

LOCAL PLAN SUB-COMMITTEE

SUPPLEMENTAL AGENDA

Joanne Wagstaffe, Chief Executive
Friday, 2 May 2025

5. Local Plan - Further Regulation 18 Consultation (Pages 3 - 14)

This report sets out Counsel's advice in regard to undertaking an additional Regulation 18 consultation on new sites and seeks Member agreement for the Council to conduct a Regulation 18 consultation in the summer.

Recommendation:

That the Local Plan Sub Committee agrees that an additional Regulation 18 consultation on newly submitted sites be completed prior to Regulation 19 publication of the Local Plan.

6. Updated Draft Housing Policies for Regulation 19 and Removal of the Council's Policy Position Statement on First Homes (Pages 15 - 258)

This report seeks member agreement of the updates to the draft Local Plan housing policies in response to changes to national planning policy, updated evidence base and consideration at previous Local Plan Sub-Committee meetings. More specifically, this report seeks updates to the Housing Mix and Affordable Housing Policy and the removal of the First Homes Policy.

This report also seeks member agreement to withdraw the Council's Policy Position Statement on First Homes and remove it from the website.

Recommendations:

1. That the Local Plan Sub-Committee notes the contents of this report, and recommends to the Policy & Resources Committee the following policy updates:
 - Housing Mix Policy (Appendix 2)
 - Affordable Housing Policy (Appendix 3)
 - Removal of First Homes Policy (Appendix 4)
2. That the Local Plan Sub-Committee recommends to the

Policy & Resources Committee to withdraw the Council's Policy Position Statement on First Homes (Appendix 5) and remove it from the website, and the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011), which as a guide seeks 70% of the affordable housing provided to be social rented and 30% to be intermediate is re-instated until the adoption of the emerging Local Plan.

7. Updated Draft Sustainability Policies for Regulation 19 (Pages 259 - 340)

This report sets out the issues which the new Local Plan will need to address in relation to sustainability and sets out the policy wording to be contained within the new Local Plan.

There are five separate sustainability policies referenced within this report and are set out within Appendices 1, 2, 3, 4 and 5. Appendix 6 provides background and details of why and how these policies have been produced which is further summarised within this report.

Recommendation:

1. That the Local Plan Sub-Committee notes the contents of this report and recommends to the Policy and Resources Committee the following draft policies:
 - X A - Net Zero Operational Carbon in New Residential Development
 - X B - Net Zero Operational Carbon in New Build Non-Residential Development
 - X C - Climate-adapted Design and Construction
 - X D - Embodied Carbon and Waste
 - X E - Reducing Carbon Emissions in Existing Buildings
2. That the Local Plan Sub-Committee recommends to the Policy and Resources Committee that delegated authority be granted to the Head of Planning Policy & Conservation in consultation with the portfolio holder to make minor changes to the draft policies.

General Enquiries: Please contact the Committee Team at
committeeteam@threerivers.gov.uk

Three Rivers District Council

Sub Committee Report

12 May 2025

LOCAL PLAN SUB COMMITTEE – 12 May 2025

PART I

LOCAL PLAN – Further Regulation 18 Consultation (DoF)

1 Summary

- 1.1 This report sets out Counsel's advice in regard to undertaking an additional Regulation 18 consultation on new sites and seeks Member agreement for the Council to conduct a Regulation 18 consultation in the summer.

2 Introduction

- 2.1 At the Extraordinary Meeting of Full Council in January it was agreed that officers would now work towards a timescale so that the Council might be in a position to have a Regulation 19 for public consultation in early November. It was also agreed that further evidence work was required in support of the Local Plan to help ensure it being found sound at examination.
- 2.2 At the March Local Plan Sub-Committee Officers presented the new sites submitted through the additional call for sites exercise undertaken in January/February. As there were new sites that would potentially be added to the Local Plan that had not been through Regulation 18 consultation, it was agreed that officers should seek legal advice on whether the requirements of Regulation 18 would have been met if we progressed straight to Regulation 19 without consulting on new sites through Regulation 18 previously.
- 2.3 The response from Counsel was that although they did not consider it a breach of Regulation 18 to proceed straight to Regulation 19 publication of the plan without conducting further Regulation 18 consultation on new sites, they advised there would be a high risk of legal challenge or the plan being found unsound at examination if the Regulation 18 consultation was not completed prior to progressing to Regulation 19.

3 Background

Regulation 18

- 3.1 Regulation 18 of The Town and Country Planning (Local Planning) (England) Regulations 2012 relates to the preparation of a local plan. Paragraph (1) of regulation 18 requires a local planning authority to notify each of the bodies or persons specified in paragraph (2) of "*the subject of a local plan which it proposes to prepare, and to invite each of them to make representations about what a local plan on that subject ought to contain*".
- 3.2 Paragraph (3) of Regulation 18 requires the local planning authority, in preparing the local plan, to take into account any representation made to it in response to its invitations to make representations under paragraph (1).
- 3.3 Regulation 18 does not define what is meant by 'the subject' of a local plan and makes no reference to specifics such as the sites and policies contained within the plan.

- 3.4 The Council has undertaken multiple Regulation 18 consultations to support its local plan preparation. These consultations covered different levels of growth and included the vast majority of sites that would make it into the Regulation 19 publication version of the plan. The Spatial strategy on how the Council would meet its growth needs would fundamentally remain the same across all the different levels of growth with the focus being on edge of settlement development. It was only the scale of growth that was changing.
- 3.5 The first of these was the Regulation 18 Issues and Options Consultation in 2017. It sought feedback on the Local Plan vision and objectives, potential growth strategies, affordable housing, transport and sustainability and climate change
- 3.6 In 2021 the Council consulted on a full draft Local Plan. This was the Regulation 18 Preferred Policy Options and Sites for Potential Allocation. The document considered preferred policy options and set out the sites that could potentially be allocated for development in the Local Plan.
- 3.7 As a result of this consultation a further 18 sites were submitted for the Council's consideration. These sites were assessed and six sites were considered appropriate for potential allocation. The six sites (as well as those not considered suitable) were consulted on in 2022/23 in the Regulation 18 Additional Sites for Potential Allocation document.
- 3.8 Following changes to national planning policy the Council consulted on its Regulation 18 'Lower Housing Growth Option – Protecting More Green Belt Land' in late 2023. This consultation sought views on this low growth strategy and the housing sites selected to be included within.

Regulation 19

- 3.9 Regulation 19 of the Town and Country Planning (Local Planning) (England) Regulations 2012 refers to the publication of a local plan. It states that:
- “Before submitting a local plan to the Secretary of State Under S.20 of the Act, the local planning authority must – (a) make a copy of each of the proposed submission documents and a statement of the representations procedure available...”*
- 3.10 When publishing a plan under Regulation 19, a local authority must take the view that the local plan is ready for independent examination, which includes a decision that the local plan is sound.
- 3.11 Paragraph 36 of the NPPF sets out that Plans are sound if they are:
- “a) Positively prepared – providing a strategy which, as a minimum, seeks to meet the area’s objectively assessed needs; and is informed by agreements with other authorities, so that unmet need from neighbouring areas is accommodated where it is practical to do so and is consistent with achieving sustainable development;*
- b) Justified – an appropriate strategy, taking into account the reasonable alternatives, and based on proportionate evidence;*
- c) Effective – deliverable over the plan period, and based on effective joint working on cross-boundary strategic matters that have been dealt with rather than deferred, as evidenced by the statement of common ground; and*

d) Consistent with national policy – enabling the delivery of sustainable development in accordance with the policies in this Framework and other statements of national planning policy, where relevant.”

- 3.12 Regulation 19 can be considered the beginning of the examination stage of plan-making. Its publication isn't really a consultation exercise, rather it is the mechanism by which interested persons can make representations on the draft plan to enable them to participate in the process of independent examination.
- 3.13 Full Council in December 2024 adopted an updated Local Development Scheme (LDS) setting out the timetable for Local Plan preparation. This new LDS set out expected Regulation 19 publication of the Local Plan in February / March 2026. It was agreed to complete additional evidence work to bring the local plan in line with changes to national planning policy.
- 3.14 An extraordinary Full Council in January 2025 resulted in Members requesting an accelerated timetable to publish the Regulation 19 plan in early November 2025.
- 3.15 This additional evidence work included a call for sites to ensure that we had considered all of the suitable and available site options going forwards. As a result of this call for sites over 30 new sites were submitted, which are currently being assessed as part of the Strategic Housing and Employment Land Availability Assessment.
- 3.16 It was officers' view that the council could proceed straight to Regulation 19 publication of the plan without further Regulation 18 consultation as the council had already consulted on different levels of growth through its previous Regulation 18 consultations, and its approach to delivering that growth had not changed. However, as it had not consulted on the individual new sites submitted from the call for sites, officers suggested seeking Counsel advice on whether to proceed straight to Regulation 19 publication or whether to undertake a further round Regulation 18 consultation.

4 Details

- 4.1 The Council sought Counsel from James Neill at Landmark Chambers on whether to proceed straight to Regulation 19 publication or whether to undertake a further round of Regulation 18 consultation. When it came to interpreting Regulation 18, they were asked to advise on whether differing housing targets altered the 'subject' of the local plan, and was there a requirement to consult on new sites submitted, and would it be sufficient to only consult on the newly submitted sites.
- 4.2 Counsel Analysis:
- 4.3 *“Strictly speaking, there is no requirement in the 2012 Regs that there should be a specific consultation on the specific plan that a local authority wishes to adopt. Regulation 18 specifically refers to “the subject of a local plan”: it does not refer to “the local plan”. It is precisely because of the width of that term that Regulation 18 consultations often just take the form of an issues and options consultation, in which the Council has not determined or expressed a view as to which of those options it prefers.*
- 4.4 *Therefore, in my view there is no absolute legal bar on proceeding to publish pursuant to Regulation 19 a draft plan, without that actual draft plan having been published for consultation under Regulation 18.*

- 4.5 *However, the real question here which arises is whether or not, in the absence of further consultation under Regulation 18, can the Council be satisfied that the plan is sound. The Council has to address that question prior to the publication of the plan under Regulation 19.*
- 4.6 *In my view, the “subject of the plan” is not the housing target (although that is clearly a highly relevant consideration in determining the appropriate policies for the plan). The subject of the plan is the appropriate vision and framework for the future development of the area, addressing needs in particular in relation to housing.*
- 4.7 *To construe the “subject of the plan” narrowly as meaning “the specific housing target” identified by a local planning authority I do not think would be correct. It would preclude the wider issues and options type consultations which often take place under Regulation 18 in which the appropriate housing target, and differing spatial strategies to meet that target, are often the subject of consultation.*
- 4.8 *Therefore in my view the real question which the Council will need to address is whether, if there are extensive new allocations that need to be made to meet the higher housing target it identifies, which have not previously been the subject of a Regulation 18 consultation, whether or not the Council can be satisfied that including those sites is sound absent a further consultation exercise specifically in relation to those additional allocations.*
- 4.9 *In my view, it would be high risk to proceed to publish a Regulation 19 draft without having consulted on those additional allocations. The Council would be exposed to the possibility of legal challenge on the grounds that it has not consulted on the inclusion of those additional sites and has moved prematurely to publication under Regulation 19, and therefore does not have the information before it to satisfy itself that the plan is sound.*
- 4.10 *This approach (i.e a limited Reg 18 consultation on new sites) is on the assumption that the draft plan that the Council identifies following its Green Belt assessment and Transport Assessment does not identify or lead to the conclusion that a fundamentally different spatial strategy to the spatial strategy identified following the original Regulation 18 consultation on issues and options in 2017 is necessary. I note in this regard that the options for Housing Growth were consulted on in the original Regulation 18 consultation and five broad spatial options were identified (i.e concentrate new development within existing urban areas, infilling and extensions to villages, increase in density to development, extensions to existing settlements, new settlements, or a mixture of the above). The Council would need to explain if and when proceeding to Regulation 19 why the approach it has adopted is not fundamentally different to the broad options for housing growth initially consulted on in 2017.*
- 4.11 *If the Council were to proceed without carrying out any further Regulation 18 consultation at all, even if the Council were not faced with a legal challenge at the Regulation 19 stage, the risk would re-surface at examination stage as the examining Inspector would consider for himself or herself whether or not the plan is justified, and the absence of any consultation on the new allocations, even if that is not strictly required as a matter of law, would be relevant to the question of whether the policy is justified (one of the tests of soundness).*
- 4.12 *I note that I have not been asked to consider whether or not proceeding straight to Regulation 19 would also engage questions about compliance with strategic environmental assessments pursuant to the Environmental Assessment of Plans and Programmes Regulations 2004 (as amended) (“the SEA Regs”). My*

initial view is that to remove or reduce the risk of any legal challenge based on the SEA Regs, is that it would be preferable to show that the new site allocations have been subject to sustainability appraisal at Regulation 18 stage.”

- 4.13 Counsel conclusions:
- 4.14 *“I do not consider that there would necessarily be a breach of Regulation 18 if the Council were to proceed immediately to Regulation 19 and publish a plan based on a higher housing target. However, I consider that proceeding to do so is high risk and, depending on what the content of that plan and whether it does contain new allocations the inclusion of which have not previously been consulted upon, would be vulnerable to legal challenge on the basis that the Council, for example, could not rationally have come to the view that the plan was sound without having undertaken that further consultation exercise. I also consider that proceeding without consulting on any additional allocations would also raise questions over soundness when it comes to the examination of the local plan.*
- 4.15 *I do not think there is a strict statutory requirement to re-consult merely because some new individual sites have been included. The real issue in my view is that there would be a real risk of legal challenge if new sites were included at Regulation 19 publication stage without any consultation on those having taken place previously.*
- 4.16 *In my view, particularly if the overall growth strategy remains broadly the same as one of those consulted on in the original Regulation 18 consultation in 2017, it would be sufficient to just consult on new sites that have been included.”*
- 4.17 Considering the above advice, officers recommend undertaking an additional Regulation 18 consultation on the newly submitted sites. Although officers understand that there is no requirement to consult on individual new sites at Regulation 18 stage, it is clear from Counsel advice there is a risk of the plan being found unsound at examination if we do not complete Regulation 18 consultation on these sites.
- 4.18 It is imperative that the Council reduces the risk of the plan being found unsound at every opportunity. Should the Local Plan be found unsound at examination this would result in further work on the plan being required. The costs of examination can run into the hundreds of thousands of pounds, so if the plan is found unsound this money is effectively wasted and we would have to incur those costs again to bring a new plan to examination at a later date. It would also lead to delays (18 months to two years) in the plan being adopted as further evidence work and consultation would be required before a new plan can be brought to examination. This would increase the period of time the Council is susceptible to speculative planning applications being successful at appeal.
- 4.19 The additional Regulation 18 consultation would include the newly submitted sites that the council considered deliverable (suitable and available) seeking views on them, as well as those that it does not consider deliverable.
- 4.20 Officers will bring the site assessments to the 10 June Local Plan Sub-Committee, with aim to undertaking the Regulation 18 consultation over the summer. Full Council is on the 8 July, an extraordinary Policy and Resources Committee will need to be organised as there is no Policy and Resources Committee between the June Local Plan Sub-Committee and the July Full Council.

- 4.21 There will be work involved in preparing the consultation documents, documenting and analysing all the representations and summarising the key issues. This may have an impact on the Council's accelerated local plan timetable. Due to the additional work required. Officers will continue to monitor Local Plan progress closely and will report back to Members should there be any concerns that the timetable may change.
- 4.22 The Policy team has had two new starters, a Senior Planner started on 23 April and a Principal Planner joined on the 28 April, funded through the government grant supporting local plan preparation. It will take a little time to get them up and running but their support to the Policy team will help us get the work completed as quickly as possible.

Sustainability Appraisal

- 4.23 The Sustainability Appraisal (SA) is prepared alongside each stage of the Local Plan. This began with the SA Scoping Report in 2017 followed by multiple SA working notes as we worked through the various Regulation 18 consultations. Each consultation is supported by an SA that informs the decisions on sites and policies to be included at each stage.
- 4.24 The SA assesses the potential social, economic and environmental impacts of the Local Plan, ensuring the plan aligns with sustainable development objectives by identifying potential positive and negative effects and proposing mitigation. It should be integral to Local Plan preparation, providing the framework to test and develop options. Whether we can demonstrate consideration of reasonable alternative options will be scrutinised at examination.
- 4.25 Counsel rightly raised the issue of the new sites not having been through the SA process at Regulation 18 stage. The additional Regulation 18 consultation will provide the opportunity to ensure that all of the sites that are included in the final Regulation 19 publication version of the plan have been fully assessed by the SA at Regulation 18 stage, providing stakeholders the opportunity to provide representations on the SA. This will avoid potential legal challenge on whether the plan meets the requirements of the SEA Regulations.
- 4.26 Following discussions with the SA consultants, we have agreed to include any new policies such as the sustainability policies in the additional Regulation 18 consultation so that we can be sure that all the policies have been assessed by the SA too.

5 Policy/Budget Reference and Implications

- 5.1 The recommendations in this report are within the Council's agreed policy and budgets.

6 Financial, Legal, Staffing, Equal Opportunities, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

None specific.

7 Financial Implications

£200,000 has been added to the budget to ensure that all the evidence work is budgeted for and can be completed on time. There is also a further £200,000 set aside in reserves for planning. We have also received £227,962.50 in government funding to support local plan preparation and a further £70,000 to cover the costs of the Green Belt Assessment.

The additional Regulation 18 consultation will not require any additional money than that which is already in the Planning Policy budget.

8 Legal Implications


- 8.1 Failing to undertake an additional Regulation 18 consultation could result in legal challenge under the Town and Country Planning (Local Planning) (England) Regulations 2012 and/or the *Environmental Assessment of Plans and Programmes Regulations 2004 (as amended)*.

9 Risk and Health & Safety Implications

- 9.1 The Council has agreed its risk management strategy which can be found on the website at <http://www.threerivers.gov.uk>. In addition, the risks of the proposals in the report have also been assessed against the Council's duties under Health and Safety legislation relating to employees, visitors and persons affected by our operations. The risk management implications of this report are detailed below.
- 9.2 The subject of this report is covered by the Planning Policy and Conservation service plan. Any risks resulting from this report will be included in the risk register and, if necessary, managed within this plan.

Nature of Risk	Consequence	Suggested Control Measures	Response (tolerate, treat, terminate, transfer)	Risk Rating (combination of likelihood and impact)
Failure/Delay in delivering Local Plan	Increase in speculative planning applications	Local Development Scheme	tolerate	6
Local Plan found 'unsound' at examination	Main modifications may be required which will result in an extended examination and costs and/or the Plan may have to be withdrawn.	Ensure that the Local Plan is evidenced based and justified	tolerate	6

- 9.3 The above risks are scored using the matrix below. The Council has determined its aversion to risk and is prepared to tolerate risks where the combination of impact and likelihood scores 6 or less.

