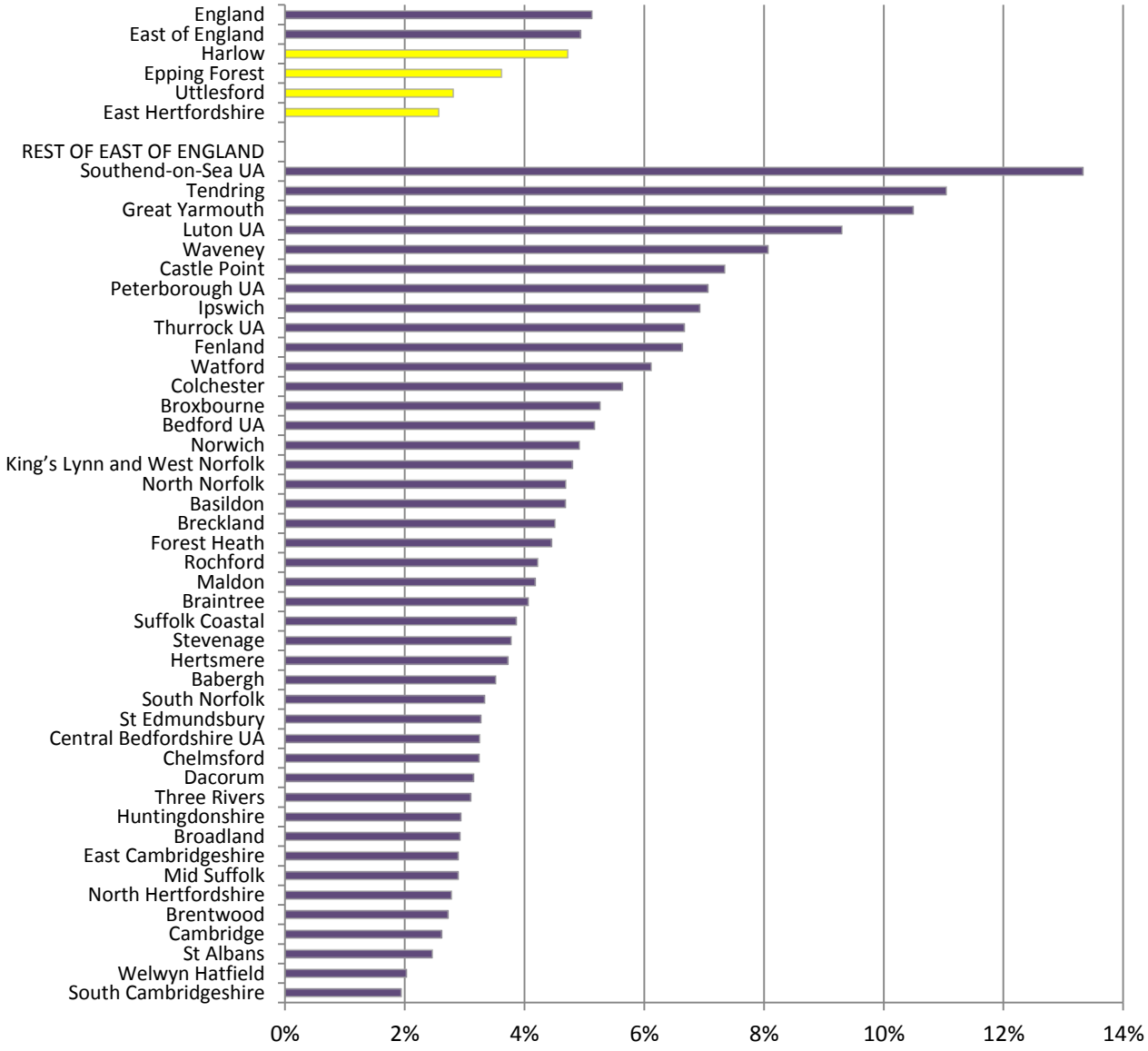
1.37 Figure 25 shows that 4.7% of households in Harlow, 3.6% in Epping Forest, 2.8% in Uttlesford and 2.6% in East Hertfordshire claim Housing Benefit while living in the private rented sector. The figure is obtained by dividing the number of Housing Benefit claims in the private rented sector by the total dwelling stock of the area. This may overstate the number of dwellings occupied because some Houses in Multiple Occupation (HMOs) will have more than one claimant household within them.

1.38 While many households choose to live in private rented accommodation with Housing Benefit support, other households would prefer a social tenancy, but are unable to obtain one due to shortages in Social Rented stock. Households receiving Housing Benefit in the private rented sector typically cannot afford more than Social Rents. Therefore, to reduce the number of households claiming Housing Benefit in the private rented sector, more Social Rented housing would need to be provided

1.39 As outlined in Section 2 of this report, within the ORS Housing Mix Model the future supply of social housing includes existing Housing Benefit supported private rent dwellings. Therefore, the core model seeks to assess the level of Affordable Housing required to prevent more households living in the private rented sector with Housing Benefit support. However, this assumption is also sensitivity tested within the model and if local authorities wish to reduce the number of households claiming Housing Benefit in the private rented sector they would simply need to provide more dedicated Affordable Housing. .

Figure 25

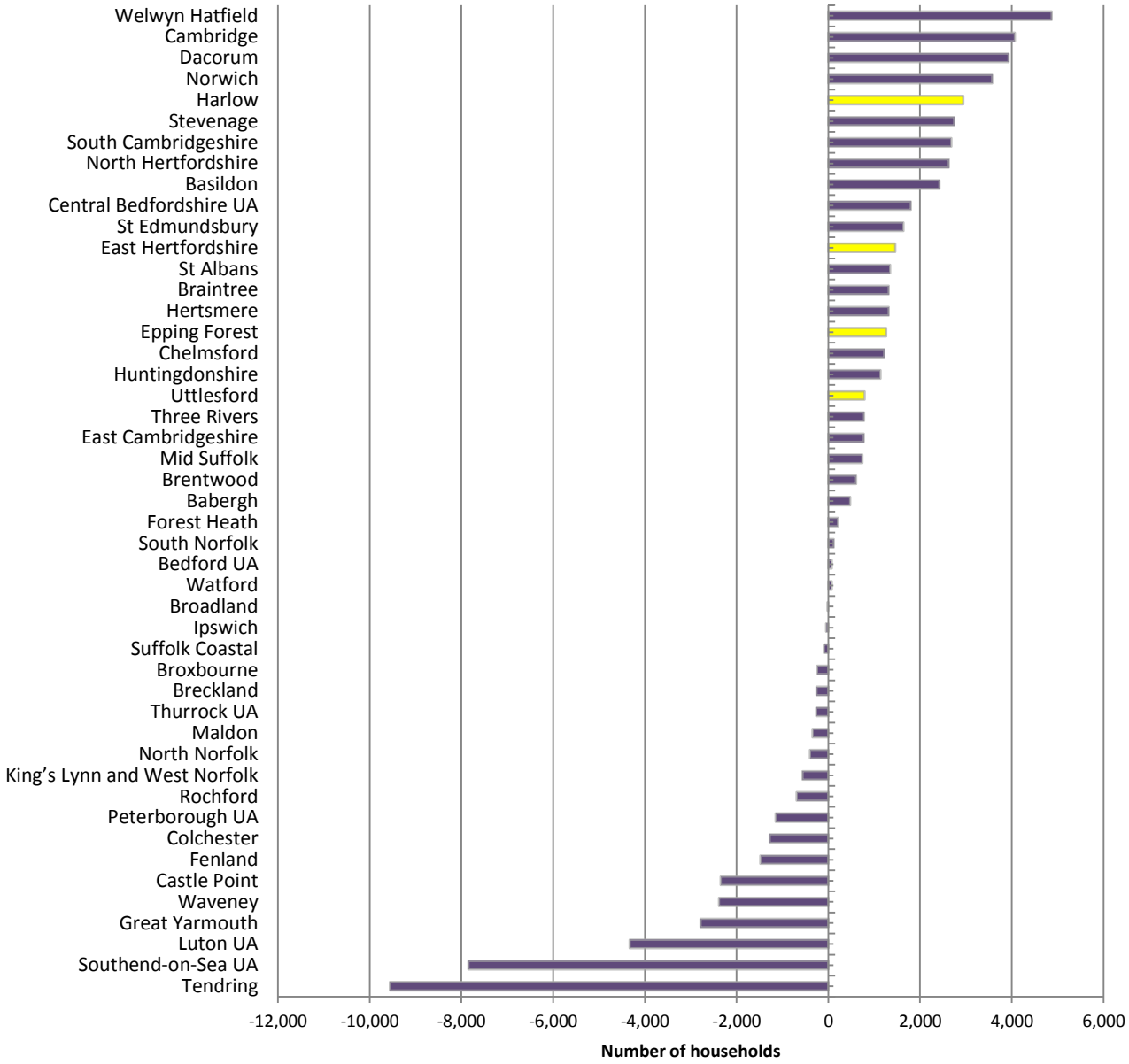
Housing Benefit in Private Rented Sector as a Share of Total Dwellings by East of England Local Authority (Source: CLG Live Table 100 March 2011; DWP March 2012)



1.40 Figure 26 illustrates an alternative way of looking at the issue. It shows the difference which exists between the number of Social Rented dwellings in the local authority, and the number of households claiming Housing Benefit. This shows that if only households claiming Housing Benefit were to be housed in Social Rented dwellings there would be sufficient dwellings in all four authorities. In Harlow's case there is a relatively large social housing stock, while in the remaining three authorities there is a relatively low number of Housing Benefit claimants when compared to other parts of the East of England.