Very Likely  Likelihood Remote	Low 4	High 8	Very High 12	Very High 16
	Low 3	Medium 6	High 9	Very High 12
	Low 2	Low 4	Medium 6	High 8
	Low 1	Low 2	Low 3	Low 4
	Impact Low -----> Unacceptable			

Impact Score

- 4 (Catastrophic)
- 3 (Critical)
- 2 (Significant)
- 1 (Marginal)

Likelihood Score

- 4 (Very Likely (≥80%))
- 3 (Likely (21-79%))
- 2 (Unlikely (6-20%))
- 1 (Remote (≤5%))

9.4 In the officers' opinion none of the new risks above, were they to come about, would seriously prejudice the achievement of the Strategic Plan and are therefore operational risks. The effectiveness of the management of operational risks is reviewed by the Audit Committee annually.

10 Recommendation

10.1 That the Local Plan Sub Committee:

- Agree that an additional Regulation 18 consultation on newly submitted sites be completed prior to Regulation 19 publication of the Local Plan.

Report prepared by: Marko Kalik, Head of Planning Policy and Conservation

Background Papers

National Planning Policy Framework (2024)
 Planning Practice Guidance
 Core Strategy (2011)
 Regulation 18 Part 1: Preferred Policy Options (2021)
 Regulation 18 Part 2: Sites for Potential Allocation (2021)
 Regulation 18 Part 3: Additional Sites for Potential Allocation (2023)
 Regulation 18 Part 4: Lower Housing Growth Option (2023)
 Potential Sites consultation (2018)

Regulation 18 Issues & Options consultation (2017)
South West Hertfordshire Local Housing Needs Assessment (2020)
South West Hertfordshire Local Housing Needs Assessment Update (2024)

This page is intentionally left blank

Three Rivers District Council

Sub Committee Report

12 May 2025

LOCAL PLAN SUB COMMITTEE – 12 May 2025

PART I

Updated Draft Housing Policies for Regulation 19 and Removal of the Council's Policy Position Statement on First Homes (DoF)

1 Summary

- 1.1 This report seeks member agreement of the updates to the draft Local Plan housing policies in response to changes to national planning policy, updated evidence base and consideration at previous Local Plan Sub-Committee meetings. More specifically, this report seeks updates to the Housing Mix and Affordable Housing Policy and the removal of the First Homes Policy.
- 1.2 This report also seeks member agreement to withdraw the Council's Policy Position Statement on First Homes and remove it from the website.

2 Details

2.1 Housing Mix Policy

- 2.2 At the January 2023 Local Plan Sub-Committee Members agreed an updated Housing Mix Policy, following adjustments made to the mix after considering local circumstances.
- 2.3 The starting point was the recommended housing mix set out in the 2020 Local Housing Needs Assessment (LHNA). The LHNA stated that a trends based approach was used in determining the housing mix so the mix was based purely on what future needs were expected, however it did not take into account levels of existing stock. Officers explored housing completions over the period 2001 to 2022 and compared these to the housing mix set out in the Core Strategy (2011). This demonstrated a clear over delivery of larger homes and under delivery of smaller homes against the Core Strategy housing mix. As such officers felt that it was appropriate to adjust the housing mix to take this into consideration.
- 2.4 Other factors such as the need for homes for older persons to downsize to and extensions that have led to properties moving up a level in the mix were also factored into the adjustments. The Social/Affordable Rented housing mix was also adjusted to better reflect the District's needs for affordable housing.
- 2.5 The updated 2024 Local housing Needs Assessment (Appendix 1) has since been completed. This contains a new recommended housing mix. This updated mix was derived from a more robust methodology to that used in the previous version of the LHNA.
- 2.6 Their model began with the current profile of housing, in other words existing housing stock. Table 1 below shows the housing mix of existing housing stock. Here it is possible to see that over three quarters of housing stock is three beds or more.

Table 1 Existing housing stock (2021 census)

	Owner occupier	Social rent	Private rent
1 bed	5%	31%	26%
2 bed	19%	32%	41%
3 bed	39%	33%	22%
4+ bed	37%	4%	11%

- 2.7 The LHNA (2024) then uses demographic projections to forecast future needs. It also takes into consideration other factors such as wealth, a wealthy household may buy a bigger property than they 'need'. Supply is also an issue considered. For example, what is the availability of smaller homes for downsizing? Are there enough small properties available for young professionals or are they 'forced' to leave the district?
- 2.8 When considering adjusting the housing mix figure in our draft policy, when compared to the mix recommended in the LHNA, supply is a key factor. In order to make up for past oversupply of larger homes vs smaller homes the housing mix needs to be adjusted. We want to make sure there are homes for older people to downsize to, for first time buyers and other young professionals. Current projections show a continued growth in the older population, however this is also partly based on supply. It is these people who tend to be able to be able to afford the larger homes in the district.
- 2.9 It should be noted that the LHNA sets out that recent delivery (the previous five years) has shown a shift towards the delivery of smaller homes. Three or more beds only make up 31% of new homes delivered.
- 2.10 Delivery over the past 20 years however is heavily skewed towards 3 beds or more. The LHNA didn't specifically consider delivery over the previous 20 years (2005 – 2025) but the council's own completions data from its annual monitoring shows the housing mix of new homes delivered over this period.

Table 2 New homes delivered 2005 – 2025, Core Strategy Mix and LHNA Mix

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Residential Completions 2005-2025	6.6%	11.1%	34.1%	48.2%
TRDC Core Strategy (2011) housing mix	30%	35%	34%	1%
LHNA (2024) Recommended Housing Mix	4%	21%	42%	32%

- 2.11 The table above shows that there has been significant under delivery against the Core Strategy housing mix. Nearly half of all new homes delivered across the last 20 years have been 4 bedrooms or more. Even when compared to the mix in the latest LHNA (2024) there has been over delivery with 82.3% of homes 3 bedrooms and above against the LHNA target of 74%.
- 2.12 When considered past over delivery of larger homes, the dominance of larger homes in existing building stock, an ageing population with increasing demand for downsizing, and the need for smaller homes for young professionals, officers

consider it appropriate to adjust the housing mix figure. The proposed adjusted housing mix is in Table 3 below.

Table 3: Adjusted Housing Mix

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Market Housing	15%	35%	40%	10%
Affordable Home Ownership	20%	40%	30%	10%
Social/Affordable Rented Housing	20%	45%	30%	5%

- 2.13 It should be noted that Officers have not adjusted the LHNA (2024) recommended housing mix in relation to affordable home ownership as they are satisfied that this accurately reflects the needs across the district. The Social/Affordable Rented Housing mix has been adjusted to bring it in line with the current housing register and needs from temporary accommodation.
- 2.14 The remainder of the Housing Mix Policy remains unchanged other than minor amendments to figures in the supporting text, the policy as a whole can be viewed in Appendix 2.
- 2.15 Affordable Housing Policy
- 2.16 Average house prices in Three Rivers are some of the highest in the country outside London. Housing affordability within the District continues to be a major concern for many residents, and many local people have difficulty in accessing housing on the open market. This particularly affects the young and those on lower incomes who are entering the housing market.
- 2.17 The updated Local Housing Needs Assessment (LHNA, 2024) is clear that there is a notable need for affordable housing in Three Rivers and across South-West Hertfordshire. Improving the supply and standard of affordable housing is therefore one of the biggest priorities for the Council to address the needs of our community.
- 2.18 The NNPF sets out at paragraph 64 that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required, and expect it to be met on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 2.19 The LHNA demonstrates that the average house price in Three Rivers during 2022 was £560,000. This is above the Hertfordshire average of £512,940 and the England and Wales average of £328,000 during the same period. Monthly rents across all sizes of accommodation are similarly above Hertfordshire and England averages within Three Rivers.
- 2.20 Affordability ratios in Three Rivers and across the South-West Hertfordshire area have deteriorated significantly since 1997 and lower quartile house prices in the District were 12.85 times higher than lower quartile incomes in February 2022. The affordability of housing therefore remains a critical issue in Three Rivers, and will continue to be so for the foreseeable future.
- 2.21 The LHNA considered needs for affordable housing within the District and identified an annual net need for affordable housing in Three Rivers over the

period 2024-2040 of 527 affordable homes per year. When split between rented affordable need and affordable home ownership need, this overall identified need of 527 affordable homes a year equates to a need of 364 rented affordable homes (including Social Rent and affordable rent) and 163 affordable home ownership dwellings (including First Homes, shared ownership etc).

- 2.22 As identified via the LHNA and local evidence, with regard to the tenure of affordable housing for rent that is required, the greatest need in the District is for Social Rented housing, followed by affordable rent. The policy therefore seeks a higher percentage of Social Rent than affordable rent.
- 2.23 The Council acknowledges that requiring a higher proportion of affordable homes for rent, will impact on the overall level of affordable housing that may be delivered. However, these are the most urgent and pressing needs for housing in the District and the Council will therefore prioritise the delivery of a greater proportion of affordable housing for rent rather than a higher total level of affordable housing delivery through, for example, a higher proportion of affordable home ownership. A tenure mix derived from the findings of the LHNA and local evidence will therefore be sought. This will be set out in the Housing Mix Policy.
- 2.24 Paragraph 65 of the NPPF advises that affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas where policies may set a lower threshold of five units or fewer. However, the local circumstances in Three Rivers are considered to justify an alternative approach to require all developments resulting in a net gain of housing to contribute to affordable housing provision. This is on the basis of the acute need for affordable housing in the District demonstrated by the LHNA, and the crucial role that smaller sites delivering fewer than 10 dwellings has played in delivering housing historically which is expected to continue in future.
- 2.25 These factors are considered to outweigh the guidance within the NPPF and justify the approach within the Affordable Housing Policy to require all sites resulting in a net gain of dwellings to contribute to affordable housing provision in the District, and this approach has been supported in recent appeal decisions in the District.
- 2.26 There are fewer opportunities to build new homes in the District's smaller villages surrounded by, or designated as Green Belt due to more restrictive policies on housing in countryside and particularly in the Green Belt. However, an element of new development can help to support these communities and paragraph 154 of the NPPF therefore enables provision of limited affordable housing for local community needs under policies set out in the development plan, including policies for rural exception sites.
- 2.27 In line with this potential exception, proposals for rural exception sites delivering 100% affordable housing within and immediately adjacent to the village core areas of Bedmond and Sarratt may be supported in the Green Belt where these are evidenced to provide affordable housing which would meet identified local community needs. The type and size of affordable housing provided on such sites must address identified needs in the individual village or the area it serves which is defined as the village or parish in which it is located.
- 2.28 Limited affordable housing provided on rural exception sites will be subject to a requirement to provide for people with a need to live in the locality. Any such schemes will therefore be subject to eligibility criteria limiting occupancy to

people with a local connection (through past residence, employment or close family connection).

- 2.29 Affordable housing will generally be required to be provided on site as this will make the greatest contribution to meeting needs in the short term. However, for small sites delivering one to nine dwellings the Council will consider the use of commuted payments, in lieu of on-site provision where requested on the basis that it is unfeasible to make provision onsite. Commuted payments will be broadly equivalent in value to the on-site provision, taking into account the additional market housing that would be provided due to there being no on-site affordable units and further guidance will be provided through an update to the Council's Affordable Housing Supplementary Planning Document.
- 2.30 Commuted payments for small sites and the trigger point for payment of the contribution will be secured through a legal agreement under Section 106 of the Town and Country Planning Act, 1990 which site owners will be required to enter into before planning permission is issued. The contribution will generally be payable on commencement of the development.
- 2.31 Where affordable housing is to be provided on site, the timing of this is a key issue in securing mixed and balanced communities at all stages. Wherever possible, affordable housing should be delivered in tandem with the provision of market housing and planning conditions or legal agreements will be used to ensure that affordable housing is built out alongside, and proportionately, to the amount of market housing at any one time. The precise amount and timing of the affordable housing units required will be set out in the relevant condition or legal agreement. To create mixed and inclusive communities it is also vital that there is no distinction between the design and quality of market and affordable homes, and that affordable homes address all relevant objectives and design policies of the Local Plan. Affordable homes should also be distributed throughout developments within clusters appropriate to the scale and nature of the development to enable effective management while providing a balance of housing across the site.
- 2.32 The affordable housing requirements will be supported by detailed viability evidence demonstrating that these levels are viable and will not preclude development from coming forward. Given that viability assessment is undertaken in preparation of the Local Plan, the impact of policies on development viability will have been considered and will be regarded as realistic. The need for a viability assessment at planning application stage will therefore need clear justification by the applicant in line with paragraph 59 of the NPPF.
- 2.33 It is however recognised that on a limited number of sites, there may be genuine exceptional circumstances which necessitate provision of site-specific viability information to support an alternative approach. The council will consider this on a case-by-case basis but in line with national guidance, site specific factors such as the price paid for land are not exceptional reasons to justify provision of site-specific viability assessment.
- 2.34 Where viability evidence is provided, this should be undertaken in accordance with the recommended approach set out in national planning guidance, including standardised inputs and explanation of what factor(s) have changed since the viability assessment underpinning this Local Plan. Submitted viability evidence will be made publicly available and the council reserves the right to have any viability assessment independently assessed, the cost of which must be borne by the applicant.

- 2.35 Exceptional circumstances justifying deviation from the required level and mix of affordable housing will only exist where this is fully justified through a policy compliant viability assessment. In these situations, with regard to the evidence of housing need in the District and the priority to deliver rented affordable housing, the Council will seek to secure the preferred tenure split as a priority over a potentially higher percentage of affordable housing overall through the provision of more intermediate tenure dwellings for affordable home ownership which would not be consistent with meeting priority needs. Flexibility may be appropriate to move away from the preferred tenure of social rent to affordable rent, although it would need to be demonstrated that these homes would be affordable to those in need in the District.
- 2.36 Where it is accepted that there are exceptional circumstances to justify departure from the policy requirement for affordable housing, any permission will be subject to requirements for detailed review mechanisms to consider viability through the lifetime of development up to full completion to ensure policy compliance and optimal public benefits through economic cycles and that the maximum reasonable level of affordable housing is provided in line with the Draft Affordable Housing Policy.
- 2.37 Review mechanisms are an important tool to seek compliance with relevant policies and will be provided through the legal agreement accompanying a permission. These will provide for review of viability to determine whether a development is capable of providing additional affordable housing (or meeting other unmet policy requirements) deemed unviable at application stage. Any additional obligations will be capped based on policies of the Local Plan with the aim of securing provision of policy requirements previously deemed not to be deliverable.
- 2.38 Viability reviews carried out at an early stage of a development or prior to the implementation of later phases have the benefit of increasing the likelihood that additional affordable housing can be provided on site, while viability reviews undertaken towards the end of a development will be based on up to date and accurate viability evidence and allow robust, up to date values and costs to be taken into account.
- 2.39 In general, viability reviews will therefore be required at an advanced stage of development for all schemes to ensure that viability is accurately assessed and up to date. This will generally be at a point of sale of 75% of market units to assist in meeting the Council's key priority of delivering genuinely affordable housing.
- 2.40 The percentages sought in the draft policy will be subject to a Whole Plan Viability Assessment which the NPPF requires to test the policies within the Draft Local Plan to consider whether those policies maintain the viability of development. The assessment will include modelling of all policy requirements likely to impact on viability, such as affordable housing, carbon reduction requirements, environmental standards, space standards, open space requirements, Community Infrastructure Levy etc.
- 2.41 The Whole Plan Viability Assessment has not yet been completed. Should the Viability Assessment result in changes to the draft policy provided in Appendix 3, the Draft Affordable Housing Policy will be amended and brought back to this sub-committee for further consideration.
- 2.42 The draft Affordable Housing Policy was last brought to a Local Plan Sub-Committee on 17th October 2024, having previously been brought to the 29th

August 2024 Local Plan Sub-Committee. Since the 17th October 2024 Local Plan Sub-Committee, the updated NPPF has been published (December 2024) and the updated Local Housing Needs Assessment has been formally published by the Council. As such, the Affordable Housing Policy has been updated to reflect this. A summary of the changes made to the policy can be seen below.

- Reference to specialist housing was added to paragraph 1
- Section on tenure split added, including guidance on specific split of affordable housing for rent and affordable home ownership products
- Section on Green Belt added
- Section on First Homes added
- Reasoned justification updated to reflect the updated NPPF and updated LHNA
- Changed the local connection test criteria from 6 months to 12 months (in terms of residency length)
- General formatting changes

2.43 First Homes Policy

2.44 On 24th May 2021, the Government published a Written Ministerial Statement (WMS) to set out the Government's plans for the delivery of First Homes defining the product and changes to planning policy. Following publication of the WMS, Planning Practice Guidance (PPG) was updated to reflect the WMS and formed a material consideration in decision making. The PPG sets out that First Homes *"should account for at least 25% of all affordable housing units delivered by developers through planning obligations"* (Paragraph: 001 Reference ID: 70-001-20210524). However, changes were made to national policy following the publication of the newest version of the NPPF in December 2024. Within paragraph 6 of the NPPF, reference to the Written Ministerial Statement on Affordable Homes (24th May 2021), which contained policy on First Homes was removed and the prescriptive requirement that 10% of the total number of homes to be available for affordable home ownership as set out in former paragraph 66 has been deleted. It is noted that Paragraph: 001 *Reference ID: 70-001-20210524* remains within the PPG, however, it is important to note that the NPPF takes precedence over the PPG and it is likely that the PPG will be updated in due course, following the aforementioned changes to the NPPF.

2.45 It is acknowledged that affordable home ownership products such as First Homes play an important role in affordable housing provision. This is shown in the emerging Local Plan's Affordable Housing policy which includes home ownership products within the affordable housing tenure mix. Footnote 31 of the NPPF sets out that *"the requirement to deliver a minimum of 25% of affordable housing as First Homes, as set out in 'Affordable Homes Update' Written Ministerial Statement dated 24 May 2021, no longer applies. Delivery of First Homes can, however, continue where local planning authorities judge that they meet local need"*. It is considered that a range of affordable home ownership products should be encouraged and included within policy. Indeed, the South-West Herts Local Housing Needs Assessment Update (March 2024) sets out that *"there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance*

allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy”.