Figure 26

Gap between Number of Social Rented Dwellings and Number of Local Housing Allowance/Housing Benefit Recipients by East of England Local Authority (Source: CLG Live Table 100 March 2011; DWP March 2012)



Changes to Social Housing Letting Policy and Local Housing Allowance in the Welfare Reform Act 2012

1.41 The Coalition Government's first budget in June 2010 contained a number of proposed reforms to the local housing allowance, many of which have subsequently been included within the Welfare Reform Act 2012. These included:

- From April 2011, local housing allowance rates were capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.
- From April 2011, local housing allowance rates were set at the 30th percentile of local rents (previously the 50th percentile)
- From 2013-14, local housing allowance rates will be uprated in line with CPI
- Deductions for non-dependants were uprated in April 2011 on the basis of prices. This reversed the freeze in these rates since 2001-02
- From April 2013, housing entitlements for working age people in the social sector will reflect family size.
- From April 2011, Housing Benefit claimants with a disability and a non-resident carer were entitled to funding for an extra bedroom.

1.42 The change from using the 50th percentile to the 30th percentile for calculating local housing allowance rates could have a significant impact on the study area. Figure 27 shows the local housing allowance rates for March 2011 (based on the 50th percentile) alongside the 30th percentile rents which currently set the LHA limit. The figures were obtained by taking the weekly allowance multiplying this by 52 and dividing by 12 to obtain an average monthly figure. This shows that the maximum LHA allowance for almost all property sizes in all areas has fallen since March 2011.

Figure 27:
March 2011 and March 2012 Monthly Local Housing Allowance Thresholds for Broad Rental Market Areas in LCB East .(Source: LHA Direct)

Broad Rental Market Area	March 2011 LHA (50th percentile)				April 2013 LHA (30th percentile)			
	1 bed	2 bed	3 bed	4 bed	1 bed	2 bed	3 bed	4 bed
Cambridge	£549.24	£600.00	£715.40	£1,015.40	£520.00	£597.87	£694.94	£899.99
Harlow & Stortford	£530.76	£669.24	£826.16	£1,153.84	£549.99	£700.01	£849.98	£1,199.99
Outer North East London	£623.08	£784.60	£969.24	£1,292.32	£664.30	£819.30	£1,000.00	£1,328.60
South East Herts	£576.92	£733.84	£876.92	£1,287.68	£604.67	£792.05	£950.00	£1,248.00
Stevenage & North Herts	£484.60	£609.24	£733.84	£1,015.40	£524.98	£660.01	£792.05	£995.02

Further Consideration of the Government's June 2010 Budget and Welfare Reform Act 2012

1.43 The key issue to consider is how the changes to the local housing allowance will affect the market for Affordable Housing, particularly in terms of demand and supply. Some considerations are set out below.

In April 2013, Housing Benefit entitlements for working age people in the social sector will reflect family size

1.44 **Example:** a working age couple with two adult children occupy a 3 bed Social Rented property and receive Housing Benefit. If the adult children move out of the house, the couple will technically only require a 1 bed dwelling. The policy impact is that they will no longer receive Housing Benefit for a 3 bedroom property since their Housing Benefit/Universal Credit would be reduced by 25%. They will either:

- be required to pay the balance of rent from their own funds, or,
- move to a small dwelling and continue to receive full Housing Benefit.

1.45 There are a range of possible implications arising from such a change (and we have not considered the ethical implications of the change):

- More households may downsize from family sized Social Rented dwellings into smaller units
- Some larger properties may become available for overcrowded households with children
- There may be or may not be a corresponding 'balancing effect', as larger homes and smaller homes are vacated
- Adult children may subsidise their parents to allow them to remain in the larger family home
- Some households who will see the benefit reduced may choose to remain and find the additional rent required. This could lead to potential difficulties in paying other living costs as their income may not have changed, or result in rent arrears and possible eviction

Deductions for non-dependants were uprated in April 2011 on the basis of prices. This reversed the freeze in these rates since 2001-02

1.46 **Example:** a pensioner couple with two adult children occupy a 3 bed Social Rented property and receive Housing Benefit. Current deductions for non-dependants have risen, thus reducing the amount of Housing Benefit received by this household. If the adult children move out of the house, the couple will be allowed to remain in their dwelling because they are not working age and will receive more Housing Benefit.

1.47 The policy impact is that the financial incentive is for the adult children to leave home and seeking their own independent accommodation, hence the rate of household formation will rise.

1.48 Meanwhile, changes to the level of local housing allowance available may have a considerable impact on the supply of dwellings available for households who require financial support in the private rented sector. These changes will not reduce the number of households seeking affordable or subsidised housing – however, it may increase the demand on local authorities to meet these households housing need.

1.49 The ability of authorities to meet housing need is dependent upon many issues. For example, how willing will private landlords in LCB East be to accept households in receipt of Housing Benefit at the reduced levels from April 2011? Potential scenarios include:

- Market rent levels fall as landlords accept lower yields on their investments.
- If the new rent thresholds are too low then landlords may simply not be willing to accept Housing Benefit dependent households and instead return their stock to the market sector.
- This in turn may see house prices and rents fall as more housing becomes available to buy or rent - more households may be able to meet their housing requirements in the open market.

1.50 However, if landlords are not prepared to accept households in receipt of Housing Benefit, where will these households have their housing needs addressed? Social housing has limited supply. Homelessness presentations may increase and overcrowding might rise. The percentage of disposable income paid to rent may rise in households seeking housing in the private sector.

1.51 In summary:

- Potentially, there could be reduced household formation rates which may reduce the number of households seeking Affordable Housing. However, some changes in the LHA may also see formation rates rise.
- The supply of private rented dwellings may change significantly, especially for households on lower incomes.
- The total number of Housing Benefit claimants in the private rented sector is unlikely to fall, but their locations may change to lower priced areas.
- Alternatively, where landlords do not accept the lower rents more properties may return to 'pure' market housing.
- Local authorities may be pressed to find housing solutions for increasing demand from households who cannot resolve their own needs - homelessness presentations and overcrowding may also rise further.

1.52 Indications of the likely changes which will occur due the LHA reforms are shown in Figure 28 and Figure 29. These show the growth which has occurred in Housing Benefit claimant numbers in the private rented sector in each East of England local authority between October 2009 and March 2012. Figure 28 shows the growth in the total number of claimants and Figure 29 shows the percentage growth from an October 2009 base.

1.53 It is clear that the highest growth has been in coastal authorities such as Southend on Sea, Tendring, Thurrock and Kings Lynn and West Norfolk. Meanwhile, the LCB East authorities have seen lower rates of growth. This does not necessarily mean that the coastal authorities, have higher levels of local housing need, but instead may reflect that these areas have more capacity in their private rented stock to house Housing Benefit claimants. Many coastal towns have former bed and breakfast properties which are suitable for conversion to Housing Benefit supported Houses in Multiple Occupation (HMOs).

Figure 28
Growth in Number of Housing Benefit Claimants in the Private Rented Sector Oct 2009-March 2012 by East of England Local Authority (Source: DWP)