- 2.46 There has also been a shift in focus of the NPPF towards Social Rent. Specific reference to Social Rent is included within paragraph 64 (where it is the only type of affordable housing provision mentioned), setting out that planning policies should include the minimum proportion of Social Rent required. Additionally, in former paragraph 66 (2023 NPPF) affordable home ownership was the only affordable housing tenure mentioned in that paragraph. In the 2024 version of the NPPF, Social Rent is listed first, with the paragraph setting out that *“policies and decisions should expect that the mix of affordable housing required meets identified local needs, across Social Rent, other affordable housing for rent and affordable home ownership tenures”.*
- 2.47 Within Three Rivers specifically, First Homes uptake has been low, with only 3 housing schemes securing First Homes since the introduction of the tenure, with none of these dwellings having yet been completed. With regards to First Homes discounts, the LHNA sets out that *“based on current housing costs, the evidence would point to a discount of 30% being justified in most areas, and potentially 40% in St Albans and Three Rivers on an affordability basis”.* However, as discussed within the LHNA, providing a higher discount may have an impact on viability, potentially impacting upon the quantum of homes in other tenures (such as rented affordable housing), which is likely to be needed by those with more acute needs and fewer choices in the housing market. The LHNA summarises that *“Councils could therefore investigate higher discounts, but it is not necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery”.* There is a cap on the purchase price of First Homes of £250,000. Given the high house prices within Three Rivers, this largely restricts the product to 1 and 2 bedroom dwellings (predominantly flats), which both reduces the appeal of the product to developers and limits the number of dwellings the product could be applied to. These assertions have been corroborated by colleagues in the housing department during internal discussions, who have concerns regarding the achievability and effectiveness of the First Homes product. This is evidenced by the low up-take of First Homes within the District.
- 2.48 Given the above, that the specific emphasis on First Homes has been removed from the NPPF and that First Homes is specifically referred to within the emerging Affordable Housing policy, it is not considered necessary or appropriate to retain a First Homes specific policy within the emerging Local Plan, and it is officer’s opinion that the current draft First Homes policy should be removed from the emerging Local Plan. The draft First Homes policy can be seen at Appendix 4. This is not to say that the Plan will not reference or encourage the delivery of First Homes, as the provision of First Homes and other home ownership products will be included within the Affordable Housing Policy.
- 2.49 Policy Position Statement on First Homes
- 2.50 Following the recommendation to remove a specific First Homes Policy from the Emerging Local Plan, it is also recommended that the Council’s current Policy Position Statement (Appendix 5) regarding First Homes is withdrawn and removed from the Council’s website.
- 2.51 The Policy Position Statement amends the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011) as 25% First Homes, 70% social rented, and 5% intermediate. However, it is suggested that the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011), which as a

guide seeks 70% of the affordable housing provided to be social rented and 30% to be intermediate is re-instated until the adoption of the emerging Local plan.

3 Policy/Budget Reference and Implications

- 3.1 The recommendations in this report are within the Council's agreed policy and budgets.

4 Financial, Legal, Staffing, Equal Opportunities, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

- 4.1 None specific.

5 Recommendation

- 5.1 That the Local Plan Sub-Committee note the contents of this report, and recommend to the Policy & Resources Committee the following policy updates:

- Housing Mix Policy (Appendix 2)
- Affordable Housing Policy (Appendix 3)
- Removal of First Homes Policy (Appendix 4)

That the Local Plan Sub-Committee recommend to the Policy & Resources Committee to withdraw the Council's Policy Position Statement on First Homes (Appendix 5) and remove it from the website, and the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011), which as a guide seeks 70% of the affordable housing provided to be social rented and 30% to be intermediate is re-instated until the adoption of the emerging Local plan.

6 Background Papers

National Planning Policy Framework (2024)

Planning Practice Guidance (2024)

Planning and Compulsory Purchase Act 2004 (as amended by the Localism Act 2011)

7 Appendices

Appendix 1 – South-West Herts Local Housing Needs Assessment Update (2024)

Appendix 2 – Housing Mix Policy

Appendix 3 – Affordable Housing policy

Appendix 4 – First Homes Policy (to be removed)

Appendix 5 – Policy Position Statement on First Homes

Report prepared by: Marko Kalik, Head of Planning Policy and Conservation and Aaron Roberts, Senior Planning Officer

This page is intentionally left blank



South West Herts Local Housing Needs Assessment Update

Final Report

Iceni Projects Limited on behalf of
SW Herts Local Authorities

March 2024

Iceni Projects

London: Da Vinci House, 44 Saffron Hill, London, EC1N 8FH
Glasgow: 177 West George Street, Glasgow, G2 2LB
Manchester: 68 Quay Street, Manchester, M3 3EJ

t: 020 3640 8508 | w: [iceniprojects.com](https://www.iceniprojects.com) | e: mail@iceniprojects.com
linkedin: [linkedin.com/company/iceni-projects](https://www.linkedin.com/company/iceni-projects) | twitter: @iceniprojects

CONTENTS

1. EXECUTIVE SUMMARY.....	2
2. INTRODUCTION.....	9
3. CURRENT HOUSING STOCK IN SW HERTS.....	13
4. REVIEWING HOUSING MARKET DYNAMICS.....	42
5. STANDARD METHOD FIGURES FOR SW HERTS	58
6. DEMOGRAPHIC REVIEW AND IMPLICATIONS FOR OVERALL HOUSING NEED.....	65
7. AFFORDABLE HOUSING NEED	88
8. NEED FOR DIFFERENT TYPES & SIZES OF HOMES	137
9. HOUSING FOR OLDER & DISABLED PEOPLE.....	159
10. SPECIALIST MARKET SEGMENTS	186

1. EXECUTIVE SUMMARY

- 1.1 This Local Housing Needs Assessment (LHNA) report has been prepared to provide an up-to-date evidence base on overall housing needs in SW Hertfordshire, the needs for specific types and size of homes, and the housing needs of specific groups within the population of demand from specific housing market segments. It forms part of the evidence base for local plans and the Joint Strategic Plan (JSP) and can inform the determination of planning applications.
- 1.2 The LHNA confirms that South West Hertfordshire represents a functional Housing Market Area (HMA) but recognises that there also strong housing market relationships to London, and localised relationships with some other adjoining areas, in particular between St Albans and Welwyn Hatfield.

Housing Stock and Tenure Dynamics

- 1.3 Housing stock growth in SW Herts has been below average, influenced by strategic development constraints and a lack of up-to-date local plans in some parts of the area. Over the 2011-21 period, housing affordability has deteriorated which has contributed to a decline in home ownership from 69% to 66%. The relative size of the social rented sector has also fallen, with private renting being the key growth sector in the housing market and now accommodating 18% of households – with particularly strong growth in the sector evident in Watford.
- 1.4 Housing growth has been focused towards flatted accommodation in the sub-region, with 69% of new-build homes completed being of 1- and 2-bed properties. In Watford 85% of completions have been of these smaller properties. In the rented sectors, more than 8,000 homes are overcrowded. However the supply of larger properties is being supported by extensions of homes, such as through loft conversions which provide additional bedrooms. This will particularly be within owner occupied homes.
- 1.5 Whilst housing delivery has been improving within SW Herts over time, it has been below what might be expected for a housing market with high demand characteristics. 21% of homes delivered over the last 5 years have been of affordable housing, with the highest affordable housing provision achieved in Dacorum and Watford (27-29%).

Housing Market Dynamics

- 1.6 Median house prices vary within the sub-region from £407,000 in Watford to £625,000 in St Albans District. Whilst the housing market is cyclical, and house prices may fall short-term, the long-term trend has been of significant and sustained increases in house prices in SW Herts with prices

growing on average by £16,000 per year over the last 10 years. This is indicative of a supply/demand imbalance.

- 1.7 There are particular affordability pressures in SW Herts with the entry-level house prices for first-time buyers more than 14 times earnings, with the highest in Dacorum. Whilst there may be some short-term correction in house prices, there are particular barriers for younger buyers in saving sufficient funds for a deposit; and rising interest rates in the short-term may affect households' ability to secure and service mortgage finance. This is feeding through into a strong lettings market.

Overall Housing Need

- 1.8 National policies state that the starting point for assessing housing need is the 'standard method' set out in Planning Practice Guidance. This takes 2014-based Household Projections as a starting point and then applies upward adjustments to improve affordability.
- 1.9 The analysis shows that the sub-region has seen sustained and consistent house price inflation; and house prices are at a level at which there are significant barriers for local households in getting on the housing ladder. Declining affordability and constrained housing supply have contributed to declining home ownership and a significant level of overcrowding in rented tenures.
- 1.10 Household growth has been lower than in the 2014-based Projections, with both lower natural change and net migration to the area, resulting in 7.6% population growth over the 2011-21 decade compared to 11.0% in the 2014-based projections. However lower change is not a factor which is specific to SW Hertfordshire: it is seen nationally and is not exceptional in these terms. Lower net migration correlates closely to housing delivery, with the evidence indicating that this has been influenced by a lack of up-to-date local plans which provide for objectively assessed housing needs.
- 1.11 When these factors, and the very significant affordable housing need, are taken into account, the Assessment does not find that exceptional circumstances exist to justify housing need below the standard method. Expected job creation locally and infrastructure investment have also been considered; however the evidence does not suggest that housing need is higher than the standard method figures.
- 1.12 The standard method figures should therefore be taken forwards as providing an appropriate assessment of housing need. It is for the plan-making process to balance housing need with environmental, infrastructure and policy constraints – including Green Belt – drawing together the housing need with the wider evidence base, to define what level of housing provision should be planned for. The housing need figures are thus an advisory starting point rather than a housing requirement or target. The LHMA has principally considered the 2023 standard method figures; but

the table below also shows the figure for 2024, taking account of the latest affordability ratios released in March 2024 immediately before the Study's finalisation.

Table 1.1 Local Housing Need in SW Hertfordshire

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need using the Standard Method (2023)	1,017	726	887	637	911	4,178
Minimum Local Housing Need using the Standard Method (2024)	1,016	731	885	640	850	4,122

Affordable Housing Need

- 1.13 The LHNA provides an assessment of the need for affordable housing, including both rented homes and affordable home ownership. The analysis shows that households in SW Herts generally need an income of over £40,000 to rent without financial support, and in some areas over £80,000 to buy a home.
- 1.14 Across SW Herts, the assessment shows an annual need for 2,258 rented affordable homes to 2041. It shows that of these households, 15% can afford an affordable rent without subsidy, 29% can afford a social rent on this basis, and 55% need benefit support. It also demonstrates that there is a case for delivering affordable rented homes at 60% of market values, which would deliver housing which is genuinely affordable based on local incomes and minimise households' recourse to housing benefit. But this needs to be balanced against viability evidence, funding availability and individual councils' priorities in setting policies.
- 1.15 In addition, the report identifies an annual need for 1,066 affordable home ownership properties across SW Herts. Within this there is a need to provide different housing products. Shared ownership homes are accessible to households with lower savings; whilst the report also shows potential need for rent-to-buy homes and First Homes/ discounted sale homes.
- 1.16 The evidence indicates that a discount of 30% to market values, and potentially 40% in St Albans and Three Rivers, would be necessary to make low cost market homes affordable for households in the study area, based on the income profile locally, but the case for higher discounts needs to be balanced against scheme viability and the level of affordable housing delivered.

- 1.17 The evidence however points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.

Table 1.2 Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	590
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,066	3,324

- 1.18 At a strategic level, Iceni would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. St Albans however has a notably higher affordable home ownership need which may justify a greater focus on this needs segment, such as a 60/40 split. In contrast, the evidence would support a higher proportion of rented affordable homes in Watford than other areas. It is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, relevant national policies, their own viability evidence and local housing priorities.
- 1.19 Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

Sizes and Types of Homes Needed

- 1.20 The LHNA has modelled the sizes and types of homes needed in SW Herts taking account of demographic changes, the prevalence of overcrowding and under-occupation of homes – whilst recognising that for market homes in particular some households will want and can afford additional bedrooms – as well as other factors such as space to work from home and the important contribution which house extensions are playing to the delivery of larger homes in the HMA.
- 1.21 The LHNA identifies a preferred housing mix, which is set out below, which can be used as a monitoring tool and in assessing the appropriate mix of homes on larger development sites.

However site location, area character and the form of development are relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Table 1.3 Recommended Housing Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

- 1.22 The assessment provides evidence of demand for bungalows but recognises that there can be practical difficulties in delivering them.

Housing for Older & Disabled People

- 1.23 SW Herts' population is ageing, with growth of 48,000 people aged 65+ projected to 2041; which includes growth of 29,000 aged 75+. This is expected to drive growth of over 3,900 people with dementia and an increase of 9,000 with mobility problems.
- 1.24 The Assessment models an increasing need for specialist housing, driven by these demographic trends. Based on work with Hertfordshire County Council, it indicates a need for additional market housing with support; for housing with care, which includes extra care housing; and for nursing care accommodation.
- 1.25 The need is expressed as a range, with one scenario based on the Housing Learning & Information Network's (SHOP@) modelling assumptions; and an Enhanced Extra Care Scenario which aligns with Hertfordshire County Council's Strategy to more strongly develop the provision of specialist housing – particularly for extra care – as an alternative to providing care home bedspaces. In this latter scenario, the delivery of housing with care units is expected to reduce future needs for residential care accommodation, in particular older provision in smaller care homes and which does not meet modern standards.

Table 1.4 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need, 2021- 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Table 1.5 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need, 2021 - 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

- 1.26 In framing policies for the provision of specialist older persons accommodation, the Councils will need to consider a range of issues. This will include the different use classes of accommodation (i.e. C2 vs. C3) and requirements for affordable housing contributions (linked to this the viability of provision). There may also be some practical issues to consider, such as the ability of individual developments to be mixed market/affordable tenure given the way care and support services are paid for (through monthly services charges).
- 1.27 In addition, a need is shown for 2,000 – 3,700 dwellings for wheelchair users (meeting technical standard M4(3)). Given the evidence, the Councils could consider (as a start point) requiring all dwellings (in all tenures) to meet the M4(2) standards and around 5% of homes meeting M4(3) – wheelchair user dwellings in the market sector (a higher proportion of around a tenth in the affordable sector). There is local precedent for this within the current Watford Local Plan (2022) under Policy HO3.10. Where the authority has nomination rights M4(3) would be wheelchair accessible dwellings (constructed for immediate occupation) and in the market sector they should

be wheelchair user adaptable dwellings (constructed to be adjustable for occupation by a wheelchair user). It should however be noted that there will be cases where this may not be possible (e.g. due to viability or site-specific circumstances) and so any policy should be applied flexibly.

Specific Market Segments

- 1.28 The evidence indicates that there have been 1,125 registrants on Council Self and Custom-Build Housing Registers to October 2022. The level of permissions granted in Dacorum, Hertsmere and Three Rivers is above the minimum required; but there is a shortfall in permissions granted in Watford and particularly St Albans. Given the development constraints in the sub-region, a range of the permissions relate to the delivery of replacement dwellings on individual plots. Government policy and legislation is generally seeking to encourage and support custom and self-build development and it is appropriate for this therefore to be reflected in new local plan policies.
- 1.29 There is modest student housing demand in SW Herts, which reflects the lack of HE institutions within the area. Without a critical mass of students, there is not a specific case to support site allocations for Purpose-Build Student Accommodation, although the Assessment concludes that this should be kept under review.
- 1.30 However the Assessment does identify an emerging market for Build to Rent. The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. Iceni would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.
- 1.31 The report concludes that it would be appropriate for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.
- 1.32 With limited children's home spaces in SW Herts, including in comparison to other parts of the County, the Assessment indicates that schemes coming forward – including through conversions of existing homes – should be treated positively through the planning process.

2. INTRODUCTION

Scope of the LHNA Update

- 2.1 This Local Housing Needs Assessment (LHNA) is intended to provide an updated evidence base on housing needs for local authorities in South West Hertfordshire ('SW Herts'). It considers and provides an up-to-date and consistent evidence base on:
- Overall housing needs – the report considers overall housing needs on an objective and policy-off basis. It does not set housing targets, but provides an input to doing so;
 - The need for different types/sizes of homes – including an updated assessment of the needs for affordable housing and the need for different sizes of homes;
 - The housing needs of specific groups within the population, such as older people and those with disabilities, and students;
 - Specific housing market segments – the report considers the demand for self- and custom-build housing; build to rent and co-living and wider private rental market dynamics.
- 2.2 The report builds on previous housing evidence which has been prepared for SW Herts: a Strategic Housing Market Assessment 2016 (the '2016 SHMA'); and a Local Housing Needs Assessment 2020 (the '2020 LHNA'). These reports were prepared by GL Hearn with Justin Gardner Consulting (JGC).
- 2.3 The preparation of this report has been led by Iceni Projects ('Iceni') with support from JGC and has been coordinated by a Project Steering Group which includes representatives of the constituent SW Herts authorities: Dacorum BC; Hertsmere BC; St Albans CDC; Three Rivers DC; and Watford BC; and the team which are leading the preparation of the SW Herts Joint Strategic Plan (JSP).
- 2.4 This updated report takes account of changes in economic and market circumstances since 2020 and further data releases, including 2021 Census data. It provides an assessment of housing need over a core period to 2041. Key analysis in **Appendix A6** is considered to 2040 to reflect the plan period for the emerging plan in Hertsmere (see Table 2.1); and to 2050 to take account of the timeframe for the Joint Strategic Plan (JSP).
- 2.5 The LHNA Update forms part of the evidence base which the Councils will use in developing their respective Local Plans. It provides important inputs into setting targets for housing provision, but plan-making will also consider factors such as the supply of land for new development, Green Belt,

local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated. The LHNA itself does not set housing targets: these are judgements for individual local councils to make bringing together evidence through the plan-making process. The housing needs evidence in the LHNA is also a material consideration in determining planning applications.

- 2.6 The report does not address the housing needs of gypsies and travellers, which are considered through separate evidence-base studies prepared by the Councils as part of the plan-making process.

Geography of the Sub-Region

- 2.7 The SW Herts sub-region sits to the north of London and includes towns, of varying sizes, as well as smaller settlements, countryside and green space. Its larger towns include Watford, Hemel Hempstead and St Albans, as well as smaller urban settlements such as Potters Bar, Harpenden, Borehamwood, Rickmansworth and Berkhamsted.
- 2.8 The area is close to, and influenced by, London; with the M25 orbital motorway running through it and other key transport corridors running north-south into the Capital include the M1 and rail lines. East-west connectivity is poorer and is recognised as a strategic issue within the sub-region. Luton, and London Luton Airport, sit just beyond the northern boundary of the sub-region.
- 2.9 There are notable strategic constraints to development, including the Chilterns Area of Outstanding Natural Beauty, the Chilterns Beechwoods Special Area of Conservation and extensive coverage of Metropolitan Green Belt.

Policy Context

- 2.10 The LHNA Update is being prepared at a time when national planning policy is evolving. A Levelling Up and Regeneration Act ('LURA' was enacted by Parliament in October 2023; whilst alongside this the Government has made changes to national planning policies in the National Planning Policy Framework (NPPF)¹ which include identifying that housing need is an advisory starting point and needs to be brought together with other factors, including development constraints, in setting housing targets through local plans.