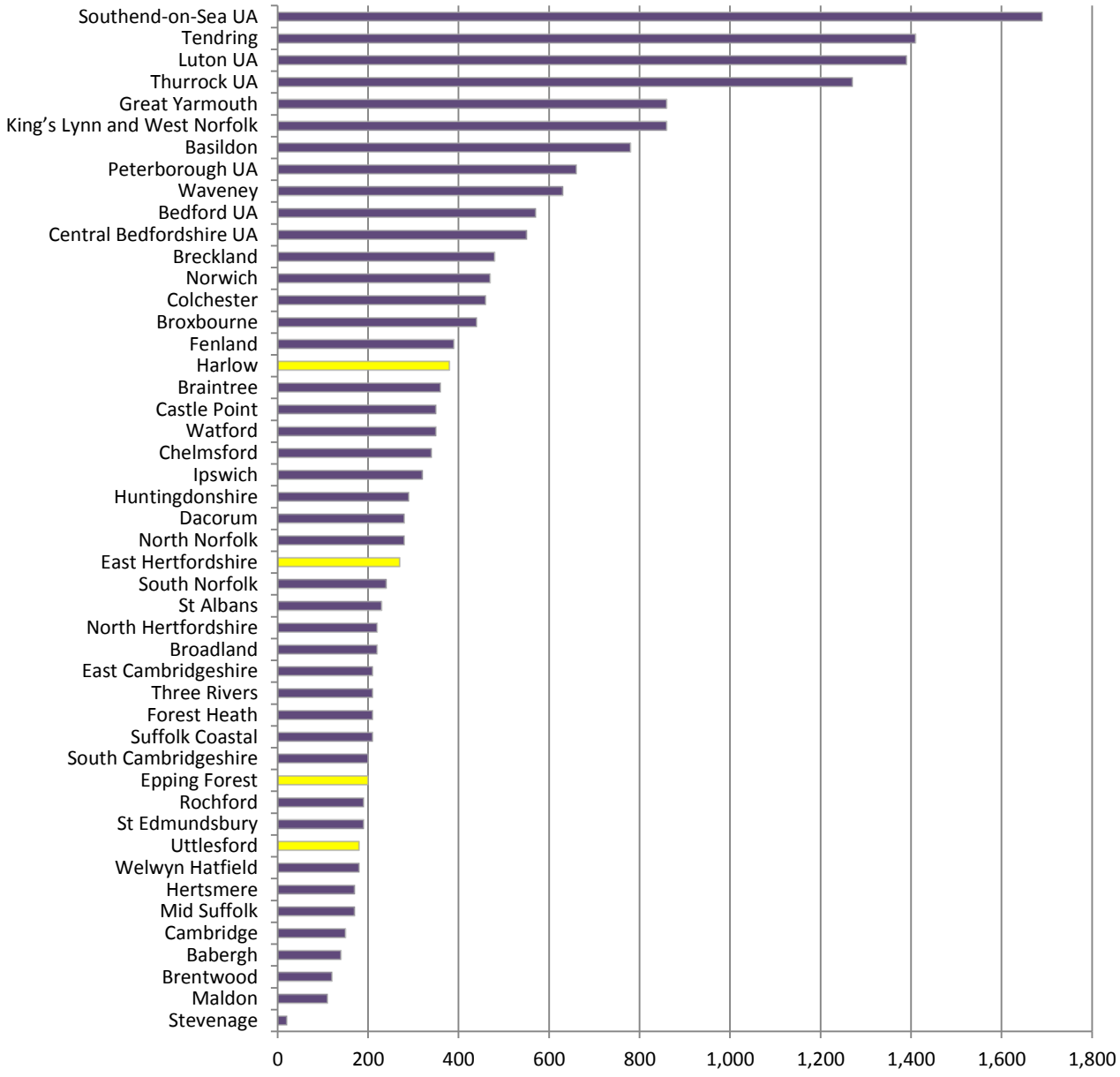
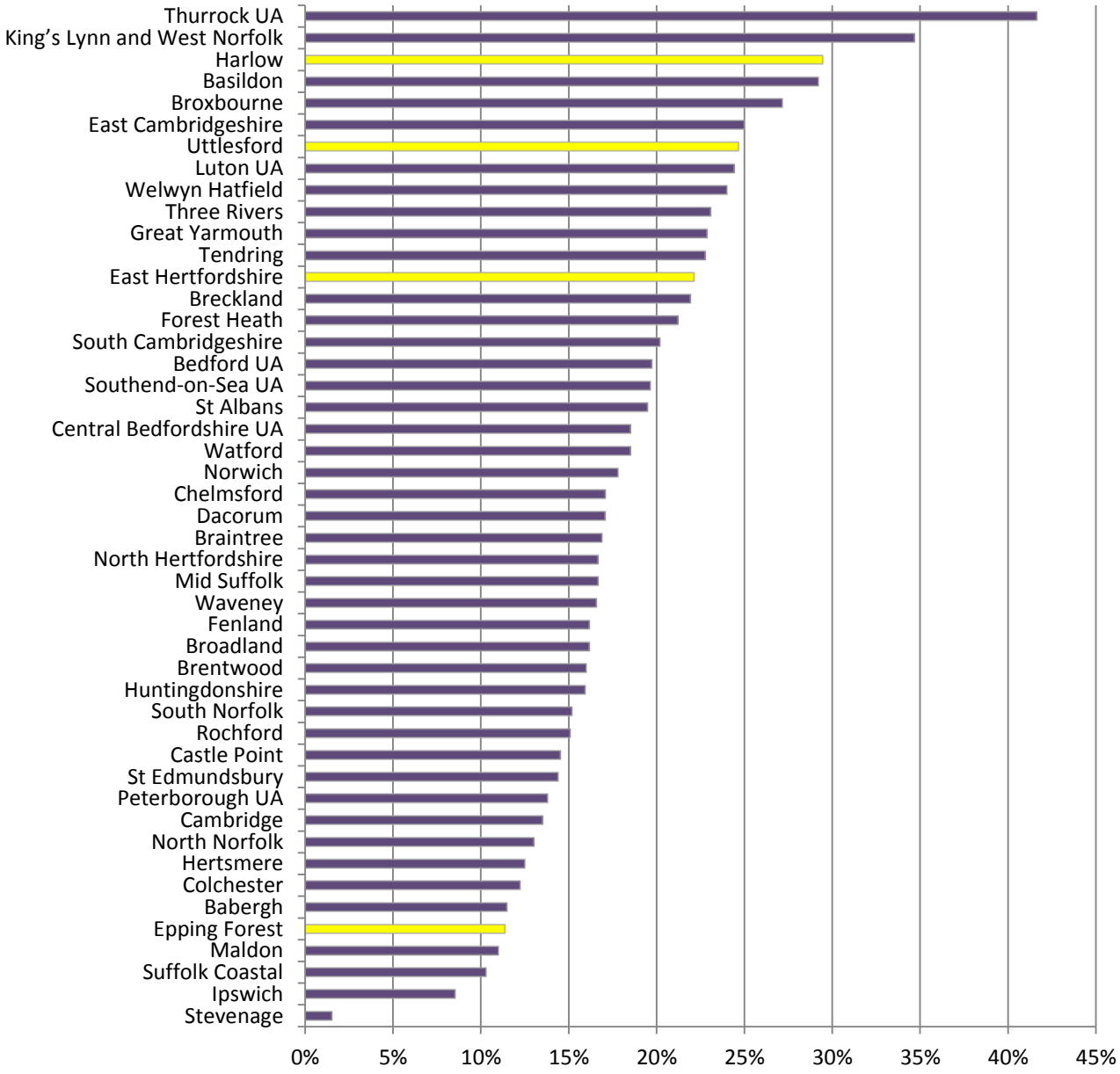


Figure 29
Growth in Housing Benefit Claimants in the Private Rented Sector Oct 2009-March 2012 by East of England Local Authority as a Percentage of the October 2009 Base (Source: DWP)



1.54 The LHA reforms are likely to see this process exaggerated with landlords withdrawing Housing Benefit supported stock and either letting the property to tenants not in receipt of Housing Benefit or returning it to the open market in more affluent and expensive authorities. Therefore, if the LCB East authorities with higher property prices wish to meet their own housing needs within their own boundaries then this would require a higher level of Affordable Housing provision.

1.55 Additional changes to the benefit system which will impact upon the receipt of Housing Benefit were announced in October 2010. These will see the total level of benefit received by most households capped at £500 per week, with the exception of benefit for single people with no children, which is capped at £350 per week. The amount of Housing Benefit any household can receive will be assessed after any Jobseekers Allowance, Income Support, Council Tax benefit, child tax credit and child benefit have been deducted. For

larger benefit dependent households the cap may severely restrict their housing options as the Housing Benefit received will not cover the typical rent on a larger private rented dwelling.

1.56 This in turn may start to alter long-term demographic trends if households seek to move to lower rent areas to ensure their total benefit claim remains within the £500 cap.

Right to Buy: Housing Need and the Housing Register

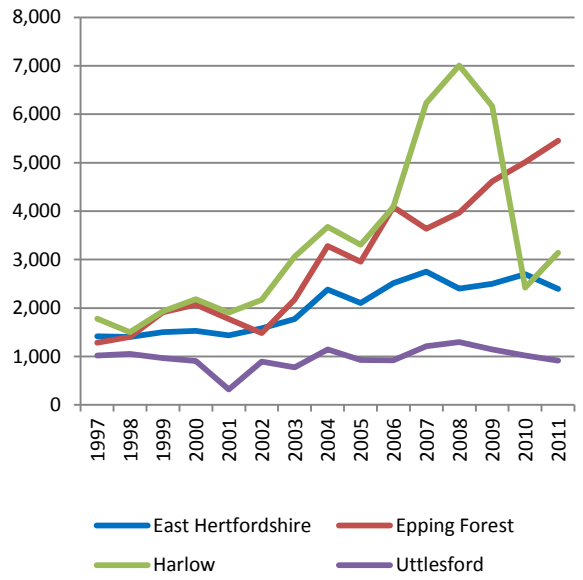
1.57 Right to Buy sales have fallen to negligible levels in recent years in LCB East. However, the Government announced in September 2011 that it was planning to revive the scheme with greater discounts being offered to tenants to buy their property. The revived Right to Buy scheme which was announced and came into effect in March 2012 saw households receiving a 35% discount after five years' tenancy, with an extra 1% for each additional year's tenancy, up to a maximum of the smaller of 60% of the property value or £75,000. Tenants in flats will now receive 50% discount after five years' tenancy, with 2% increase for each additional year of tenancy up to the lower of 70% of the property value or £75,000. In the April 2013 Budget, it was announced that the eligibility period for Right to Buy will be reduced to 3 years, and the maximum property value has been increased to £100,000 in London.

1.58 The policy aims for each additional property sold under Right to Buy as a result of the changes in 1.57 above to be replaced by an Affordable Rent property. However, Councils will only be able to keep additional receipts from sales if they limit the use of those receipts to 30 per cent of the cost of the replacement homes and spend them within 3 years of receipt. They will be expected to secure the remainder of the funding from other sources. Otherwise, the Right to Buy receipts will be placed in a central pot to support house building nationally rather than in the local authority where the sale occurred.

1.59 This clearly has long-term implications for LCB East. A large number of sales per annum may reduce the long-term capacity of the area to meet its own housing needs.

1.60 The policy may also have more subtle effects such as on the housing register. Figure 30 shows that the housing registers of the area have shown erratic long-term growth. Notably, Harlow's waiting list fell sharply from over 6,000 in 2009 to 2,400 following a detailed review. However, an improved incentive to exercise the Right to Buy will make Social Rent a potentially more attractive housing solution to those who cannot afford owner occupation in the area. Therefore, the housing register may start to grow as households hope to access Social Rent to be able to access Right to Buy.

Figure 30
Local Authority Social Housing Waiting List for Non-transfer Applicants 1997-2011 (Source: Housing Strategy Statistical Appendix)



1.61 Changes to local residency criteria may have an impact on waiting lists. For example, Epping Forest District Council is in the process of implementing agreed changes to the criteria for applying for social housing properties in the district, and it is estimated by September 2013 the waiting list will have reduced from around 6,500 to approximately 3,500.

Acute Housing Need: Homelessness

1.62 A key duty of local authorities is to provide a service to households who become homeless or are at risk of becoming homeless where they are satisfied that the applicant has a priority need. Data on homelessness cases was formerly published quarterly by local authorities, but is now only published on an annual basis.

1.63 The Localism Act allows for an offer private rented accommodation to homeless households to be a discharge of their duty under homelessness legislation. Epping Forest District Council has adopted this measure as part of a revised allocations policy, and therefore reliance on the private rented sector is likely to increase.

1.64 Figure 31 shows that acceptances for homelessness significantly reduced from 2003 until 2011. The number of households housed in temporary accommodation rose sharply in Harlow between 2003 and 2005, but has declined significantly since this time (Figure 32). East Hertfordshire also saw a spike in the use of temporary accommodation in 2005 which matched a period of a high number of households being assessed as being homeless and in priority need. Meanwhile, Epping Forest saw a rise in the use of temporary accommodation until 2006, while Uttlesford has rarely used temporary accommodation to meet housing needs.

Figure 31
Unintentionally Homeless and in Priority Need Households by Local Authority Q1 2003- Q1 2011 (Source: Local Authority P1E Homelessness Data. Note: Number of cases based on 12-months to end of quarter)

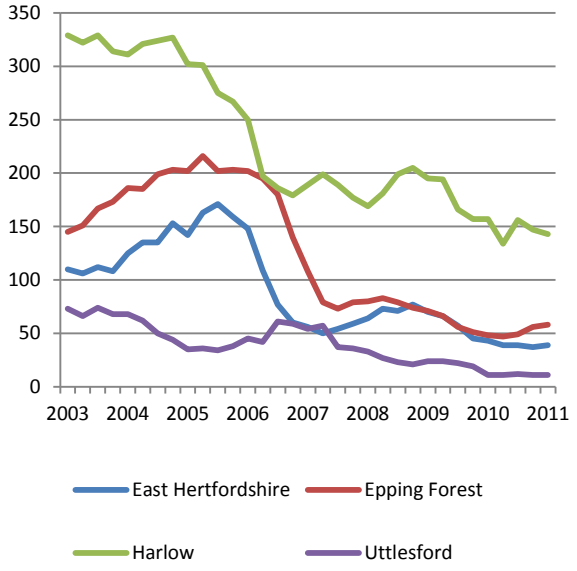
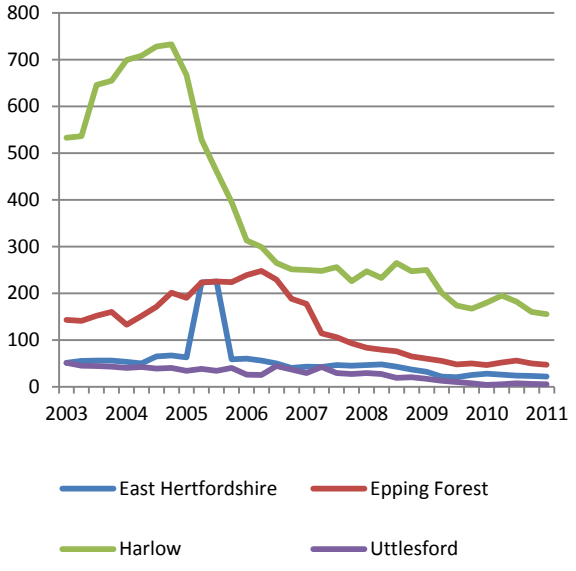


Figure 32
Households in Temporary Accommodation by Local Authority Q1 2003- Q1 2011 (Source: Local Authority P1E Homelessness Data)



2. Projecting Future Housing Requirements

2.1 Future housing demand is extremely difficult to quantify – so local planning authorities are encouraged to ensure that the evidence brought together enables the identification of high-level messages about the key trends and drivers to which future policies will need to respond (including an estimate of the scale of future housing requirements based on net household projections) rather than aiming to pin down numerous details.

2.2 24 authorities, including all those in LCB East, in the East of England have had detailed household projections undertaken in May 2012 for them by Edge Analytics using the PopGroup software. This study is known as the 'Greater Essex Demographic Forecasts: Phase 3: Scenario Development'. The 2010 based sub-national population projections for each authority are detailed in Figure 33 to Figure 38.

Figure 33
Household Projections to 2033 by Household Type for East Hertfordshire (Source: Greater Essex Demographic Forecasts. Note: Figures rounded to the nearest 100)

Household Type	Year				
	2010	2018	2023	2028	2033
2010 Based Trend based Household Projections					
One person households:	16,800	20,300	22,500	24,600	26,600
One family and no others: Couple households	30,400	33,700	35,600	37,400	39,100
One family and no others: Lone parents households	2,800	3,400	3,900	4,300	4,600
Couple and one or more other adults	4,600	3,900	3,400	3,100	2,800
Lone parent and one or more other adults	400	400	400	400	400
Other household type	2,400	2,200	2,100	2,000	2,000
All household groups	**57,200**	**63,900**	**67,900**	**71,800**	**75,400**

Figure 34
Household Projections to 2033 by Household Type for Epping Forest (Source: Greater Essex Demographic Forecasts. Note: Figures rounded to the nearest 100)

Household Type	Year				
	2010	2018	2023	2028	2033
2010 Based Trend based Household Projections					
One person households:	18,100	21,600	24,200	26,800	29,400
One family and no others: Couple households	24,400	26,200	27,400	28,700	29,900
One family and no others: Lone parents households	3,200	4,200	4,800	5,200	5,700
Couple and one or more other adults	4,900	4,100	3,600	3,200	2,900
Lone parent and one or more other adults	400	500	500	500	500
Other household type	2,200	2,000	1,900	1,800	1,600
All household groups	**53,300**	**58,600**	**62,300**	**66,200**	**70,100**

Figure 35
Household Projections to 2033 by Household Type for Harlow (Source: Greater Essex Demographic Forecasts. Note : Figures rounded to the nearest 100)

Household Type	Year				
	2010	2018	2023	2028	2033
2010 Based Trend based Household Projections					
One person households:	12,100	13,900	15,000	16,300	17,500
One family and no others: Couple households	15,000	16,000	16,400	16,800	17,200
One family and no others: Lone parents households	2,700	3,300	3,700	4,000	4,200
Couple and one or more other adults	3,000	2,500	2,300	2,100	1,900
Lone parent and one or more other adults	400	400	400	400	500
Other household type	1,800	1,800	1,800	2,000	2,200
All household groups	**35,000**	**37,800**	**39,600**	**41,500**	**43,500**

Figure 36
Household Projections to 2033 by Household Type for Uttlesford (Source: Greater Essex Demographic Forecasts. Note: Figures rounded to the nearest 100)

Household Type	Year				
	2010	2018	2023	2028	2033
2010 Based Trend based Household Projections					
One person households:	8,500	10,200	11,500	12,600	13,600
One family and no others: Couple households	17,300	19,600	20,900	22,200	23,300
One family and no others: Lone parents households	1,500	1,900	2,200	2,500	2,600
Couple and one or more other adults	2,600	2,500	2,300	2,300	2,300
Lone parent and one or more other adults	200	200	200	300	300
Other household type	1,000	900	800	800	700
All household groups	**31,200**	**35,400**	**38,000**	**40,500**	**42,800**

2.3 In all four authorities there is projected to be a sharp increase in the number of single persons, lone parents and couples living as a single family unit. This excludes couples who are living with other adults such as adult children, with this number projected to decline.

Modelling Future Housing Requirements

2.4 In 2007, government guidance for undertaking studies to understand local housing markets was issued by the Department for Communities and Local Government in the form of the document, 'Strategic Housing. Market Assessments. Practice Guidance. Version 2. August 2007'. This considers the future housing market from a high-level, strategic perspective; considering how key drivers and long-term trends will impact on the structure of the household population over the full planning period. In order to meaningfully compare the assessment of housing need with the change in total numbers of households (and the overall requirement for additional housing), both numbers need to be derived in comparable ways.

2.5 The ORS Housing Mix Model considers both housing need and overall housing requirements on a longer-term basis, providing robust and credible evidence about the required mix of housing over the full planning