¹ [National Planning Policy Framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/national-planning-policy-framework)

- 2.11 The SW Herts local authorities are at different stages in the plan-making process currently. The table below sets out the current progress and timescales for preparation/ review of local plans across the five authorities:

Table 2.1 Local Plan Progress & Timeframes in SW Herts

Authority	Progress & Timeframes	Plan Period
Dacorum	Reg 18 consultation October to December 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2040/41
Hertsmere	Reg 18 consultation expected in April 2024. Reg 19 consultation anticipated Autumn 2024.	2025-2041
St Albans	Reg 18 consultation July to September 2023. Reg 19 consultation anticipated Autumn 2024.	2024 – 2041
Three Rivers	Reg 18 consultation October to December 2023; with Reg 19 consultation anticipated in 2024.	2024-2041
Watford	Local Plan adopted October 2022. A timetable for the review of the adopted Watford Local Plan has not yet been agreed.	2021 – 2038

Housing Market Geography

- 2.12 A review of the geography of the Housing Market Area has been undertaken as part of the preparation of this report. This is set out in **Appendix A1**. Previous studies have defined a Housing Market Area as including the local authorities identified above. The more recent data which is available continues to show a strong correlation between these areas. This includes continued strong migration between the local authorities within the Study Area and particularly with Watford from all areas. House prices also remain broadly similar to those in 2016 and house price change has been reasonably consistent across the HMA.
- 2.13 The evidence would thus justify the continued use of the South West Hertfordshire HMA and for the Councils continuing to cooperate on strategic matters including housing. The evidence also shows, consistent with previous evidence, that there are cross-boundary inter-relationships with London and localised relationships with other areas, in particular between St Albans and Welwyn Hatfield.

Report Status and Structure

- 2.14 The remainder of the report is structured as follows:
- Section 3: Current housing stock in SW Herts;
 - Section 4: Reviewing current housing market dynamics;

-
- Section 5: Standard method figures for SW Herts;
 - Section 6: Demographic review and implications for overall housing need;
 - Section 7: Affordable housing need;
 - Section 8: Need for different types and sizes of homes;
 - Section 9: Housing for older and disabled people; and
 - Section 10: Specialist Market Segments.

3. CURRENT HOUSING STOCK IN SW HERTS

- 3.1 This section of the report starts out by profiling the current housing stock profile in SW Hertfordshire and how this has been changing. As much of the housing stock which will exist in 2040/41 and beyond exists now, an understanding of the current profile of homes is an important starting point in considering future housing needs.

Dwelling Stock

- 3.2 As of 2021 there were 252,771 dwellings in SW Herts. Since 2011, the number of homes in SW Herts has increased by around 18,400, or 7.3%.
- 3.3 As Table 3.1 shows, Dacorum and St Albans are the largest local authority areas in terms of the number of homes within them; with Three Rivers the smallest.
- 3.4 The largest percentage increase in the dwelling stock between 2011-21 has been in Watford at 10.7%. Hertsmere is the only other authority that has had seen growth in the dwelling stock above the national average; with growth in Dacorum, Three Rivers and St Albans all falling below the national figure. Housing delivery trends, which influence this, are considered later in this section.

Table 3.1 Dwelling Stock Change, 2011-21

	2011	2021	% increase
Watford	37,404	41,412	10.7%
Dacorum	61,942	65,989	6.5%
Three Rivers	36,155	38,422	5.9%
Hertsmere	40,993	44,926	8.8%
St Albans	57,891	62,022	6.7%
SW Herts HMA	234,385	252,771	7.3%
East of England	2,531,907	2,762,294	8.3%
England	22,976,066	24,927,591	7.8%

Source: ONS, 2021 Census

- 3.5 The latest data indicated that 2.5% of the dwelling stock in the HMA is vacant; which is in line with the regional average and consistent with the level which we would consider is necessary to allow for frictional vacancy within a functional housing market, recognising that at any time there will be some vacant properties to allow for repair, renovations and turnover of properties. Less than 1% of the housing stock is long-term vacant, equating to homes that are vacant for over 6 months, across SW Herts.
- 3.6 The only authority with a higher vacancy rate evident is Hertsmere where the number of long-term vacant dwellings recorded through Council Tax data has been increasing since 2016 (rising from c.

300 to 770 properties vacant for over 6 months). The Council has a 2018 Empty Homes Strategy, but the current data would suggest that it may be appropriate to refresh this to further understand the reasons for the higher level of empty homes, and to identify actions which could be taken forward to address this. The 2018 Strategy identified that there were multiple causes of empty homes, including those caught in probate issues, possessions, those being repaired, and second home / employment-related properties. The Council is currently undertaking some additional exploratory work in regards to empty homes in the District.

Table 3.2 Vacant Dwellings and Vacancy Rate, 2022

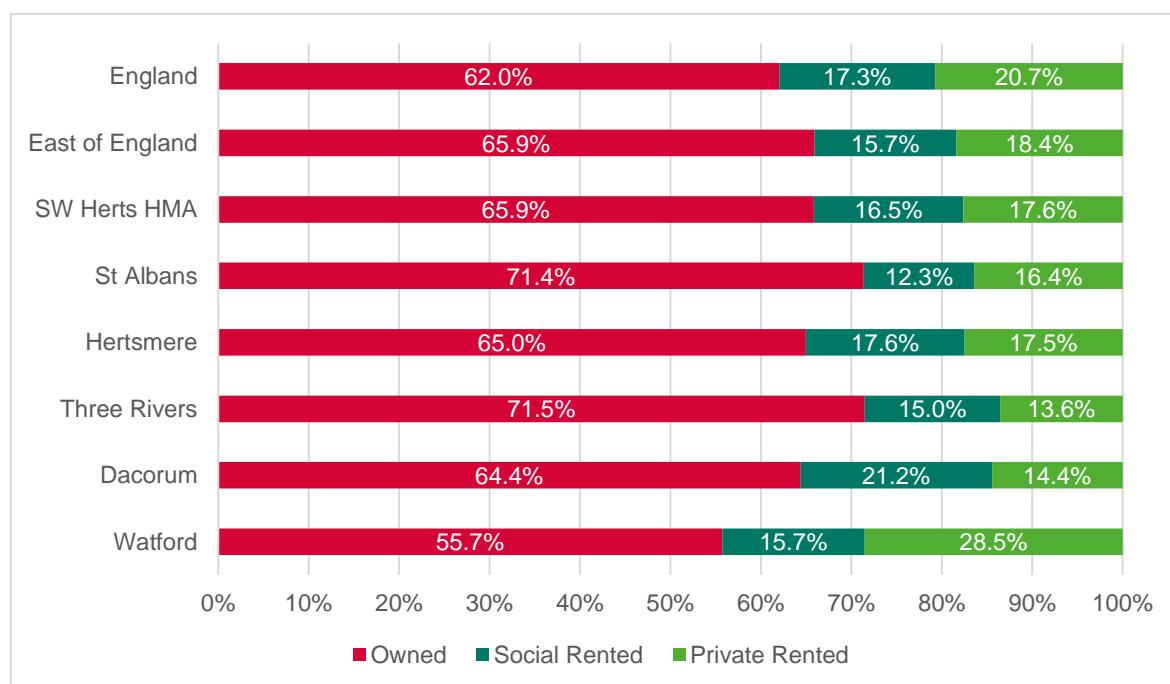
Oct-22	Vacant Dwellings	% Dwelling Stock Vacant	% Dwelling Stock Long-term Vacant
Dacorum	1,654	2.5%	1.0%
Hertsmere	1,467	3.2%	1.7%
St Albans	1,514	2.4%	0.7%
Three Rivers	770	2.0%	0.6%
Watford	899	2.1%	0.6%
SW Herts HMA	6,304	2.5%	0.9%
East of England	69,990	2.5%	0.9%
England	676,304	2.7%	1.0%

Source: DLUHC Live Table 125, and stock from Table 615

Tenure Profile

- 3.7 Owner occupation remains the most prevalent tenure type across SW Herts, based on the 2021 Census data. Home ownership levels are highest in St Albans and Three Rivers, at 71% and 72% of households respectively in 2021, greater than the rates across the East of England and England, at 66% and 62% respectively. Across SW Herts as a whole, 66% of households are owner occupied.
- 3.8 Watford has a much lower level of home ownership than the other authorities at 56%; and has a large Private Rented Sector (PRS) that accommodated 29% of households. In the other SW Herts authorities, private renting is below the national average.
- 3.9 The proportion of social rented properties can influence the ability of each authority to meet affordable housing need. St Albans sees the lowest proportion of social rented properties (12.3%) which contrasts with the area's high relative housing costs, and feeds into the higher relative affordable housing need shown. On the other hand, Dacorum sees the highest proportion of social rented dwellings (21.2%), influenced by delivery of affordable housing by the New Town Corporation at Hemel Hempstead. As a function of this, it has a relatively lower proportion of dwellings in the Private Rented Sector, with PRS demand influenced by the higher social rented stock available to meet the affordable need.

Figure 3.1 Households by Tenure, 2021²



Source: 2021 Census

- 3.10 The stock of low cost home ownership homes is also relevant in considering the housing offer. The table below sets out the stock of such properties drawing on the latest data from the Regulator of Social Housing. The highest stock in absolute terms is in Hertsmere, and Watford.
- 3.11 It is possible to also consider 2021 Census data on shared ownership dwellings: which similarly shows that the highest shared ownership stock (in proportional terms) is higher in Hertsmere and Watford. Overall the data shows that across the HMA, shared ownership homes account for under 1% of homes.

Table 3.3 Low Cost Homeownership Stock by Authority

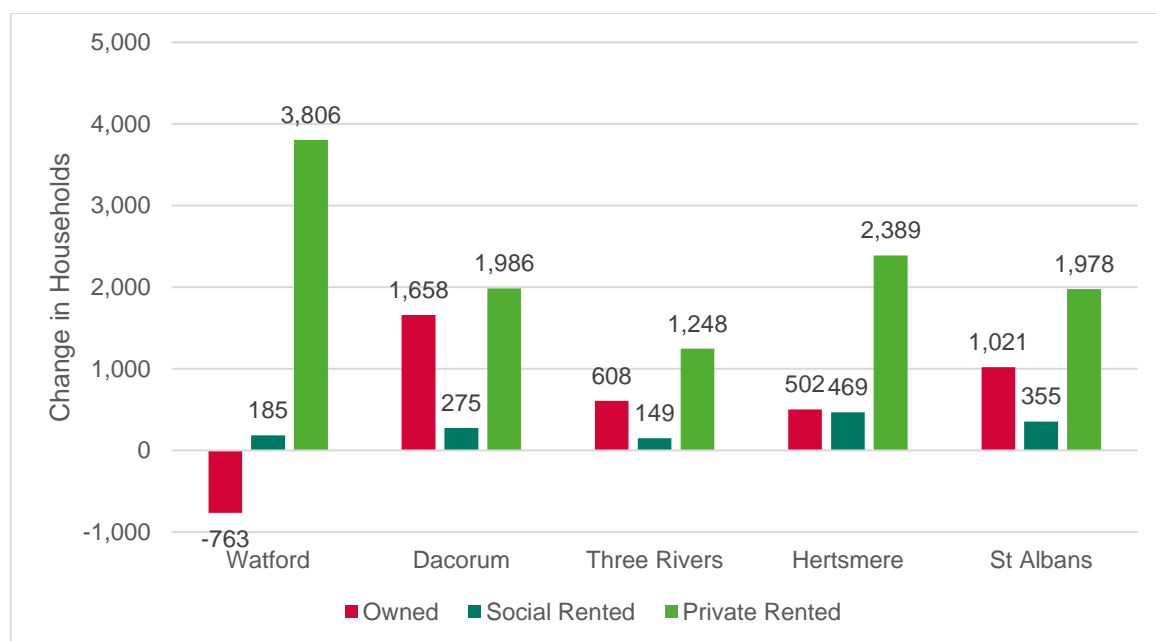
	Low Cost Home ownership stock (2023)	% of total housing stock (as at Census 2021)
Dacorum	439	0.7%
Hertsmere	533	1.3%
St Albans	283	0.5%
Three Rivers	292	0.8%
Watford	446	1.1%
Total SW Herts Authorities	1,993	0.8%

Source: Regulator of Social Housing Data 2023 and Census 2021

² The social rent tenure is likely to include affordable rented properties

- 3.12 The absolute changes seen in the tenure profile in SW Herts between 2011-21 are shown below. Across the HMA, the Private Rented Sector accommodated 72% of the growth in households, with it seeing the strongest growth across each constituent local authority. The strongest growth in the PRS was seen in Watford, where – in contrast – the number of owner occupying households fell. Relative to regional/ national trends, Hertsmere and Watford have seen stronger relative growth in Private Renting. The change in social rented households is small in all authority areas, this will be a factor of a stock level that has not changed hugely over the time period.

Figure 3.2 Change in Household by Tenure, 2011-21



Source: 2011 Census; 2021 Census

- 3.13 The proportion of owned dwellings fell across SW Herts, and in each local authority within it, between 2011-21; despite the increase seen in absolute terms, the rate of home ownership fell from 69.2% to 65.9% of all households across the HMA. The greatest proportional reduction was seen in Watford. These reductions in home ownership correlate with the evidence of increasing affordability pressures and restricted housing land supply.

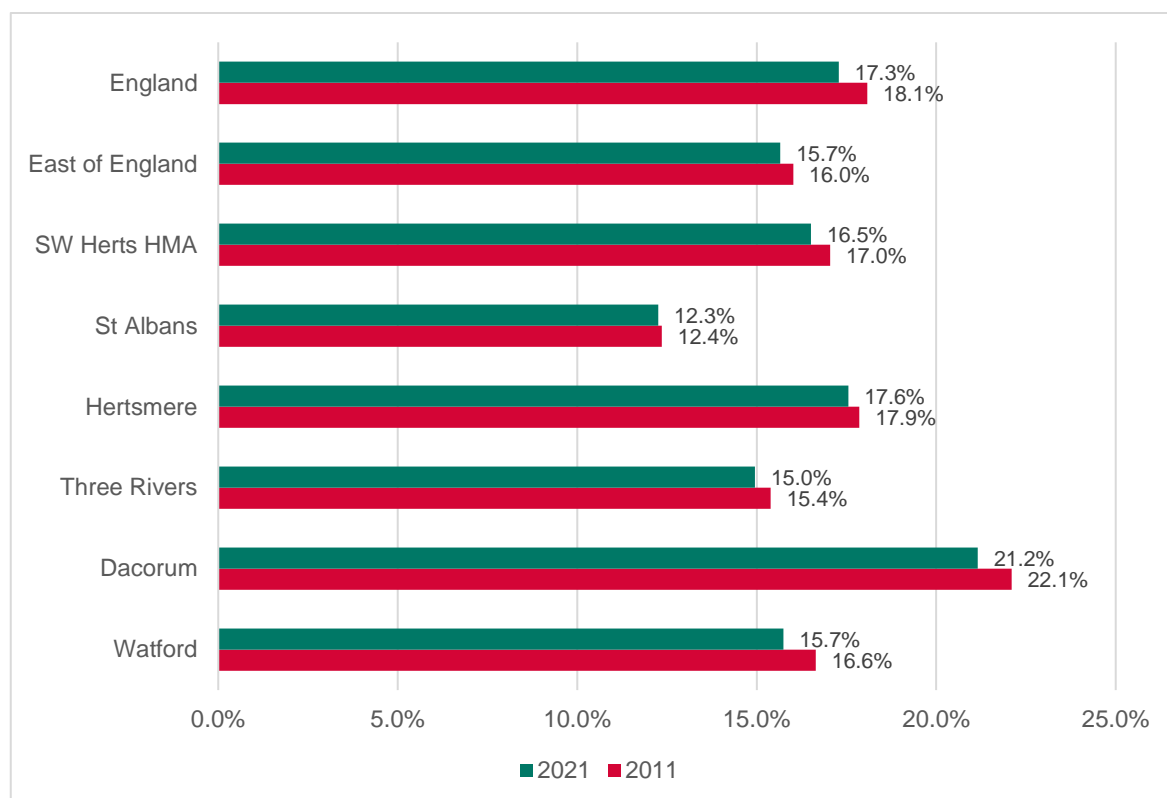
Table 3.4 Changes in Home Ownership, 2011-21

	2011	2021	Change
Dacorum	65.9%	64.4%	-1.5%
Hertsmere	69.3%	65.0%	-4.3%
St Albans	73.9%	71.4%	-2.5%
Three Rivers	73.9%	71.5%	-2.4%
Watford	62.9%	55.7%	-7.1%
SW Herts HMA	69.2%	65.9%	-3.3%
East of England	69.0%	65.9%	-3.0%
England	64.7%	62.0%	-2.7%

Source: 2011 Census; 2021 Census

- 3.14 Whilst the stock has risen, the size of the Social Rented Sector³ as a proportion of all households has fallen moderately in each area. It remains larger in Dacorum than in other areas (reflecting the high social housing delivery within Hemel Hempstead as a New Town) and lower in St Albans. Of the five SW Herts authorities, both Dacorum BC and St Albans CDC have retained their affordable housing stock.

Figure 3.3 Social Renting in SW Herts, 2011-21

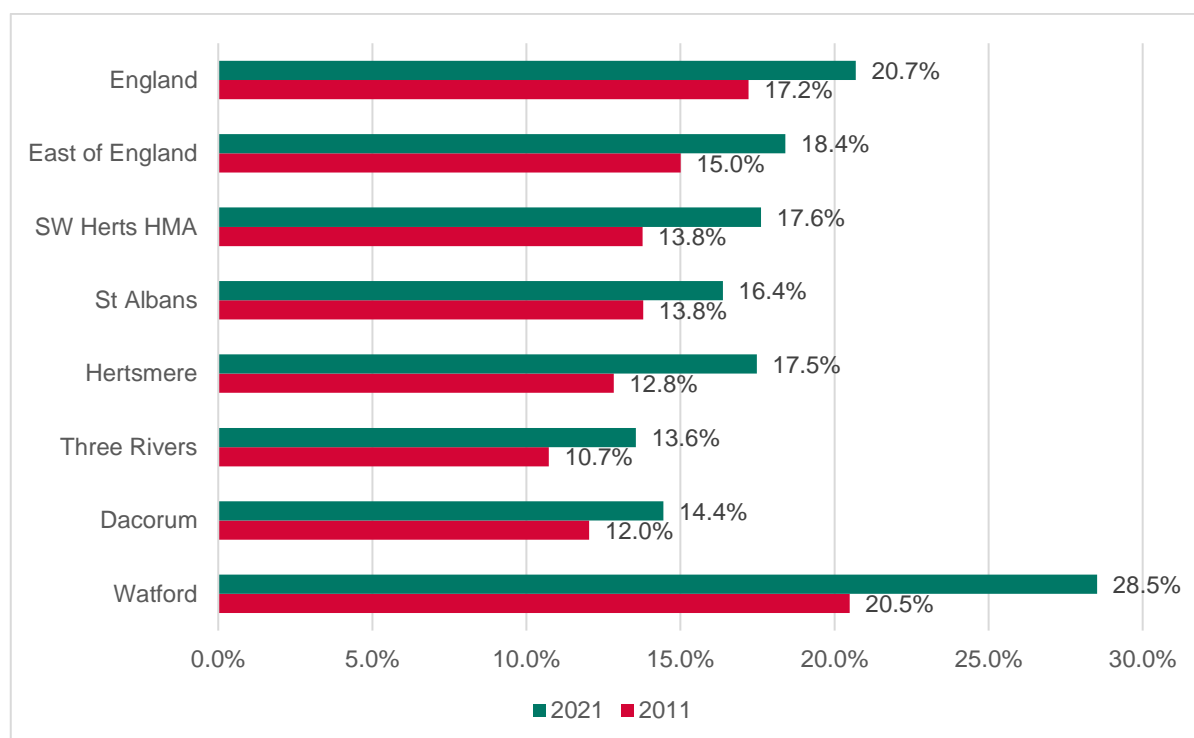


Source: 2011 Census; 2021 Census

- 3.15 The Private Rented Sector has been the key growth sector in the housing market, and accommodated 17.6% of all households in 2021, up from 13.8% in 2011. The strongest growth, and highest concentration, of private renting is in Watford.