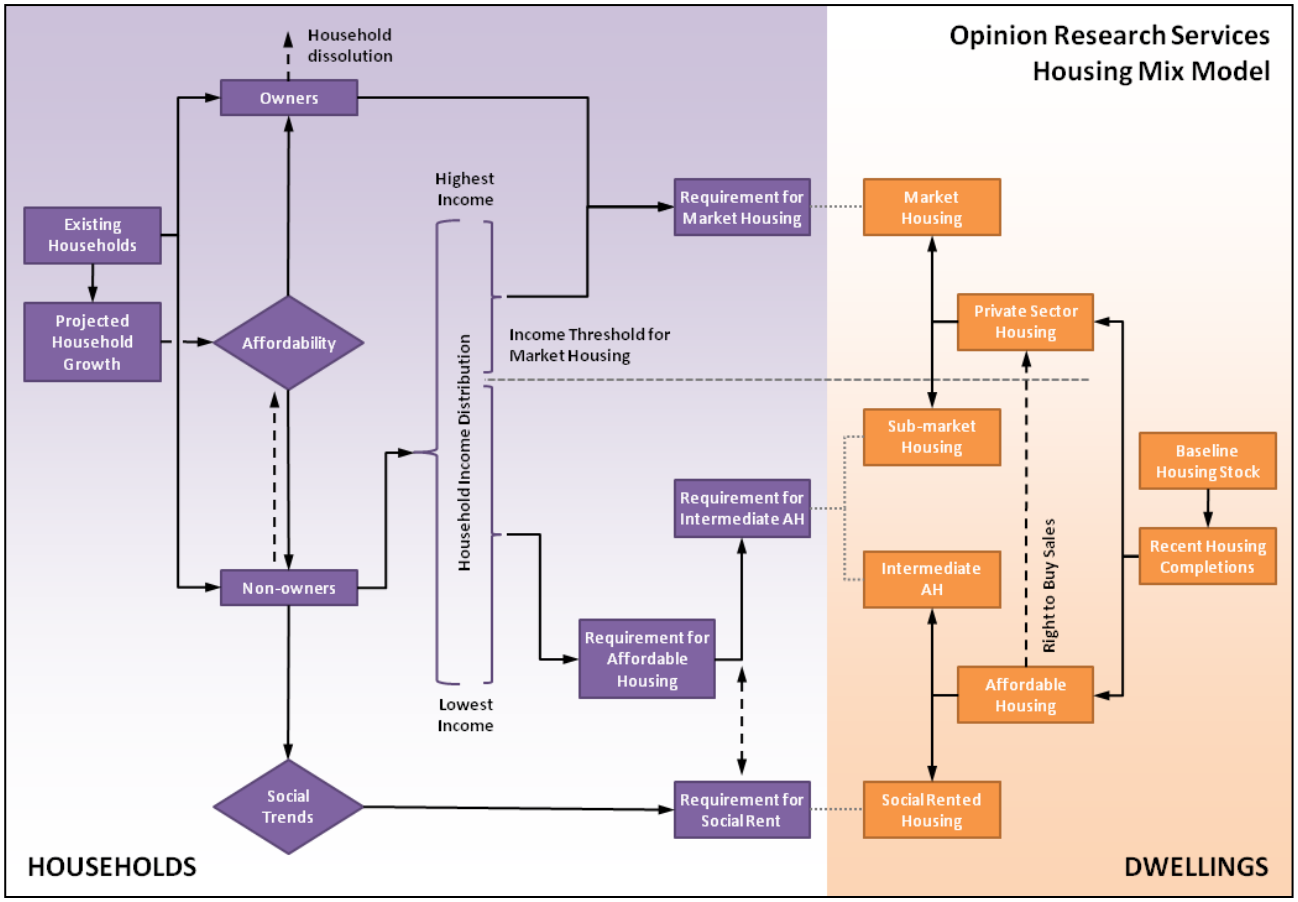
period and understanding how key housing market drivers (such as affordability) will impact on the appropriate housing mix.

2.6 The model uses a wide range of secondary data sources to build on existing household projections and profile how the housing stock will need to change in order to accommodate the projected future population. The secondary data sources are readily updateable as new information is published, and a range of assumptions can be varied to enable effective sensitivity testing to be undertaken. In particular, the model has been designed to help understand the key issues and provide insight into how different assumptions will impact on the required mix of housing over future planning periods.

2.7 Details on the technical workings of the model can be found in the separate 'ORS Housing Mix Model Technical Paper' which can be viewed online. In summary, Figure 37 provides a detailed overview of the structure of the Housing Mix Model and the way in which the different stages of the model interact:

- The left hand section of the diagram considers households in terms of the baseline population and projected household growth, and their associated affordability and housing requirements;
- The right hand section of the diagram considers the dwelling stock in terms of the tenure and housing costs for both the existing stock and the recent housing completions.

Figure 37
Detailed Overview of the ORS Housing Mix Model



2.8 The Housing Mix Model considers the projected household population alongside the existing dwelling stock in order to establish the necessary balance between Market Housing and Affordable Housing in relation to

the additional dwellings to be provided, and within the Affordable Housing dwelling provision the appropriate role of Intermediate Affordable Housing and Social Rented Housing.

Core Future Housing Requirements for Original LCB East SHMA

2.9 Figure 38 shows the relevant identified future housing requirements from the original LCB East SHMA for the period 2007-2026. For this update, the figures for the four districts plus West Essex (Epping Forest, Harlow and Uttlesford) and the Harlow Joint Working Area (East Hertfordshire, Epping Forest and Harlow) are updated in Figure 39 to cover the period 2010-2033 using four sets of alternate household projections, namely:

- Sub-National Population Projections 2010 – base line
- Approved Regional Spatial Strategy
- Nil net migration
- Jobs-led – using output from the East of England Forecasting Model

Figure 38:
Tenure Mix of Housing Requirement to 2026 by Local Authority from 2008 SHMA (Note: All figures rounded to the nearest 100. Figures may not sum due to rounding. All percentages are calculated based on data before rounding)

Housing Type	Local Authority			
	East Hertfordshire	Epping Forest	Harlow	Uttlesford
House prices based on 2007-08 levels				
Market housing	5,400	-500	8,400	2,500
Intermediate Affordable Housing	8,000	4,200	1,300	4,300
Social Rented housing	1,800	2,900	2,500	1,300
Total Housing Requirement	**15,200**	**6,600**	**12,200**	**8,100**
Market housing	35.7%	0.0%	68.7%	30.7%
Intermediate Affordable Housing	52.8%	59.1%	10.7%	53.2%
Social Rented housing	11.5%	40.9%	20.5%	16.1%
House prices based on long-term trends				
Market housing	8,300	2,000	9,700	4,200
Intermediate Affordable Housing	5,100	1,800	0	2,600
Social Rented housing	1,800	2,900	2,500	1,300
Total Housing Requirement	**15,200**	**6,600**	**12,200**	**8,100**
Market housing	54.7%	29.6%	79.5%	51.5%
Intermediate Affordable Housing	33.7%	26.5%	-	32.4%
Social Rented housing	11.5%	43.9%	20.5%	16.1%

Core Modelling Assumptions

2.10 For the results presented below the following assumption are contained within the model:

- Mortgage multiplier used is 3.5%, so households are able to borrow up to 3.5 times their household income. This figure is based on recommendation in SHMA Practice Guidance;

- Households can spend up to 25% of their income for rent in accordance with CLG Practice Guidance recommendations;
- The annual rental yield for private rented dwellings is 5.9%. This is the rate of return on private rented dwellings so a property valued at £100,000 is assumed to yield a rent of £5,900 per annum. There are no official statistical sources for rental yields, so the figure used in the model is taken from the Paragon Private Rented Sector Survey Q4 2011. This is a survey of 500 buy to let landlords who are also members of the National Landlords Association;
- House prices are set as a baseline rate of their 2011/12 levels, which are close to long-term trend real house prices. This assumption is sensitivity tested in the model by exploring the impact of both higher and lower house prices;
- A vacancy rate on households to dwellings of 3.8%. Therefore, at any point in time 3.8% of dwellings will be vacant including new build dwellings. This figure is consistent with recent HSSA submissions on vacant dwellings for each authority;
- It is assumed that any Right to Buy/Right to Acquire sales since 2001 are required to be replaced within the model by additional new build of Social Rented dwellings. This is due to a Right to Buy/Right to Acquire sale representing a loss of a Social Rented dwelling without any reduction in the number of households seeking Social Rent, so each sale requires a new build to replace it. Projected Right to Buy/Right to Acquire sales to 2033 are based upon the average number of sales since 2008. As discussed in para 1.57 onwards, future Right to Buy sales may not be replaced one for one in the local authority where they occur. This will simply increase the number of Social Rented units required to be delivered from other sources.
- The requirements assume a site delivery threshold of zero, so all sites yield Affordable Housing. If some sites do not deliver Affordable Housing, the remaining sites will be required to absorb the remaining requirements. Therefore, if only 50% of sites deliver Affordable Housing the then identified percentages for delivery would require doubling if all requirements are to be met;
- The number of households receiving Housing Benefit in the private rented sector is assumed to remain at March 2012 levels. This assumption is sensitivity tested in the model by showing the level of Affordable Housing which would be needed to reduce the number of claimants in the private rented sector;
- Social letting policies are assumed to remain constant. This leads to most households entering social housing requiring Housing Benefit and Affordable Rent dwellings being effective Social Rent;
- Intermediate Affordable Housing is housing whose cost is above target Social Rents, but below the cost of market housing (rent or owner occupier). Therefore, intermediate Affordable Housing must be cheaper than the cost of renting a dwelling at the lower quartile of private rents;
- The number of converted dwellings has been assumed to have remained at its level at the time of the 2001 Census. However, this is sensitivity tested within the model;
- A converted dwelling has a 20% uplift on the rent it receives. Therefore, the landlord receives 20% more rent if they let their property as an HMO or they formally convert the dwelling than if they let in the private rented sector to one household;
- The period for results is 2011-2033.
- All figures are rounded to the nearest 100.

Updated Future Housing Requirements for LCB East

2.11 Figure 39 shows the updated housing requirement projections for the four local authorities and two combined areas. It is important to emphasise that these figures are based:

» Purely upon the affordability of households, not their preferences or the Affordable Housing allocation policies of the local authorities. Households are allocated to market housing if they can afford market housing costs, to intermediate housing if they can afford more than Social Rents, but less than market housing costs and to Social Rent if they cannot afford to pay existing Social Rents without Housing Benefit.

» The supply of social housing includes existing Housing Benefit supported private rent dwellings, so the model assumes that the same number of households will receive Housing Benefit support in the private rented sector in 2033 as was the case in March 2012;

» The supply of intermediate housing includes the lower quartile of the private rented sector, so cheaper private rented sector help to meet the housing needs of those who would otherwise require intermediate housing.