³ This will include homes let at both social and affordable rents

Figure 3.4 Private Renting in SW Herts, 2011-21



Source: 2011 Census; 2021 Census

Socially rented homes are concentrated in the urban areas in SW Herts, particularly Hemel Hempstead, Watford and Borehamwood. Similarly, the percentage of private renters is more concentrated in urban areas. The opposite is true for home ownership, with higher proportions of home ownership in rural locations.

- 3.16 The table below shows the number of public sector owned dwellings in each area: these dwellings are usually in social rented tenure. Dacorum has the highest number of local authority dwellings as the Council has retained its own housing stock, this will contribute to the higher proportion of social rent in the area. St Albans has also retained its housing stock.

Table 3.5 Public Sector owned dwellings (2022)

	Local Authority Owned	Other Public Sector ownership
Dacorum	10,239	0
Hertsmere	151	0
St Albans	4,912	0
Three Rivers	53	0
Watford	45	50

Source: Local Authority Housing Statistics (2022)

Figure 3.5 Percentage Home Ownership

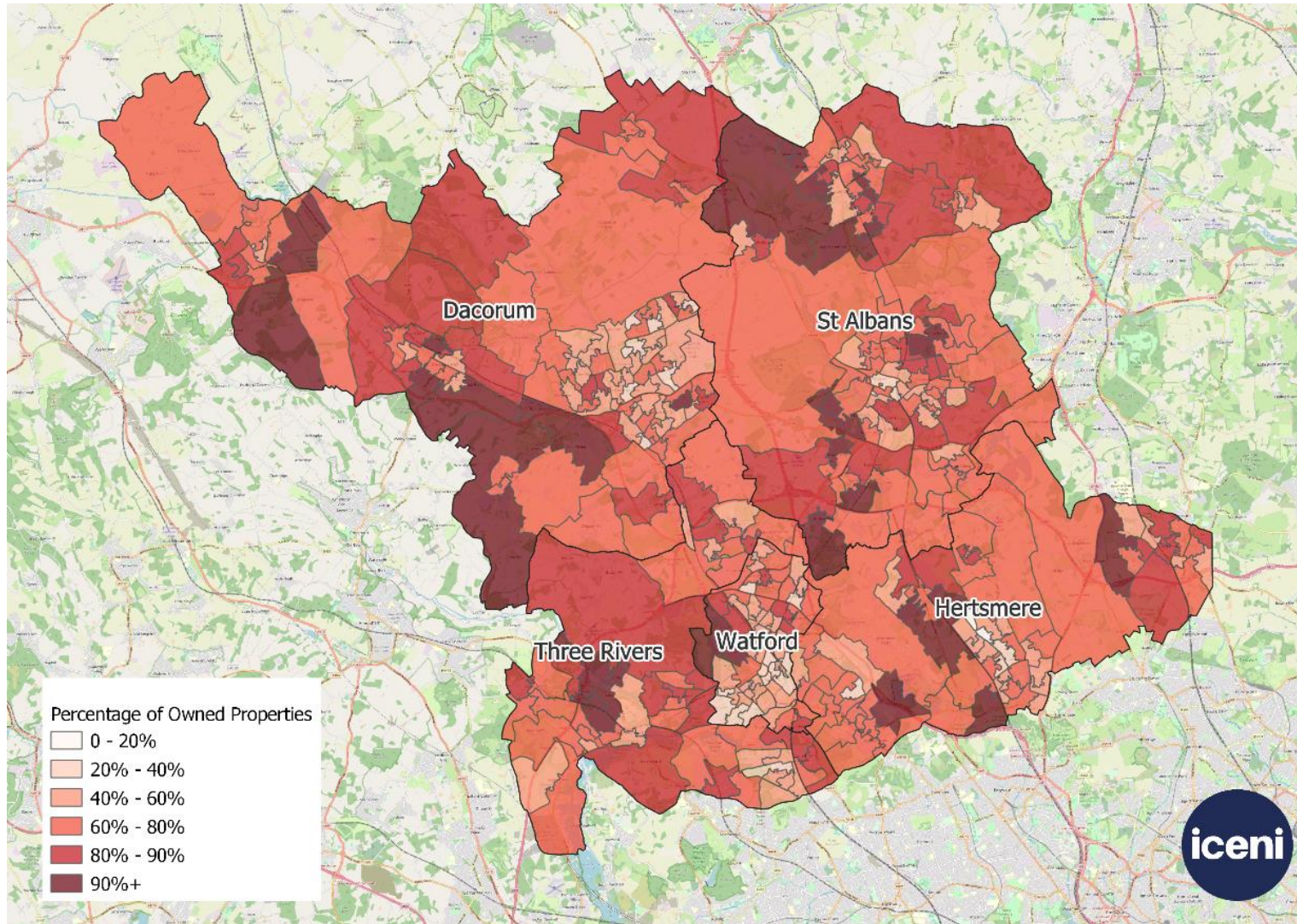


Figure 3.6 Percentage of Private Rented Properties or Living Rent Free

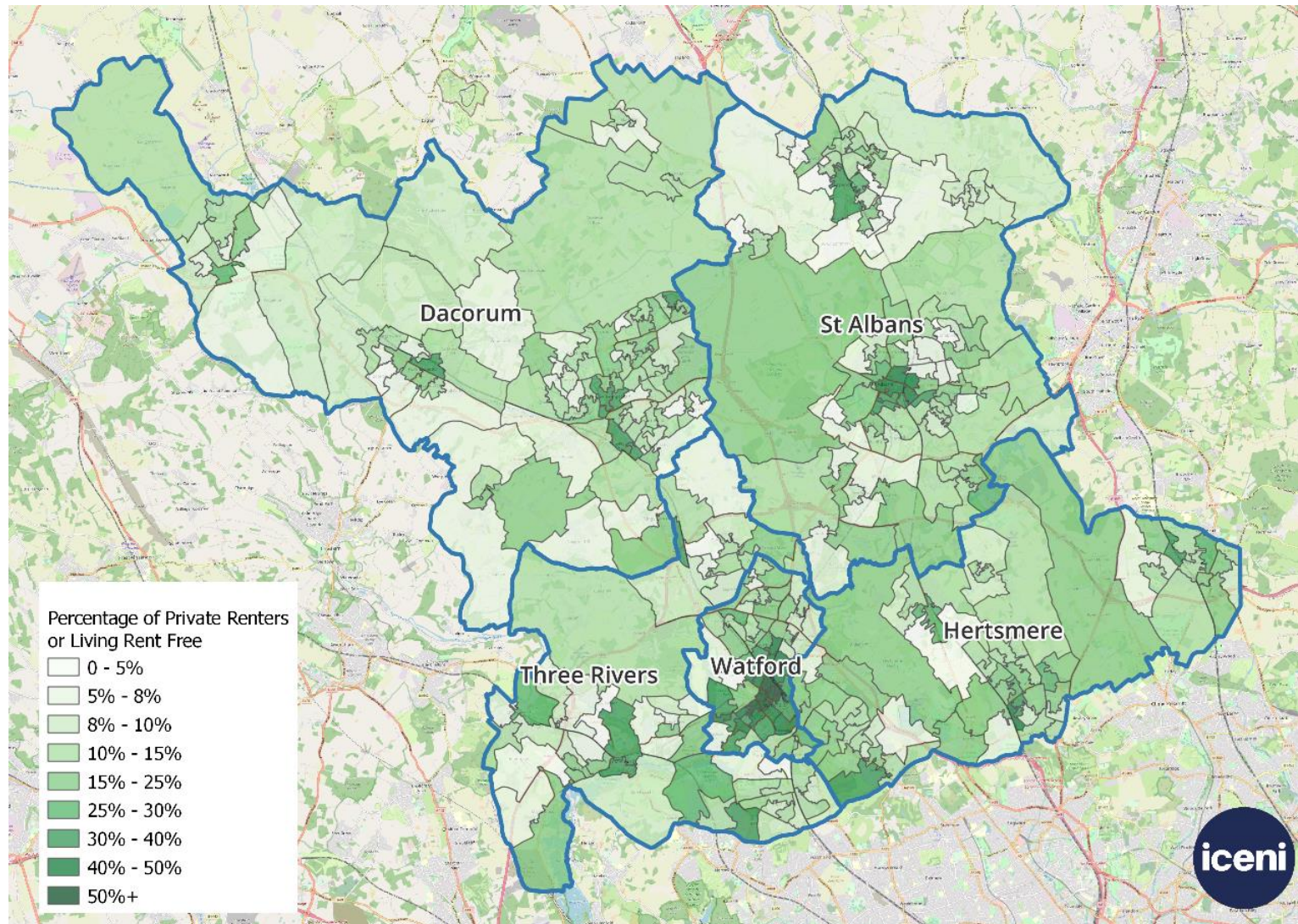
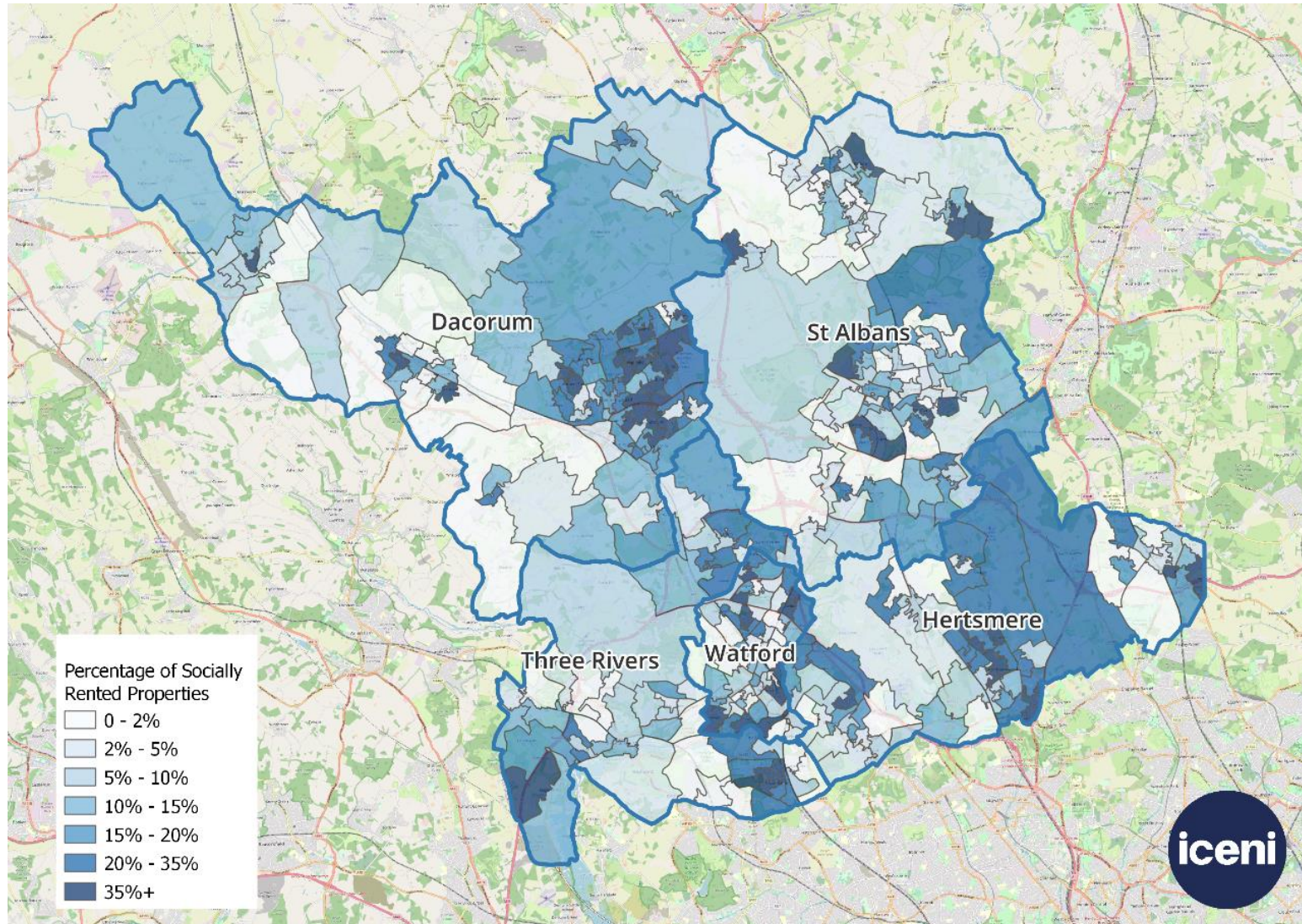


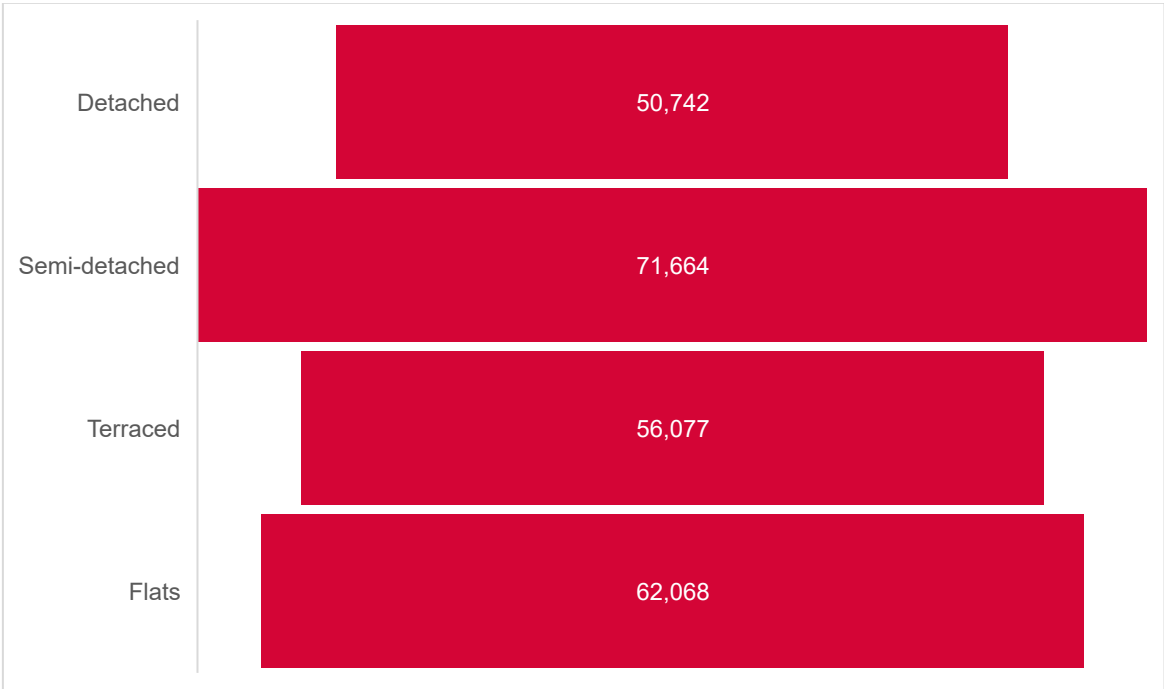
Figure 3.7 Percentage of Socially Rented Properties



Profile of Homes by Type and Size

3.17 SW Herts has a generally broad and balanced profile of different dwelling types; with semi-detached homes the most prevalent accounting for 30% of all homes; followed by flats (25.8%), terraced (23.3%) and detached properties (21.1%).

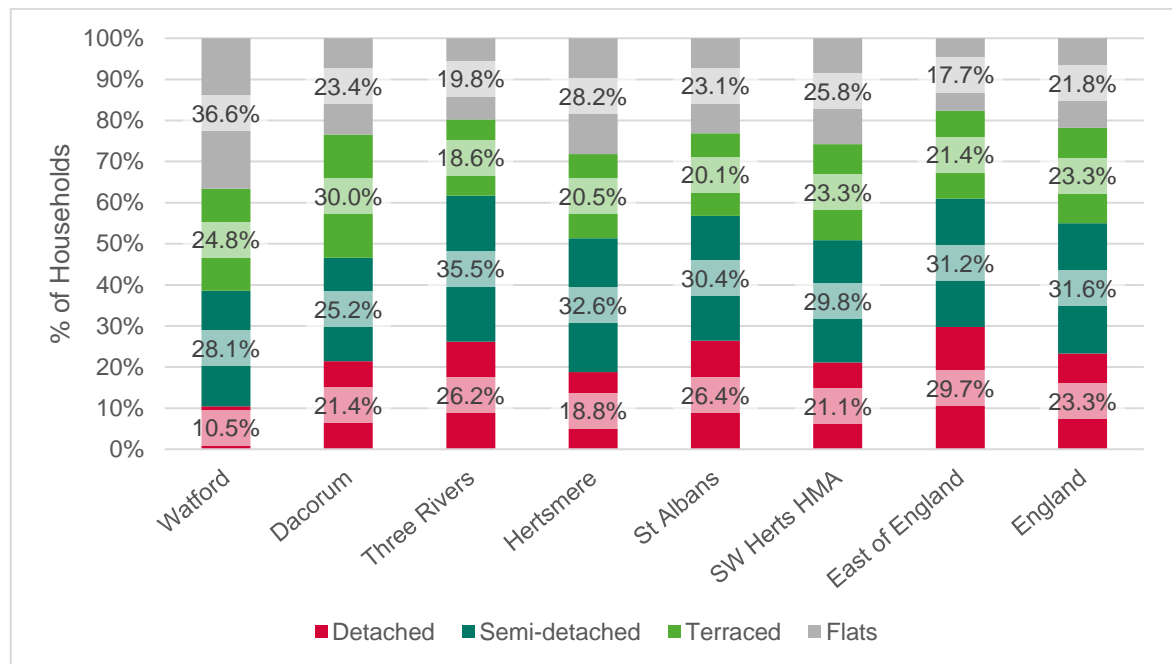
Figure 3.8 Profile of Dwellings in SW Herts, 2021



Source: 2021 Census

3.18 The housing mix is fairly similar to the proportional mix seen across England as a whole. SW Herts has fewer detached and semi-detached properties; and more flats and terraced housing than the East of England region but this is particularly influenced by the higher proportion of flats and lower proportion of detached homes in Watford.

Figure 3.9 Dwellings by Type 2021



Source: 2021 Census

- 3.19 The percentage of flats, maisonettes or apartments is highest in the denser, more populated areas of SW Herts.

Figure 3.10 Percentage of Detached Properties

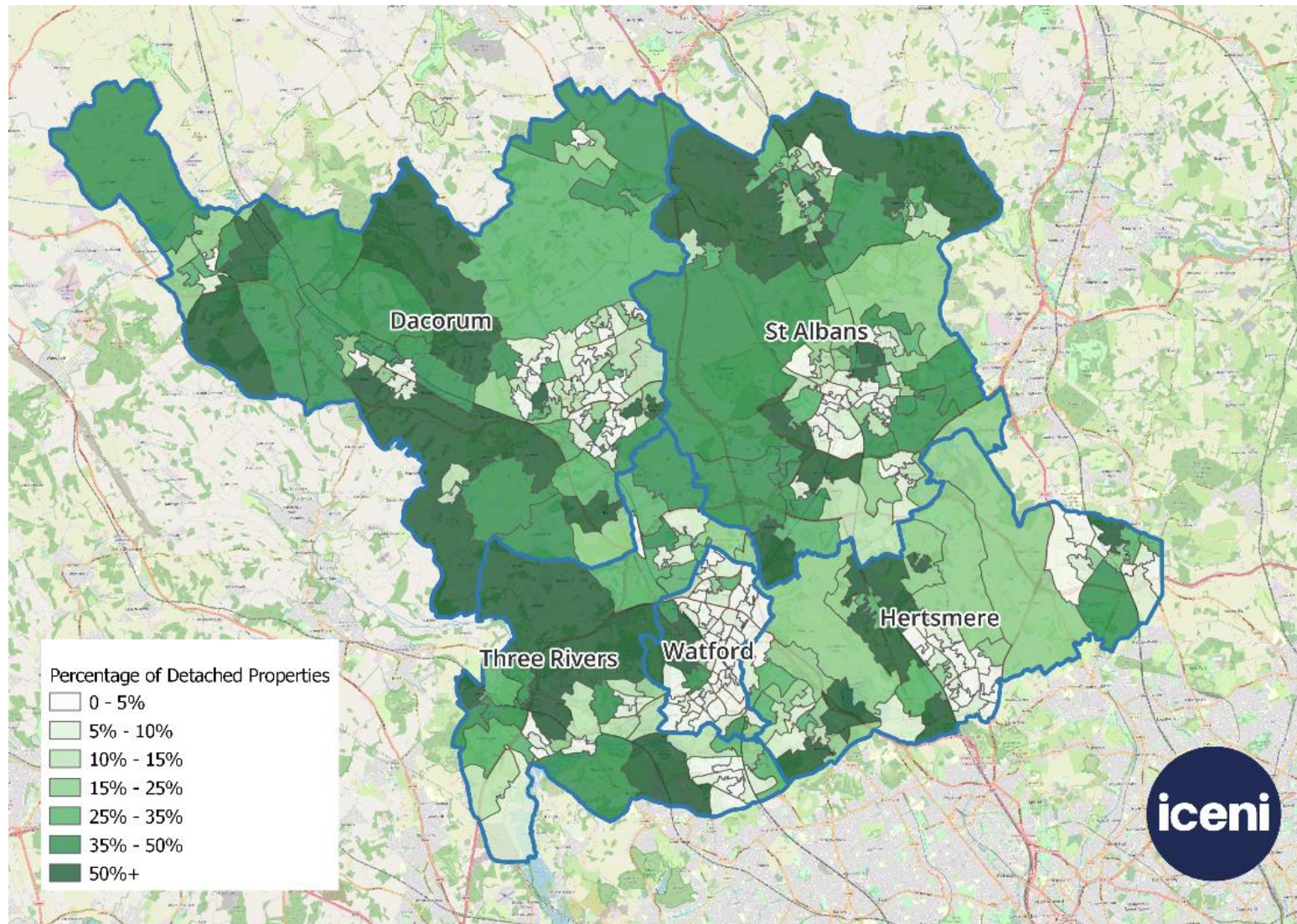
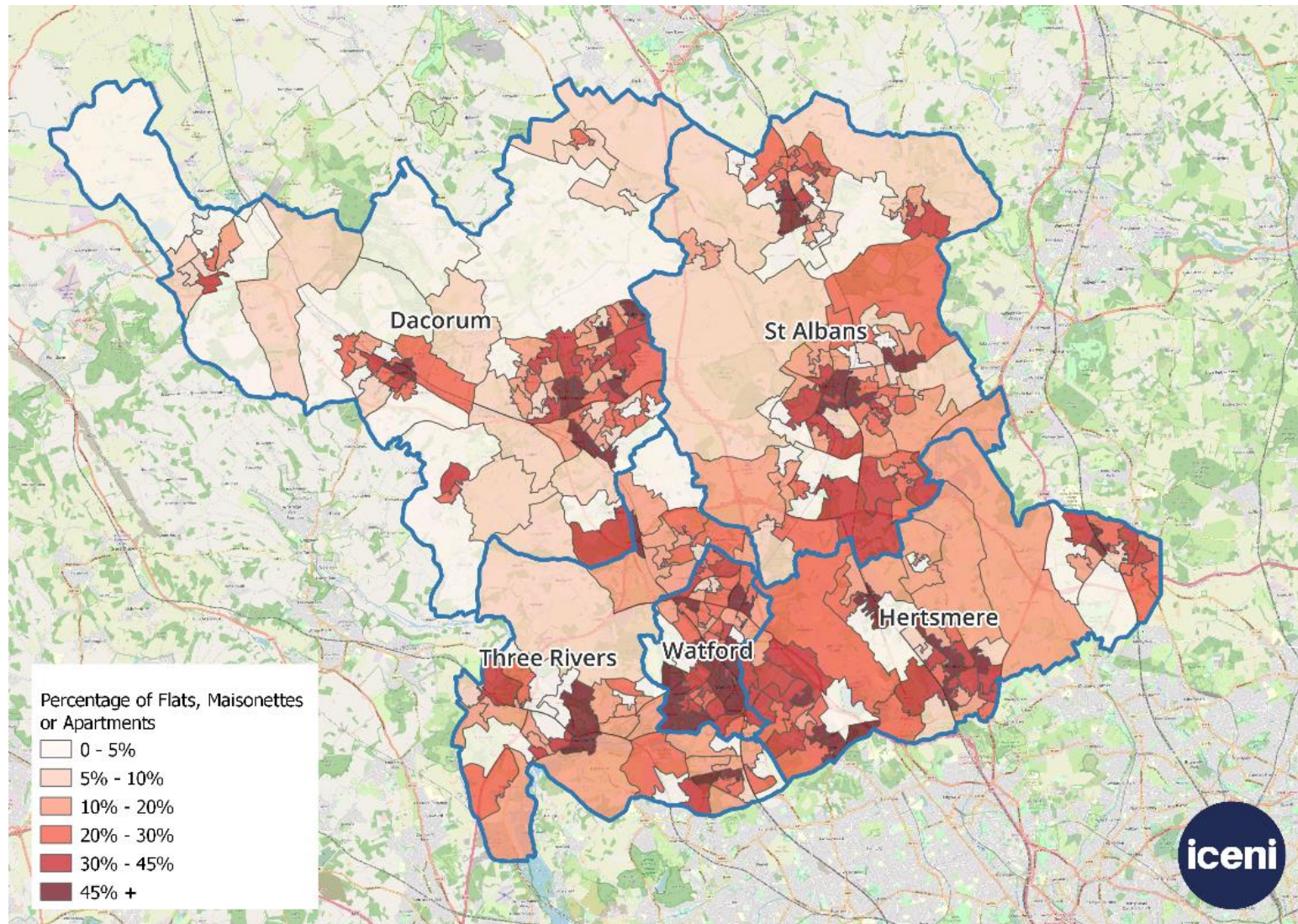
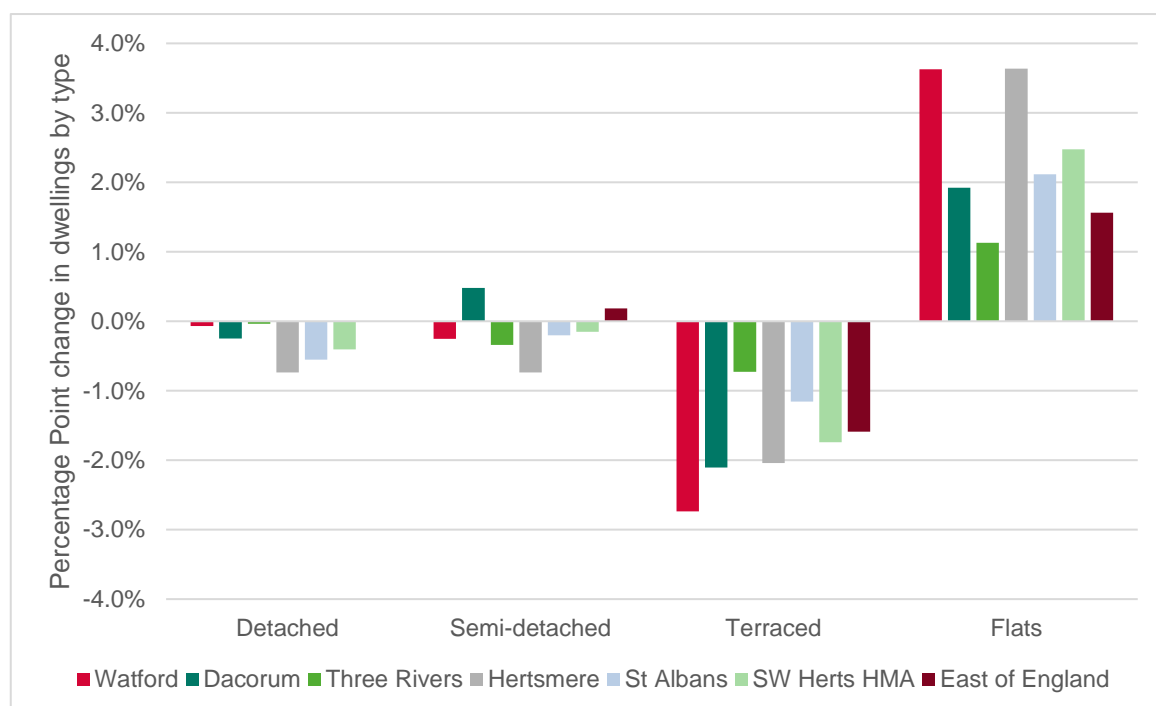


Figure 3.11 Percentage of Flats, Maisonettes or Apartments



3.20 The chart below shows the growth in different types of dwellings over the 2011-21 decade. The strongest growth in flatted accommodation has been in Watford and Hertsmere, however as the graph below shows all authorities have seen a large percentage increase of flatted dwellings and a proportional decrease in other types of dwelling. This is likely to have been influenced by strategic constraints to development in South West Herts and a limited supply of greenfield land which typically supports the delivery of houses (as opposed to flats which are more characteristic of urban brownfield development). It is notable that Dacorum is the only area to see an increase in the proportion of any type of houses (with a modest growth in semi-detached stock).

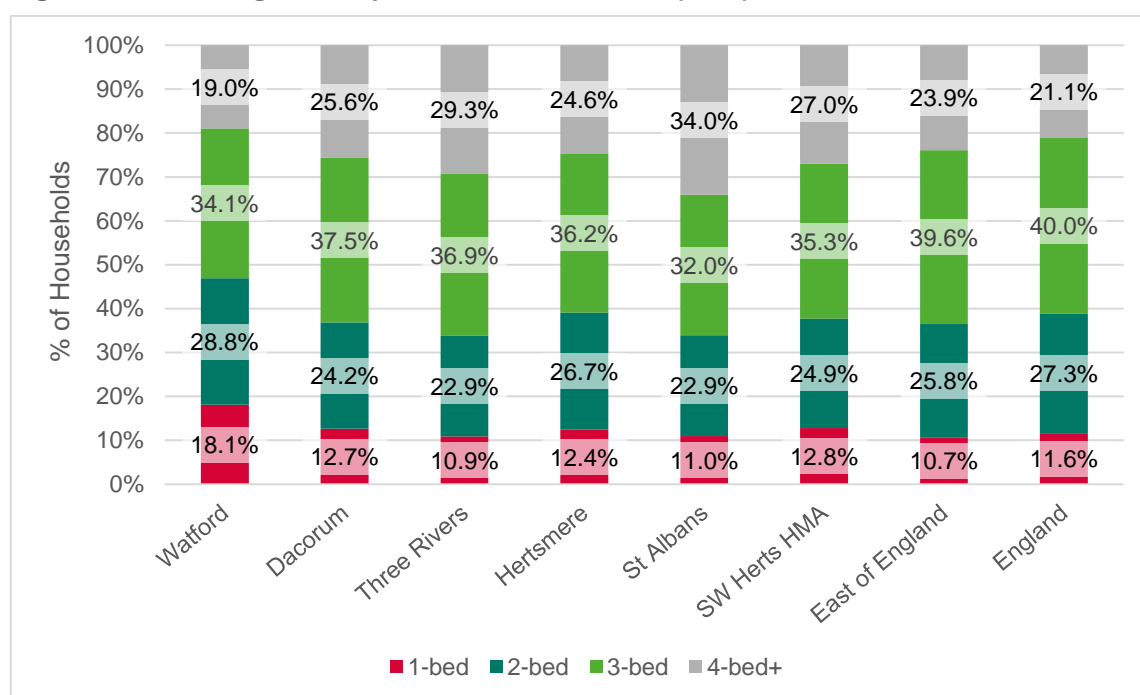
Figure 3.12 Change in Households by House Type, 2011-21



Source: 2011 Census; 2021 Census

- 3.21 SW Herts has a similar profile of dwellings by size of property to the position across the East of England region. Two and three-bed properties predominate; but there is a slightly higher proportion of homes with 4 or more bedrooms than found at the regional or national level.
- 3.22 The proportion of larger, 4+ bed properties is highest in St Albans (34.0%) and Three Rivers (29.3%). In contrast it is below the regional average, at 19.0%, in Watford – which has a higher proportion of 1- and 2-bed properties than other areas.

Figure 3.13 Dwelling Stock by Number of Bedrooms (2021)



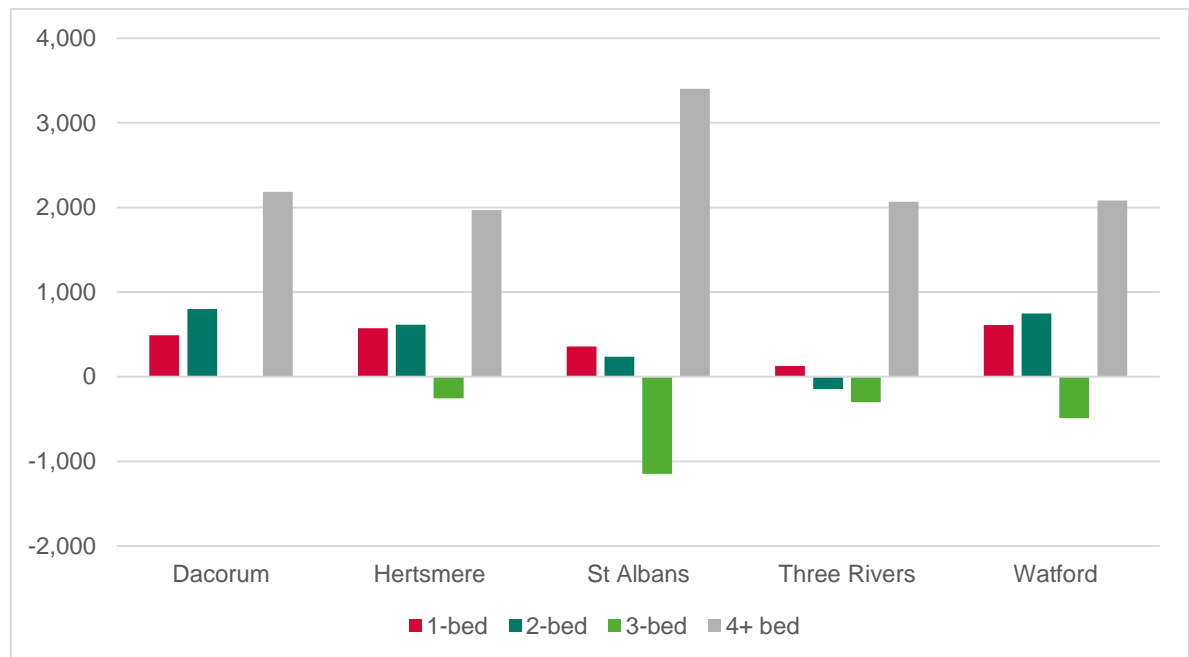
Source: 2021 Census

3.23 Considering the changes in the profile of homes by size between the 2011 and 2021 Census is complicated by slightly different ways in which the stock was measured. Our analysis below suggests that the greatest growth in the total housing stock between 2011-21 has been in 4+ bed dwellings. This appears odd against data on new-build development; but is considered to reflect trends in the extensions of properties – with evidence that households will stay in homes and extend them, such as through adding additional bedrooms through loft conversions, rather than move (in particular given the high transactional costs of moving associated with Stamp Duty). High transactional costs essentially mean that a range of households appear to have sought to extend their existing homes to create additional bedrooms, rather than move, over the 2011-21 decade. These trends are similar to those seen across East of England and England.

3.24 The Census data shown in the figure below suggests that 84% of the growth in occupied homes was of growth in 4+ bed properties, with this part influenced by a decline in 3-bed properties (except in Dacorum) as homes were extended. The drivers of this are thus likely to have included the high transactional costs of moving in particular (including moving costs and Stamp Duty); as well as potentially some impact from changing working patterns (and associated growth in home working) and development of replacement dwellings on existing plots.