- For clarity, we would also note that:

» **Market Housing:** is homes for sale and rent provided at a cost above the market threshold, as defined as being above the lower quartile for renting and owner occupation

» **Intermediate Rent/Shared Ownership:** is homes for sale and rent provided at a cost above Social Rent, but below market levels. The existing supply includes shared equity, other low cost homes for sale and Intermediate Rent along with private sector housing which is below market thresholds. We would note that Intermediate Rent is distinct from Affordable Rent because households who cannot meet the costs of Affordable Rent are able to claim Housing Benefit support, which is not available for Intermediate Rent. All new provision is assumed to be dedicated intermediate Affordable Housing products.

» **Social Rented/ Affordable Rented:** is existing Social Rented dwellings with rents set by the national Rent Regime and newly provided or converted Affordable Rent dwellings with a rent of no more than 80% of the local market rent. As noted in Chapter 1, Affordable Rent can be considered as part of the effective social housing supply because households who cannot afford to meet the rents themselves will be entitled to obtain Housing Benefit to do so.

Figure 39:
Tenure Mix of Housing Requirement to 2033 by Area (Note: All figures rounded to the nearest 100. Figures may not sum due to rounding. All percentages are calculated based on data before rounding)

Housing Type	Area					
	East Hertfordshire	Epping Forest	Harlow	Uttlesford	West Essex	Harlow Joint Working Area
Trend Based Projections 2011-2033						
Market	9,500	5,900	4,400	5,300	18,300	23,500
Intermediate Affordable/Shared Ownership	6,000	6,700	0	4,200	7,400	8,400
Social Rented/Affordable Rented	3,100	4,100	3,600	2,000	10,400	11,400
Total Housing Requirement	**18,600**	**16,700**	**8,000**	**11,500**	**36,100**	**43,300**
Market	51.1%	35.3%	55.0%	46.1%	50.7%	54.3%
Intermediate Affordable/Shared Ownership	32.3%	40.1%	0.0%	36.5%	20.5%	19.4%
Social Rented/Affordable Rented	16.7%	24.6%	45.0%	17.4%	28.8%	26.3%
Approved Regional Spatial Strategy Based Household Projections 2011-2033						
Market	9,000	5,600	4,300	5,000	17,700	22,400
Intermediate Affordable/Shared Ownership	5,800	6,600	0	4,100	7,200	8,200
Social Rented/Affordable Rented	3,000	4,000	3,500	2,000	10,200	11,200
Total Housing Requirement	**17,800**	**16,200**	**7,800**	**11,100**	**35,100**	41,800
Market	50.6%	34.6%	55.1%	45.0%	50.4%	53.6%
Intermediate Affordable/Shared Ownership	32.6%	40.7%	0.0%	36.9%	20.5%	19.6%
Social Rented/Affordable Rented	16.9%	24.7%	44.9%	18.0%	29.1%	26.8%
Net Nil Migration Based Household Projections 2011-2033						
Market	3,400	-300	-400	-500	5,500	9,800
Intermediate Affordable/Shared Ownership	3,900	4,300	0	2,500	4,200	5,100
Social Rented/Affordable Rented	1,800	2,200	1,900	700	6,100	7,300
Total Housing Requirement	**9,100**	**6,200**	**1,500**	**2,700**	**15,800**	**22,200**
Market	37.4%	-4.8%	-26.7%	-18.5%	34.8%	44.1%
Intermediate Affordable/Shared Ownership	42.9%	69.4%	0.0%	92.6%	26.6%	23.0%
Social Rented/Affordable Rented	19.8%	35.5%	126.7%	25.9%	38.6%	32.9%
Jobs-led Household Projections 2011-2033						
Market	8,500	5,400	2,800	3,600	15,000	20,700
Intermediate Affordable/Shared Ownership	5,600	6,500	0	3,600	6,500	7,700
Social Rented/Affordable Rented	2,800	3,900	3,400	1,600	9,300	10,600
Total Housing Requirement	**16,900**	**15,800**	**6,200**	**8,800**	**30,800**	39,000
Market	50.3%	34.2%	45.2%	40.9%	48.7%	53.1%
Intermediate Affordable/Shared Ownership	33.1%	41.1%	0.0%	40.9%	21.1%	19.7%
Social Rented/Affordable Rented	16.6%	24.7%	54.8%	18.2%	30.2%	27.2%

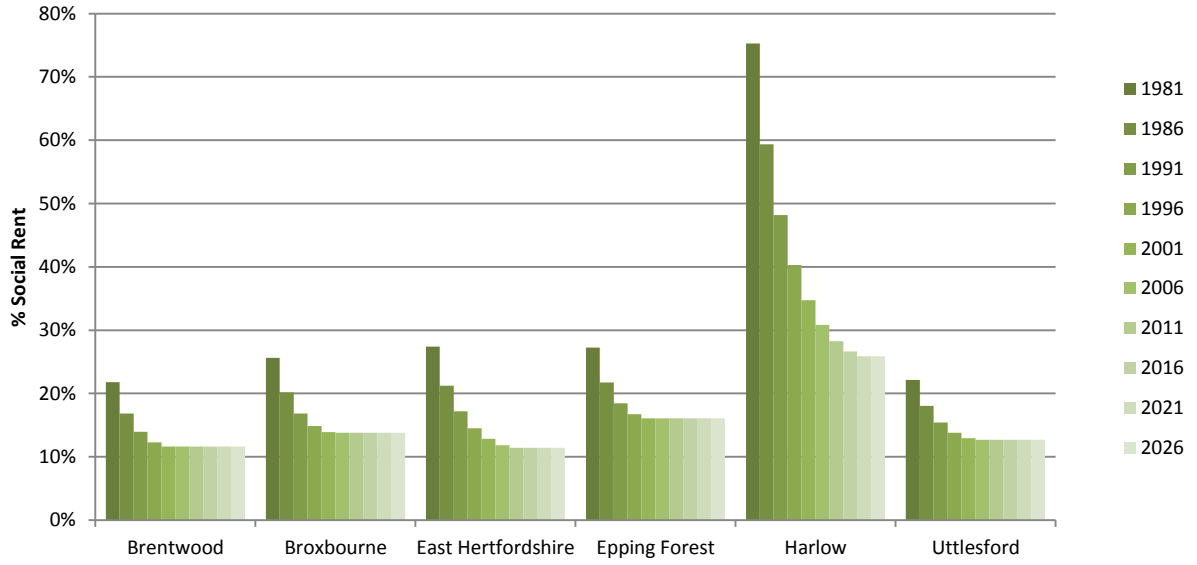
2.12 The results for East Hertfordshire, Epping Forest and Uttlesford are very clearly comparable to those obtained in the 2008 LCB East SHMA. Any changes to the findings can be assigned to the total level of the household growth, changes in Right to Buy levels since 2008 and changes in house prices since 2008.

2.13 The findings for Harlow are very different from those in the original SHMA. The major change is driven by changes in the trend rates of Social Renting. Figure 40 is taken from the 2008 LCB East SHMA and shows the steep long-term decline which has occurred in the size of the Social Rented sector in Harlow. This trend was projected to continue into the future, which limited the requirement for additional Social Rented dwellings.

2.14 However, data from 2007 onwards indicates that the decline in Social Renting rates in Harlow has slowed considerably. When factored back into the housing model this implies that more households will require social housing in the future and that leads to a greater requirement for Social Rent in the future in Harlow.

2.15 For the larger areas such as West Essex and Harlow Joint Working Area the results are based upon the data for the whole area. Therefore if a household cannot afford market housing in Epping Forest, but can afford in Harlow they will have their requirements addressed in Harlow. In practice households may not be prepared to move from Epping Forest to Harlow, but this scenario gives a sub-regional perspective on need.

Figure 40
Change in the Proportion of Households in Social Rented Housing by LA and Year (Source: Modelled based on UK Census of Population 1981, 1991 and 2001)



Estimate of the Size of Housing Required

2.16 The model also estimates the size mix for all tenures. All projections show a similar distribution within tenures. Figure 41 shows these as the number of dwellings using the trend based household projections. The areas show distinct differences in modelled size mix requirements within and across the tenures. In particular the requirement for market housing in Harlow shows a lower need for 3+ bedroom properties. Meanwhile the need for intermediate housing is more heavily concentrated on smaller dwellings.

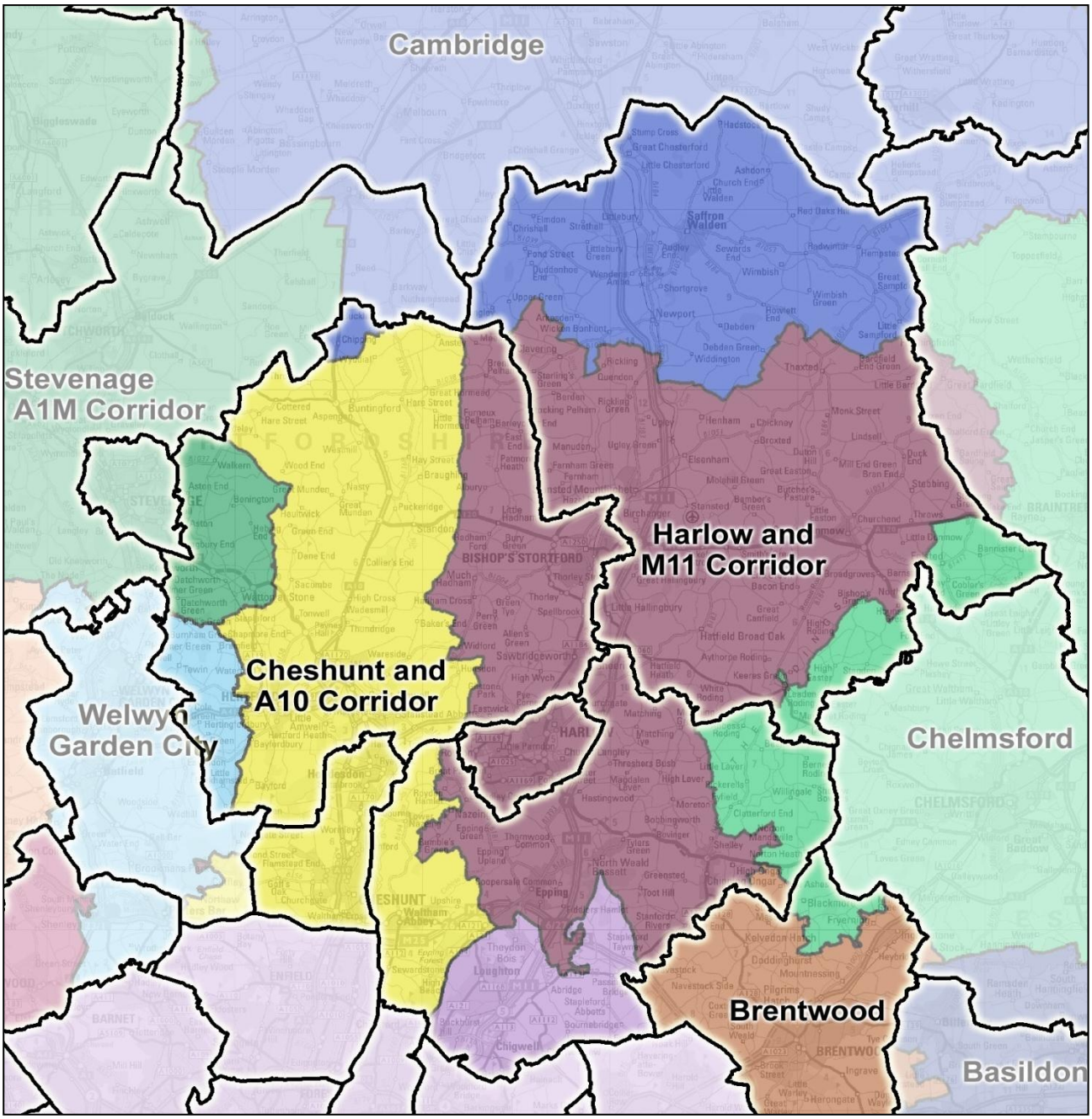
Figure 41:
Size Mix of Housing Requirement to 2033 by Area for Trend Based Household Projections (Note: All figures rounded to the nearest 100. Figures represented by "-" show any shortfall or surplus which is less than 50, although this will normally be greater than 0. Figures may not sum due to rounding)

Housing Type	Area					
	East Hertfordshire	Epping Forest	Harlow	Uttlesford	West Essex	Harlow Joint Working Area
Market						
1 bedroom	500	100	700	0	1,500	2,200
2 bedrooms	1,000	300	1,600	0	3,900	5,400
3 bedrooms	5,200	4,000	1,800	2,700	9,200	11,600
4 bedrooms	2,300	1,200	300	2,000	3,000	3,500
5+ bedrooms	500	300	0	600	700	700
Sub-total	**9,500**	**5,900**	**4,400**	**5,300**	**18,300**	**23,500**
Intermediate Affordable Housing/Shared Ownership						
1 bedroom	1,300	1,500	-	700	1,500	1,800
2 bedrooms	3,000	3,900	-	2,000	4,000	4500
3 bedrooms	1,500	1,200	-	1,300	1,800	1900
4 bedrooms	100	100	-	100	100	100
5+ bedrooms	0	0	-	0	0	0
Sub-total	**6,000**	**6,700**	**0**	**4,200**	**7,400**	**8,400**
Social Rented/Affordable Rented						
1 bedroom	1,300	2,100	1,500	600	4,500	5,100
2 bedrooms	1,000	1,100	1,200	700	3,300	3,500
3 bedrooms	800	800	900	600	2,500	2,600
4 bedrooms	100	100	100	100	200	200
5+ bedrooms	0	0	0	0	0	0
Sub-total	**3,100**	**4,100**	**3,600**	**2,000**	**10,400**	**11,400**
All Housing						
1 bedroom	3,100	3,600	2,000	1,300	7,100	8,900
2 bedrooms	4,900	5,200	2,800	2,600	11,000	13,200
3 bedrooms	7,500	6,200	2,800	4,700	13,700	16,400
4 bedrooms	2,500	1,500	300	2,300	3,500	4,000
5+ bedrooms	600	300	100	600	800	800
Total	**18,600**	**16,700**	**8,000**	**11,500**	**36,100**	**43,300**

Housing Requirements by Housing Sub-market Areas

2.17 The LCB East/M11 SHMA 2008 identified a series of housing sub-markets within the study area. These are shown in Figure 42.

Figure 42
Identifying the Functional Housing Sub-Markets in the Sub-Region (Source: LCB (East)/M11 Strategic Housing Market Assessment 2008.)



2.18 Figure 43 shows the modelled outputs for the sub-areas within the four local authorities. For clarity, the Cheshunt and A10 corridor housing sub-market only includes the area within East Hertfordshire and Epping Forest and does not include the areas in Broxbourne or Welwyn Hatfield. The Loughton sub-market has been modelled and entirely falls within Epping Forest, while the Harlow and M11 corridor housing market includes parts of all four local authorities.

2.19 The delivery of dwellings has been apportioned in line with the distribution of households at the time of the 2001 Census. Therefore, areas with more households have been allocated more of the household growth. Therefore, the pattern of development shown in Figure 43 may not match the actual pattern of development which will occur in any area until 2033.

2.20 The results of the modelling exercise show that the Harlow housing market has both the highest market and social/Affordable Rent requirement. The Loughton and Cheshunt housing sub-market contain very few lower priced dwelling so see a higher intermediate/Shared Ownership requirement.

Figure 43:
Tenure Mix of Housing Requirement to 2033 by Housing Sub-Market Area (Note: All figures rounded to the nearest 100. Figures may not sum due to rounding. All percentages are calculated based on data before rounding)

Housing Type	Area		
	Cheshunt	Harlow	Loughton
Trend Based Household Projections 2011-2033			
Market	2,100	12,200	2,100
Intermediate Affordable/Shared Ownership	3,600	2,800	3,600
Social Rented/Affordable Rented	1,700	7,400	1,700
Total Housing Requirement	**7,400**	**22,400**	**7,400**
Market	28.4%	54.5%	28.4%
Intermediate Affordable/Shared Ownership	48.6%	12.5%	48.6%
Social Rented/Affordable Rented	23.0%	33.0%	23.0%

Scenario Testing

2.21 The findings outlined above are based on one set of assumptions. Many of the assumptions in the model can be varied to consider the impact of possible future changes to the housing market, or to look at possible policy options. The following sections highlight some of the key variables in the model and how sensitivity testing these impacts on the results of the model.

House Prices

2.22 When considering the required housing mix on the basis of 2011/12 house price levels and trend based projections, the model identifies in East Hertfordshire that the overall intermediate affordable/Shared Ownership housing requirement is 32.3% of the total requirement. The equivalent figure in Epping Forest is 40.1% and in Uttlesford it is 36.5%. No intermediate/Shared Ownership requirement was identified in Harlow.

2.23 The Practice Guidance recommends that partnerships consider affordability trends, to understand how changes in affordability might affect the future housing mix – for as house prices fall or rise, dwellings in the private sector will become more or less affordable to households without equity, so the need for intermediate Affordable Housing will change. Figure 44 to Figure 47 shows the housing mix given a range of differing house price scenarios for each authority respectively.

Figure 44

Scenario Testing of Overall Trend Based Housing Requirement in East Hertfordshire 2011-2033 for House Price Changes

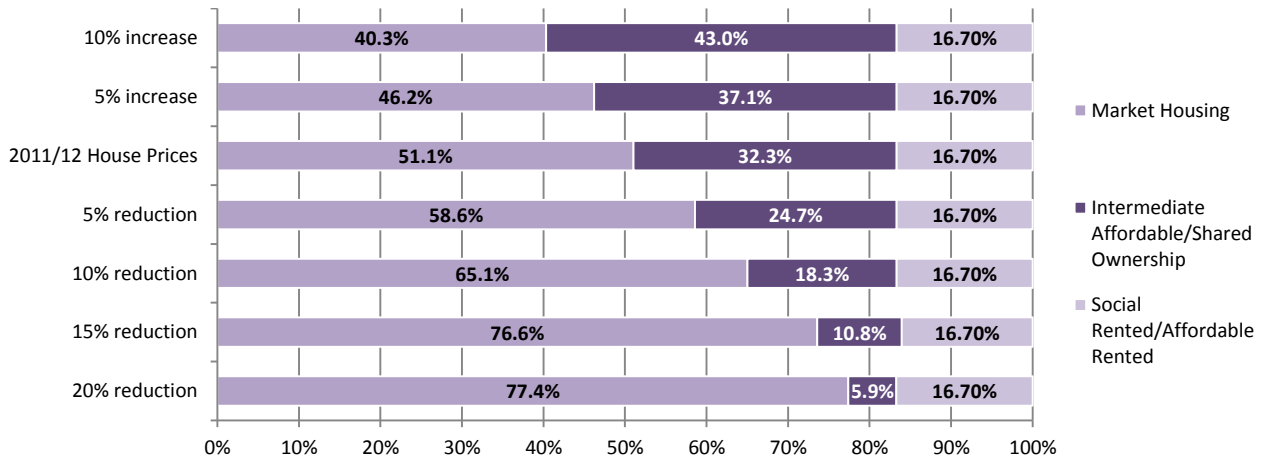


Figure 45

Scenario Testing of Overall Trend Based Housing Requirement Epping Forest 2011-2033 for House Price Changes