3.25 Growth in 1- and 2-bed stock is more modest, and likely to be particularly influenced by development of flats.

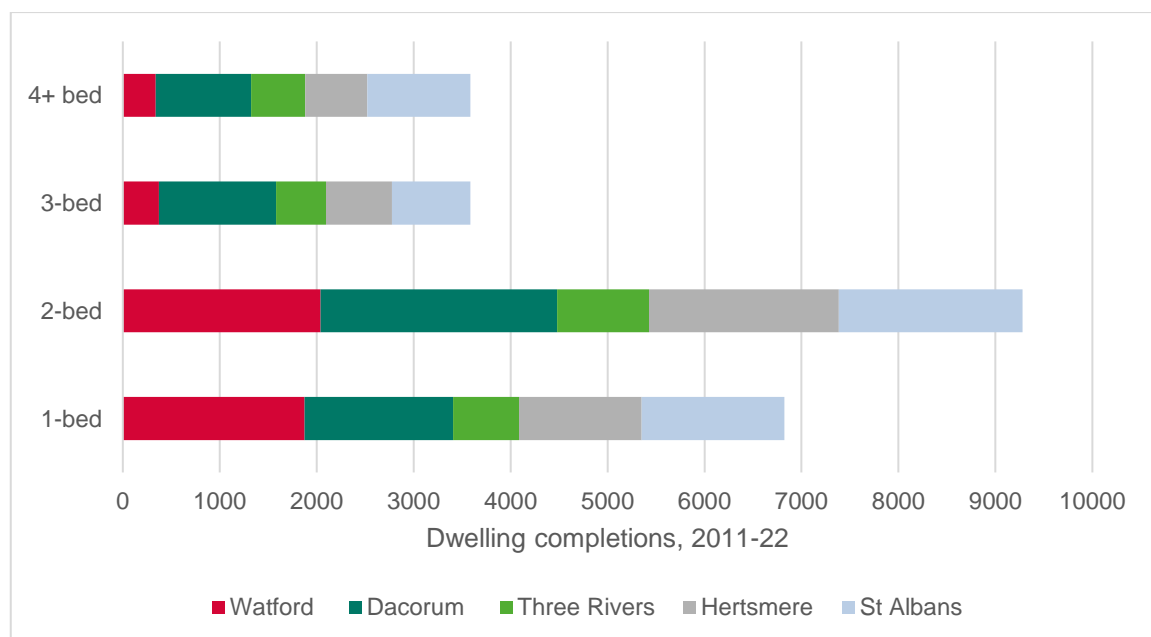
Figure 3.14 Changes in Housing Stock by Size, SW Herts 2011-21



Source: 2001 Census; 2021 Census

- 3.26 To augment this analysis, Iceni has analysed housing completions over the period since 2011 as shown in the figure below. Over this period, 69% of dwelling completions recorded by Councils have been of 1- and 2-bed properties; with 15% 3-bed and 15% 4+ bed properties. Comparing this to Figure 3.14 above highlights the important role which extensions of properties have been having on the changing size mix of the housing stock in SW Herts.

Figure 3.15 New-build Housing Completions by Size – SW Herts, 2011-22



Source: Iceni analysis of Council monitoring data

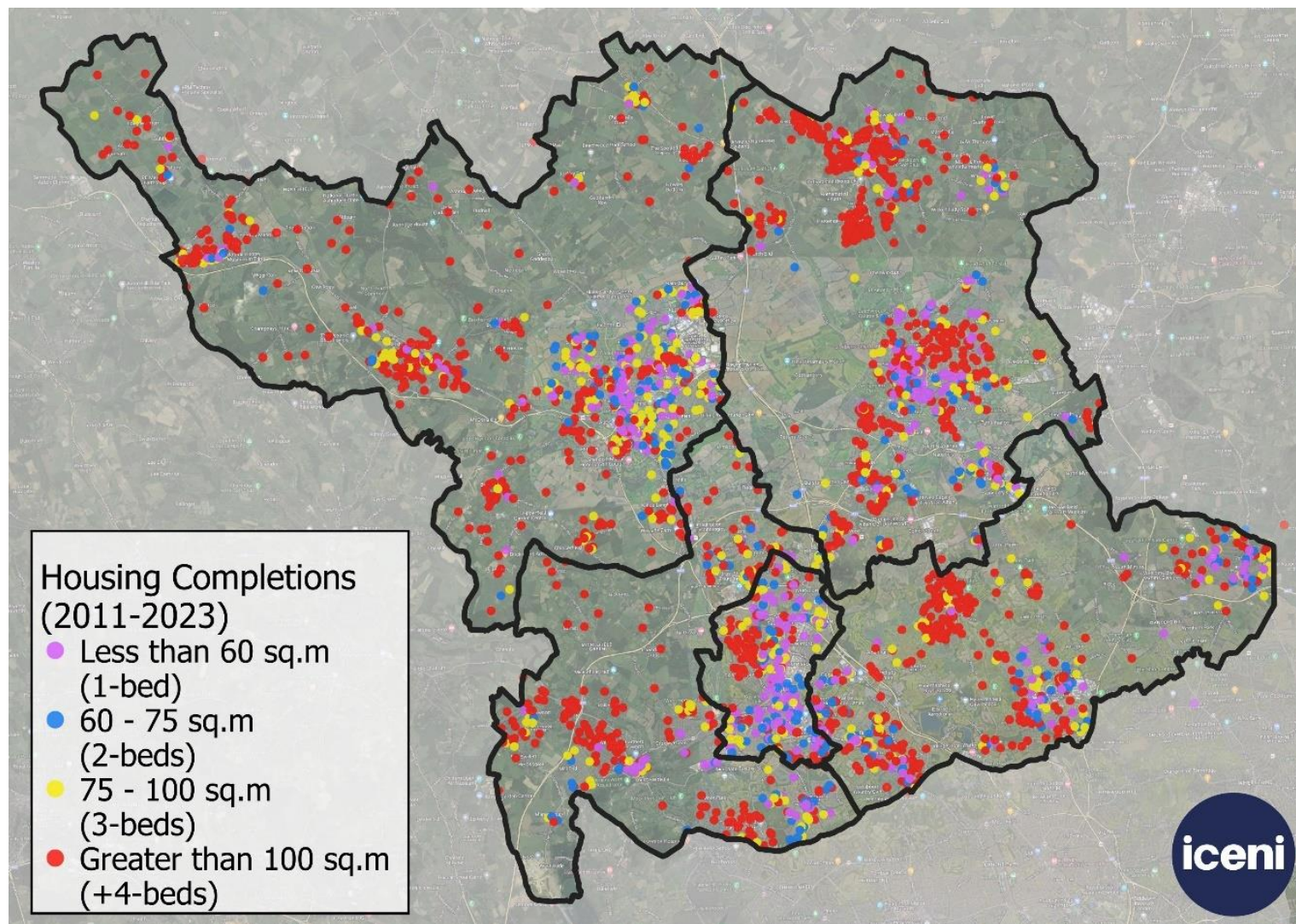
Table 3.6 New-Build Completions by Size, 2011/12 – 2021/22

	1-bed	2-bed	3-bed	4+ bed
Dacorum	25%	40%	20%	16%
Hertsmere	28%	43%	15%	14%
St Albans	28%	36%	15%	20%
Three Rivers	25%	35%	19%	21%
Watford	41%	44%	8%	7%
SW Herts	29%	40%	15%	15%

Source: Iceni analysis of Council monitoring data

- 3.27 Watford, and to a lesser extent Hertsmere, have seen a notably low proportion of delivery of family-sized homes with 3 or more bedrooms, at 15% and 29% respectively; but all authorities have seen delivery focused on smaller dwellings.
- 3.28 The map overleaf shows the spatial distribution of housing completions of different sizes over the period since 2011. The Energy Performance Certificate (EPC) data used provides information on property types but not the number of bedrooms, which Iceni has therefore estimated based on the unit sizes.
- 3.29 Considering the existing housing mix, the towns and cities of SW Herts have the highest number of 2-bedroom properties. Watford, St Albans, Rickmansworth, Hemel Hempstead and Borehamwood for example. Conversely, those rural areas in SW Herts have a higher percentage of 4-bedroom properties.

Figure 3.16 Housing Completions by Estimated Property Size, SW Herts



Source: Icen analysis of EPC data

Figure 3.17 Percentage of 2-bedroom homes

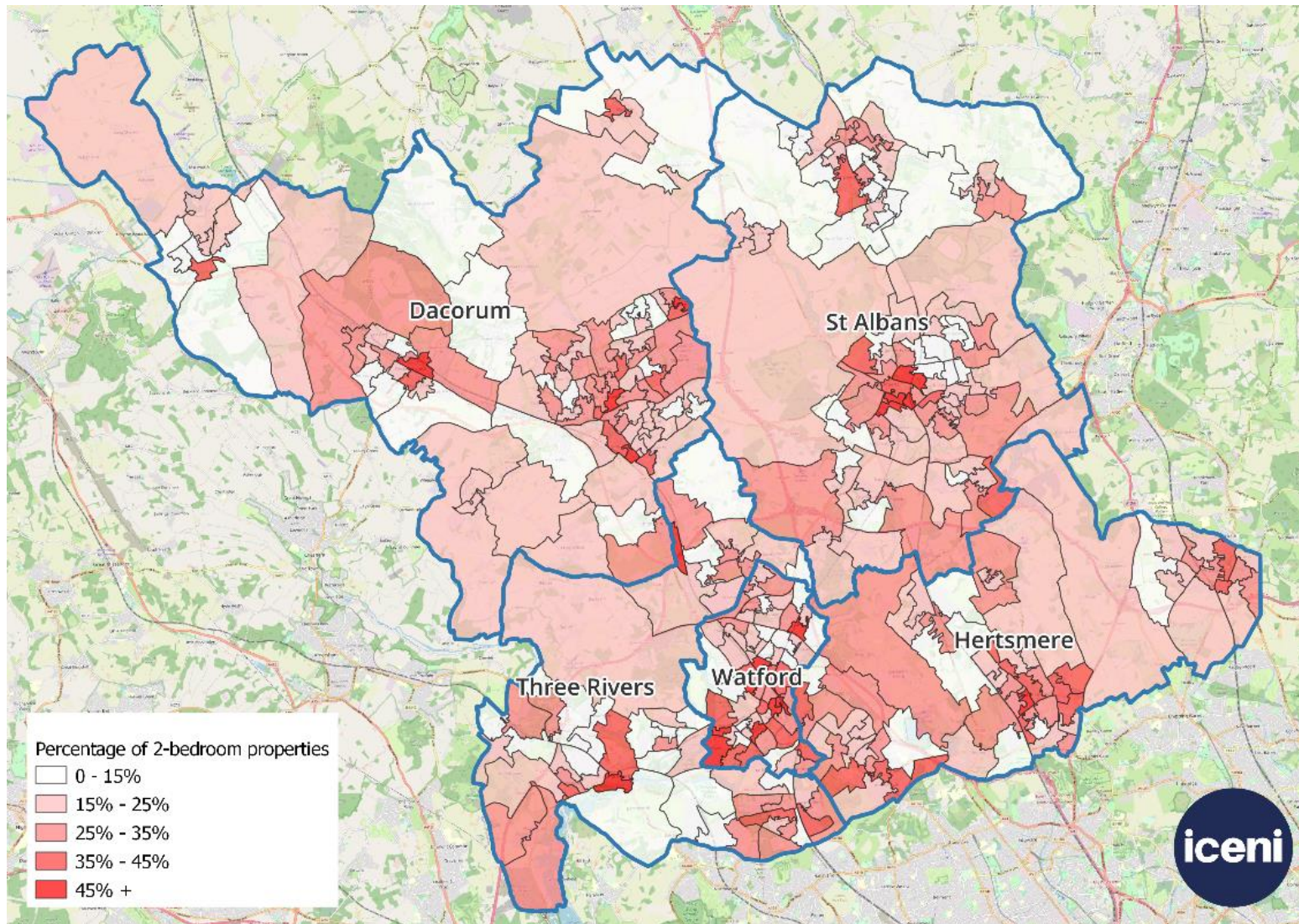


Figure 3.18 Percentage of 3-bedroom Homes

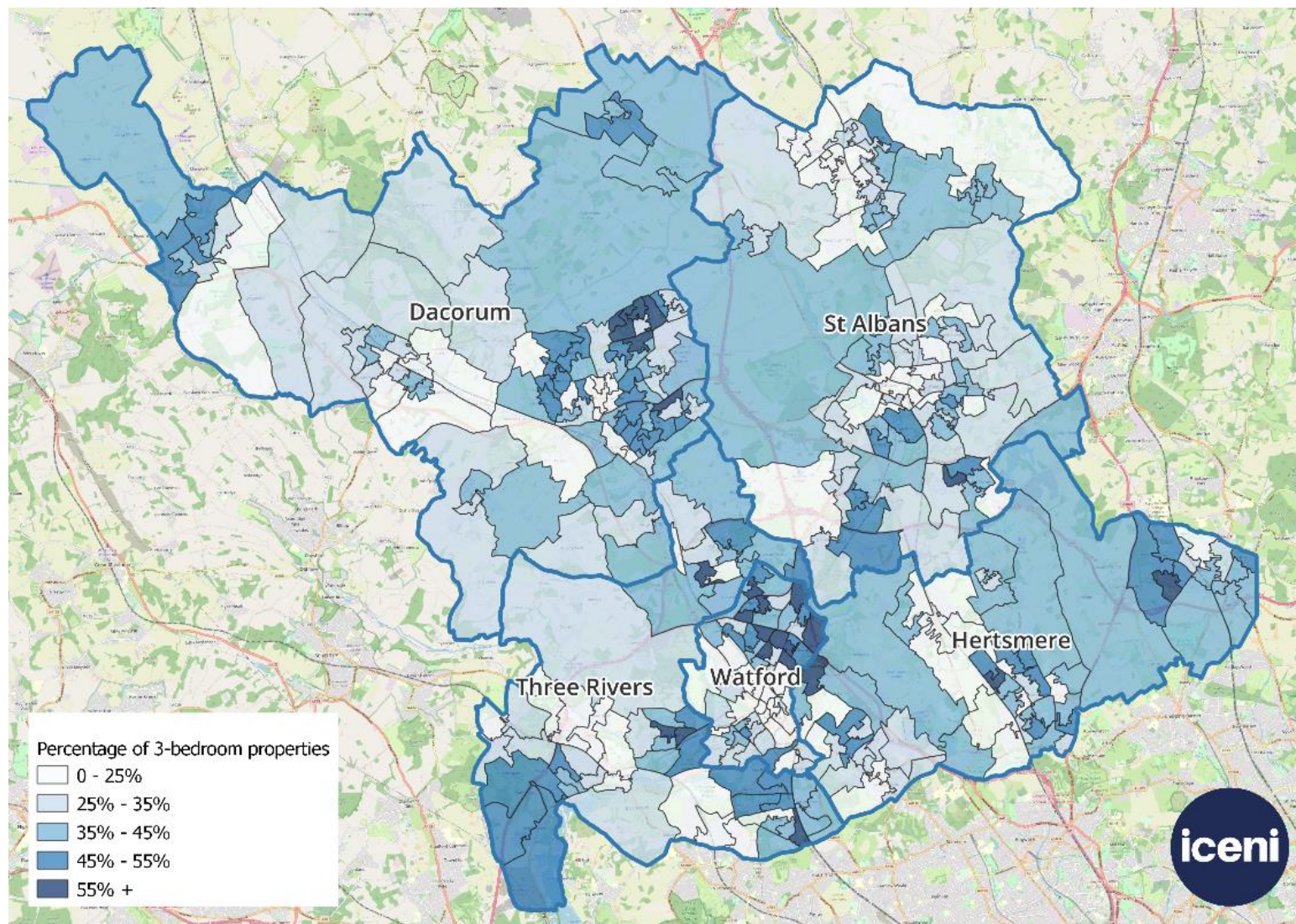
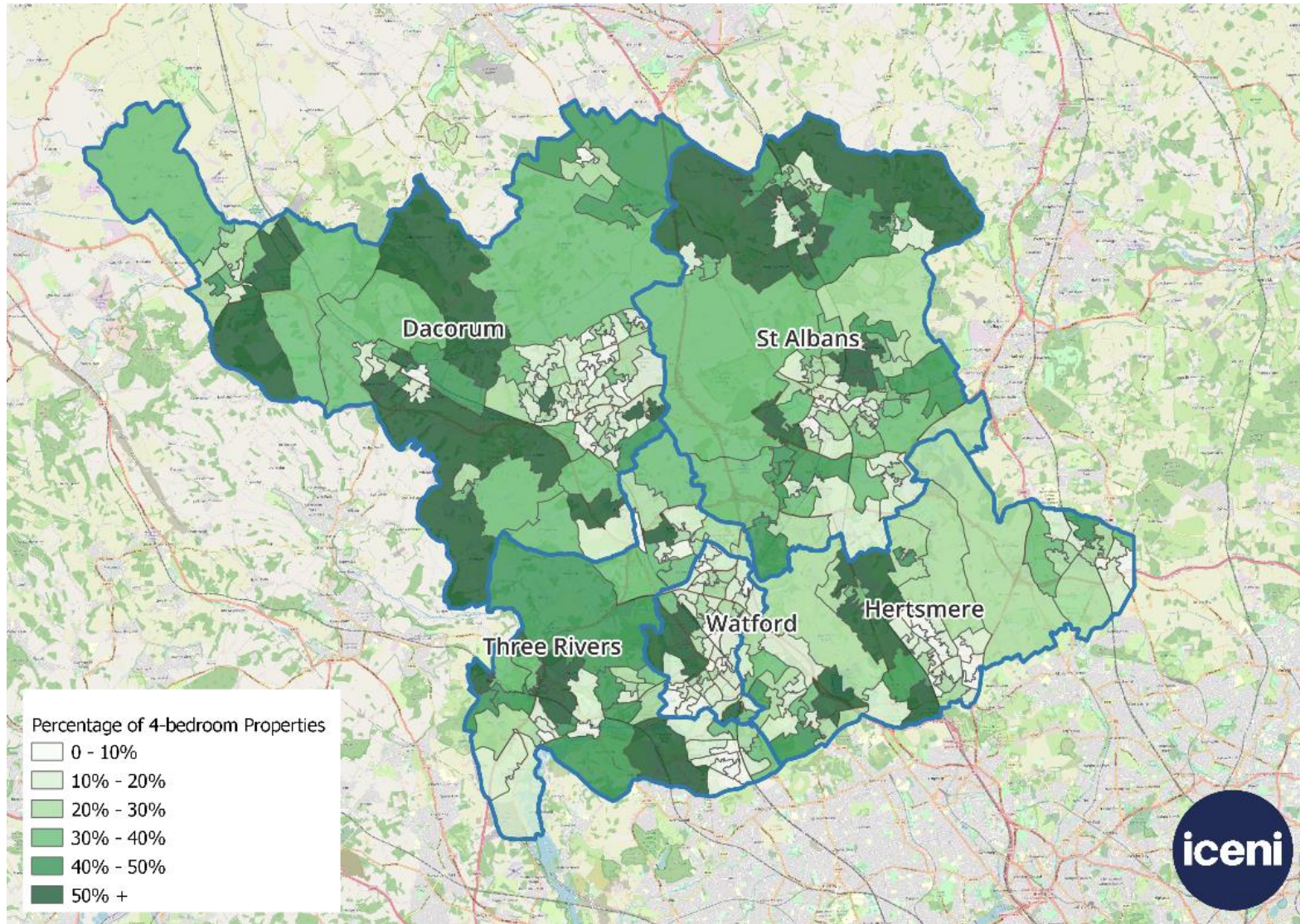


Figure 3.19 Percentage of 4-bedroom Homes



3.30 Many homes in SW Herts are under-occupied, in particular as home ownership is the predominant tenure and households can and do occupy homes which are larger than they necessarily 'need' to provide flexibility for friends, relative or children to come and stay.