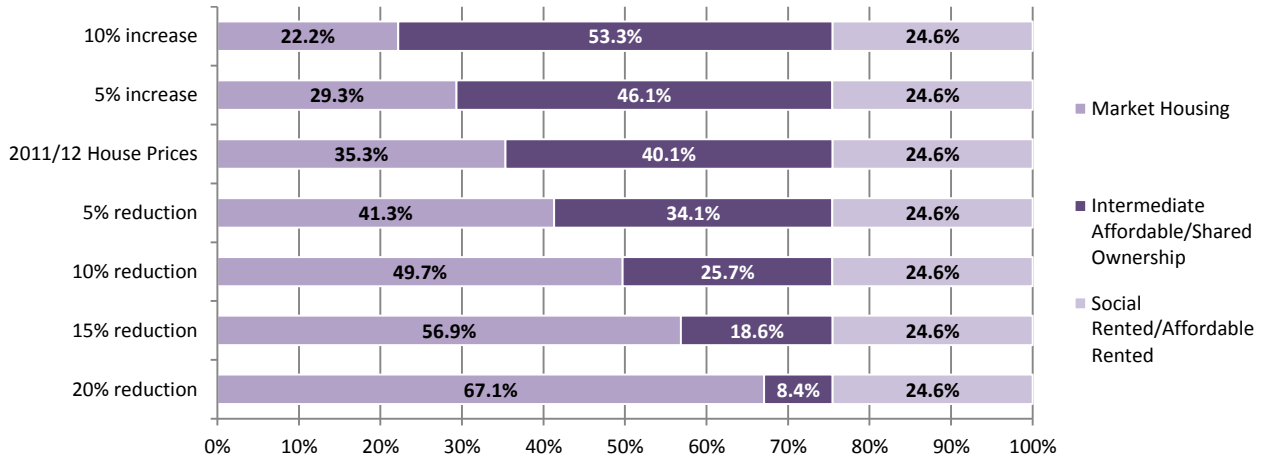


Figure 46
Scenario Testing of Overall Trend Based Housing Requirement in Harlow 2011-2033 for House Price Changes

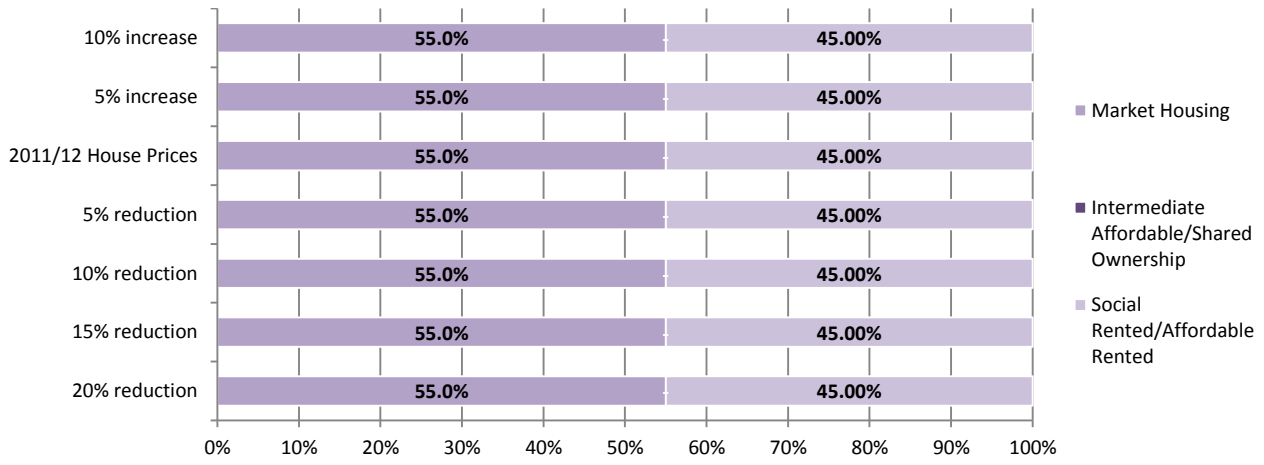
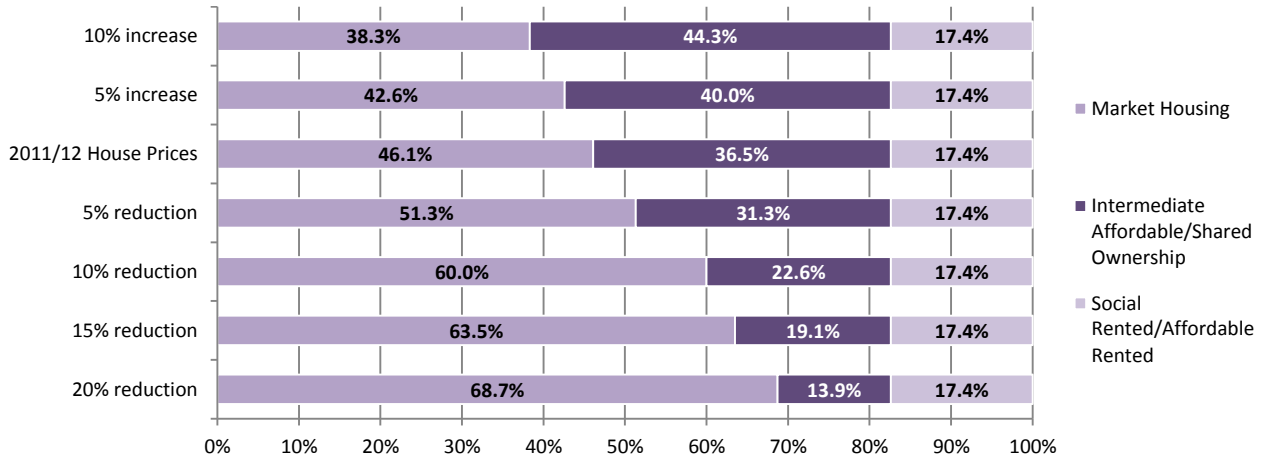


Figure 47
Scenario Testing of Overall Trend Based Housing Requirement in Uttlesford 2011-2033 for House Price Changes



2.24 Apart from Harlow, the charts clearly identify that the required housing mix is sensitive to house price changes. However, it would take a massive change in real house prices of more than 20% to eliminate the intermediate/Shared Ownership requirement in East Hertfordshire, Epping Forest or Uttlesford .

Housing Benefit in the Private Rented Sector

2.25 The model results outlined in Figure 39 assume that Housing Benefit in the private rented sector is held at its current levels to 2033. As outlined earlier in this report, the Housing Benefit supported private rented sector has grown substantially in recent years and has played a key role in meeting housing need.

2.26 Figure 48 shows that any attempt to reduce the number of households claiming Housing Benefit in the private rented sector would clearly require an even larger Social Rent dwelling delivery to be provided.

Figure 48
Trend based Housing Requirement for 2011-2033 for Changes in Housing Benefit Claimants in the Private Rented Sector (Note: Figures may not sum due to rounding)

Tenure	Reduction in Private Rented Sector Housing Benefit Claimants				
	0% Change	25% reduction	50% reduction	75% reduction	100% reduction
East Hertfordshire					
Market	9,500	9,500	9,500	9,500	9,500
Intermediate Affordable/Shared Ownership	6,000	5,600	5,200	4,800	4,400
Social Rented/Affordable Rented	3,100	3,500	3,900	4,300	4,700
Overall Housing Requirement	**18,600**	**18,600**	**18,600**	**18,600**	**18,600**
Epping Forest					
Market	5,900	5,900	5,900	5,900	5,900
Intermediate Affordable/Shared Ownership	6,700	6,200	5,700	5,200	4,700
Social Rented/Affordable Rented	4,100	4,600	5,100	5,600	6,100
Overall Housing Requirement	**16,700**	**16,700**	**16,700**	**16,700**	**16,700**
Harlow					
Market	4,400	4,000	3,500	3,100	2,600
Intermediate Affordable/Shared Ownership	0	0	0	0	0
Social Rented/Affordable Rented	3,600	4,000	4,500	4,900	5,400
Overall Housing Requirement	**8,000**	**8,000**	**8,000**	**8,000**	**8,000**
Uttlesford					
Market	5,300	5,300	5,300	5,300	5,300
Intermediate Affordable/Shared Ownership	4,200	4,000	3,700	3,500	3,200
Social Rented/Affordable Rented	2,000	2,200	2,500	2,700	3,000
Overall Housing Requirement	**11,500**	**11,500**	**11,500**	**11,500**	**11,500**

2.27 Again, it is important to be clear as to the meaning of the finding outlined above. The ORS Housing Model is projecting a social housing requirement to help prevent further growth in households receiving Housing Benefit in the private rented sector. However, in most cases this requirement is unlikely to be delivered and therefore the model is projecting further rises in the number of households in the private rented sector who receive Housing Benefit. Hence the private rented sector is projected to play a growing role in meeting housing need due to viability constraints on the delivery of Affordable Housing,.

2.28 One implication of this would be that even larger amounts of the private sector stock will need to become part of the private rented sector to allow sufficient stock to be available to meet this need. This rise is likely to occur across all household types, but in particular the changes in LHA allowances are likely to see a greater demand for shared accommodation from single persons under 35 years so there is likely to be a growing demand for HMO accommodation in the study area.