3.31 Overcrowding is measured using the 'bedroom standard' which takes account of the structure of households and relationships between people in the household.⁴ The Census data indicates that 67% of homes were under-occupied in 2021 in that they notionally have more rooms than the household might require as a minimum, with 4.5% of households overcrowded. The incidence of overcrowding was however above the regional average in both Hertsmere and (in particular) Watford. These authorities have a higher existing incidence of smaller homes.

Table 3.7 Overcrowding and Under-Occupied Homes in 2021 using Bedroom Standard

	Under-Occupied	Right-Sized	Overcrowded
Dacorum	68.5%	28.4%	3.1%
Hertsmere	66.0%	28.8%	5.2%
St Albans	73.7%	23.2%	3.1%
Three Rivers	70.5%	26.0%	3.5%
Watford	54.6%	36.8%	8.7%
SW Herts	67.4%	28.2%	4.5%
East	71.4%	25.2%	3.4%

Source: 2021 Census

3.32 Overcrowding is however particularly a factor which affects non-home owners. Across SW Herts, the proportion of households living in the Private Rented Sector and Social Rented Sector which are overcrowded – using the bedroom standard – is 10%. In absolute terms, this equates to 3,800 households in the Social Rented Sector; and 4,210 households in the Private Rented Sector.

Table 3.8 Overcrowding by Tenure in SW Herts, 2021

	Under-Occupied	Right-Sized	Overcrowded
Owner Occupied	83.3%	15.0%	1.7%
Private Rented	40.9%	28.8%	9.9%
Social Rented	31.2%	59.2%	9.6%

Source: 2021 Census

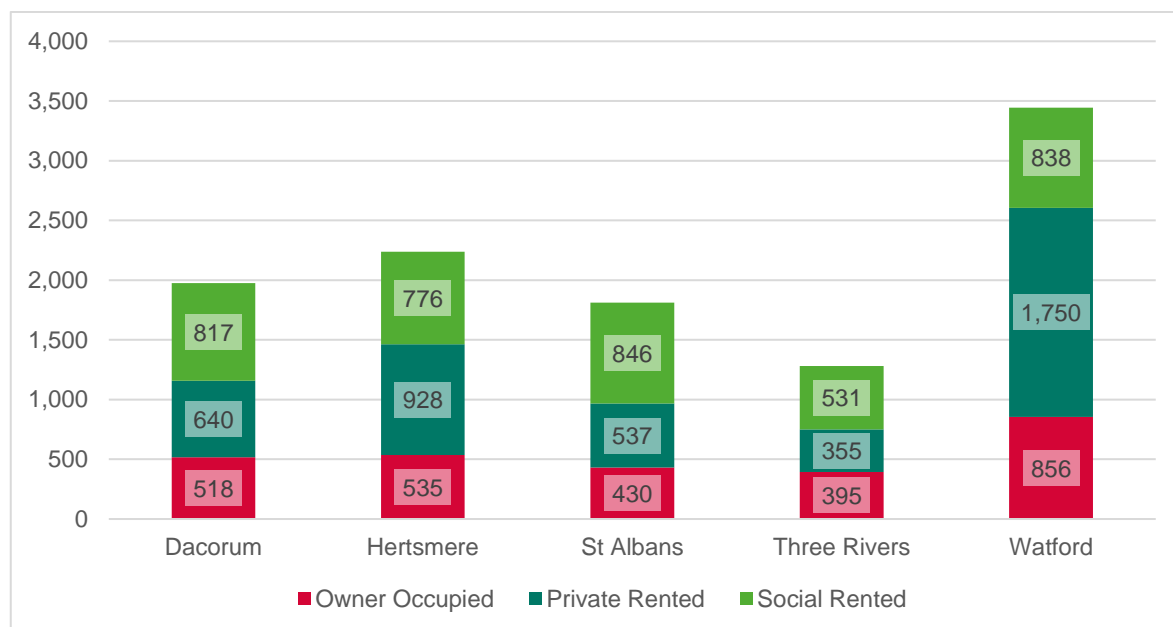
3.33 The chart below shows the profile of overcrowded households by tenure and district/borough across SW Herts. The highest concentration of overcrowding is evidently in Watford, and is

⁴

<https://www.ons.gov.uk/census/census2021dictionary/variablesbytopic/housingvariables/census2021/occupancyratingforbedrooms>

particularly focused in the Private Rented Sector. It reflects the larger size of this sector in Watford. In St Albans there is a particularly high level of overcrowding in the Social Rented Sector.

Figure 3.20 Overcrowded Households by Tenure and Location, 2021



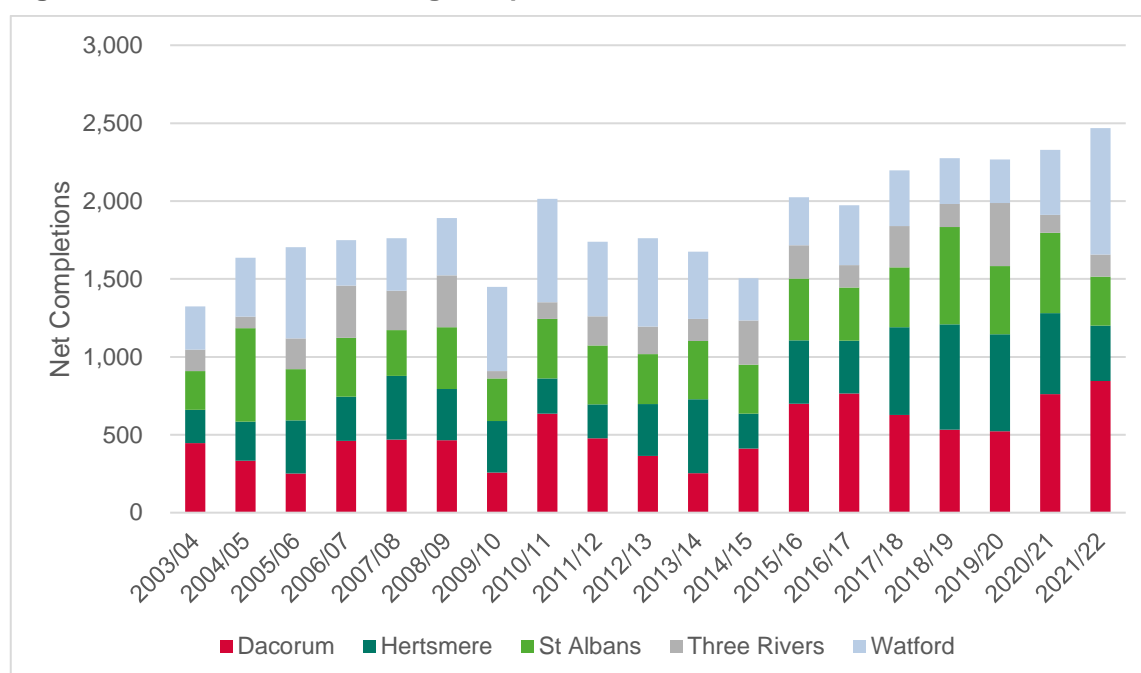
Source: 2021 Census

- 3.34 There is potential to address overcrowding through the delivery of larger properties, but this can be difficult; and part of the reasons for overcrowding in the rented sectors will be a lack of larger homes which households can afford, or (in the case of the social rented sector) which become available to let. Overcrowding issues are considered and addressed in the Section 8 analysis considering the mix of homes needed.

Housing Delivery Trends

- 3.35 There has been generally an upward trend in housing delivery in SW Herts over the last 20 years, as the figure below shows. Over the 2003-7 period, net completions averaged around 1,600 homes a year. This increased to 1,771 dpa between 2007-12 despite weaker economic / market conditions (as explored in Section 3); and to 1,778 dpa between 2012-17. It has then increased again, with the latest 5 year period indicating net completions of 2,306 dpa within the sub-region. This represents increased housing delivery in Dacorum, Hertsmere and Watford (and to a lesser extent St Albans).

Figure 3.21 Trends in Net Housing Completions in SW Herts, 2003-22



Source: Council-supplied data/ Authority Monitoring Reports (AMRs)

Table 3.9 Annualised Net Housing Completions (dpa)

	2003-7	2007-12	2012-17	2017-22
Dacorum	373	461	499	657
Hertsmere	273	302	356	548
St Albans	389	345	349	455
Three Rivers	186	185	192	215
Watford	384	478	392	431
SW Herts	1,604	1,771	1,788	2,306

Source: Council-supplied data/ AMRs

3.36 Housing delivery will have been influenced by past local plans, which influence what land is released for housing delivery. The performance of the LPAs in the sub-region in terms of maintaining an up-to-date local plan however varies widely:

- Dacorum BC adopted a Core Strategy in Sept 2013 and then a Site Allocations Plan in July 2017. The Core Strategy fell short of meeting housing need in full over the plan period, and was adopted with the intention that a Partial Review would be adopted by 2017/18. This timetable has not been achieved;
- Hertsmere BC adopted a Core Strategy in Jan 2013, an Area Action Plan for the Elstree Way Corridor in July 2015 and a Site Allocations Plan in Nov 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years. This timetable has not been achieved;

-
- St Albans does not have an up-to-date local plan, having last adopted a Local Plan in 1994. It has one of the oldest local plans of local authorities across England;
 - Three Rivers has an adopted Core Strategy from 2011, which was based on the East of England Plan. It adopted Development Management Policies in 2013 and a Site Allocations Plan in 2014; but again does not have a Local Plan which has been informed by an up-to-date assessment of housing need;
 - Watford adopted a new Local Plan in October 2022, based on the NPPF and an assessment of housing need. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford's capacity evidence.

3.37 Historical housing targets within the sub-region have thus been influenced by historical policies and strategic constraints to development. Besides Watford, the other sub-regional authorities have not had an adopted Plan since 2012 which has been prepared against the policy framework in the NPPF.

3.38 To provide a comparative analysis of housing delivery performance, Icenl has considered net growth in the housing stock over different 5 year time periods looking back to 2002, and benchmarked this against regional and national trends. Housing delivery performance across SW Herts has essentially been broadly in line with that seen nationally over the last 20 years, with slightly weaker performance over the past 5 years. There is an important context however to interpreting this: firstly, it is commonly recognised that housing delivery nationally has fallen below that which is needed and Government has set out the aim to significantly boost housing supply (NPPF Para 60). However secondly, there are strategic constraints to development in the sub-region, including extensive coverage of Metropolitan Green Belt; and areas which fall within the Chiltern Area of Outstanding Natural Beauty (AONB) / National Landscape. These impact on land supply and housing delivery.

3.39 Achieving Government's ambition of delivering 300,000 homes per annum over the next decade would equate to an average annual growth rate in the housing stock of 1.1% per annum. In higher value, more economically dynamic areas such as SW Herts, you might expect the market to support higher delivery rates than the national average in the absence of development constraints.

3.40 Growth performance at an individual authority level within the HMA varies, with the weakest relative performance in Three Rivers; and the strongest in Watford. Watford is the only authority in which historical housing delivery has exceeded a growth rate of 1.1% of housing stock per annum. Three Rivers has seen the most consistent rate of growth over time, albeit low compared to other parts of the area.

Table 3.10 Annual Growth Rates in the Housing Stock, SW Herts

	2002-7	2007-12	2012-17	2017-22	Overall 2002-22
Dacorum	0.8%	0.8%	0.6%	0.8%	0.8%
Hertsmere	0.5%	0.6%	0.8%	1.1%	0.7%
St. Albans	0.8%	0.7%	0.6%	0.7%	0.7%
Three Rivers	0.6%	0.5%	0.6%	0.6%	0.6%
Watford	1.2%	1.4%	1.1%	1.1%	1.2%
SW Herts	0.8%	0.8%	0.7%	0.9%	0.8%
East of England	1.0%	0.8%	0.8%	1.0%	0.9%
England	0.9%	0.7%	0.7%	1.0%	0.8%

Source: Iceni analysis based on DLUHC Live Table 125

- 3.41 Overall these are relatively low housing delivery rates for local authorities which sit in a relatively economically dynamic, high value market which is close to London. Iceni consider that they reflect in particular the limited progress with maintaining up-to-date local plans - in the context where Government expects plans to be typically updated every 5 years - and in particular the lack of post-NPPF plans which fully meet housing needs. As above, they are partly a reflection of strategic constraints to development in the sub-region, including land supply constraints in Watford, and coverage by the Green Belt and national landscape, and the influence which these have had on housing land supply.
- 3.42 Turning to consider affordable housing delivery, with increasing overall housing delivery there has been an evident increase in affordable housing delivery in recent years; with on average 523 affordable homes delivered per year over the last 5 years (2017-22) in SW Herts. The highest absolute and relative affordable housing delivery has been in Dacorum and Watford; with the other local authorities seeing delivery numbers of less than 100 affordable homes per year. Hertsmere saw the lowest affordable delivery, at just 11% of gross completions; with Dacorum and Watford the highest at 29% and 27% respectively.
- 3.43 Affordable delivery can be influenced by the proportion of completions coming through on small sites which do not contribute and permitted development schemes. It can also reflect issues associated with residential development viability. Generally, higher levels of affordable housing delivery are achieved on greenfield than brownfield sites (albeit that this can be influenced by infrastructure requirements).

Table 3.11 Affordable Housing Completions per 5 year period, (absolute)

	2003-7	2007-12	2012-17	2017-22	Total
Dacorum	49	109	117	190	465
Hertsmere	34	57	53	59	203
Three Rivers	60	35	53	64	212
St Albans	72	78	58	92	300
Watford	65	159	89	118	431
SW Herts	280	439	370	523	1,612

Source: Council-supplied data/ AMRs

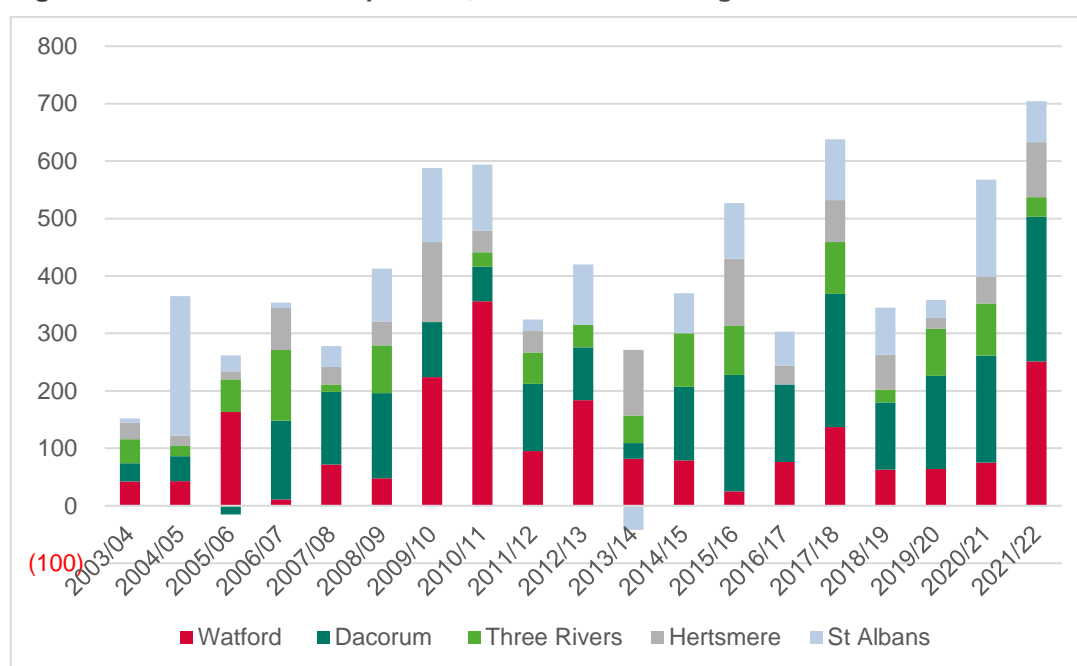
Table 3.12 Affordable Housing Completions as a percentage of Gross completions per 5 year period

	2003-7	2007-12	2012-17	2017-22
Dacorum	13%	25%	23%	29%
Hertsmere	11%	20%	15%	11%
Three Rivers	26%	17%	24%	23%
St Albans	17%	18%	13%	17%
Watford	17%	30%	23%	27%
SW Herts	21%	32%	25%	26%

Source: Council-supplied data/ AMRs

- 3.44 The figure below shows the annual completions each year in the SW Herts authorities. Affordable home delivery has increased in the most recent 5 years (2017-2022) to an average annual delivery of 523 dwellings from an average of 370 in the years 2012-17.

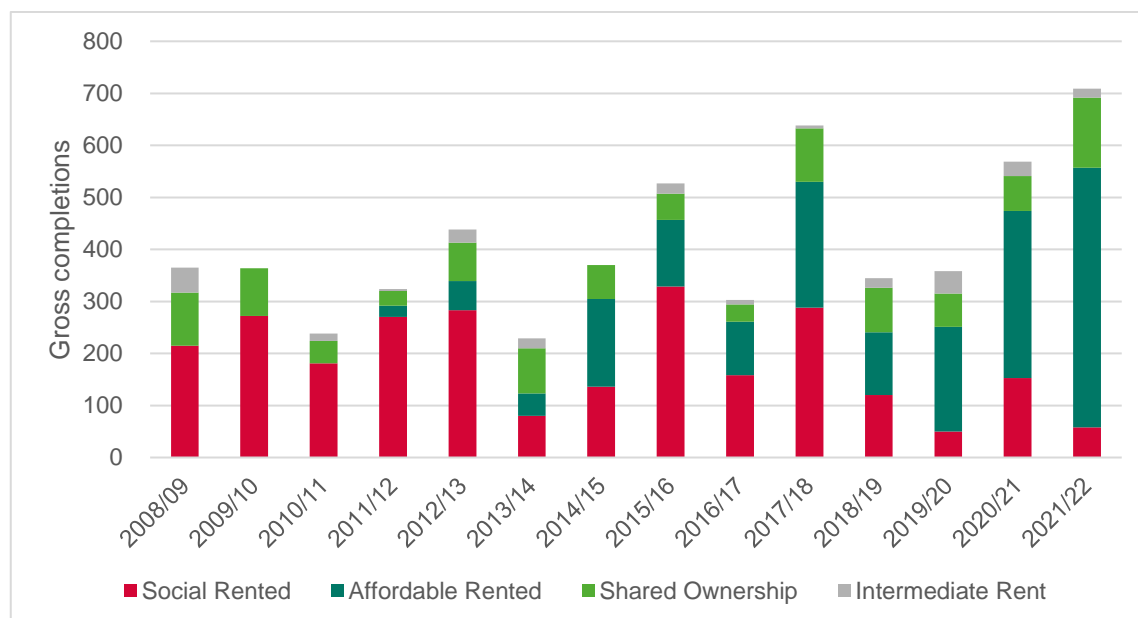
Figure 3.22 Annual Net Completions, Affordable Dwellings



Source: Council-supplied data/ AMRs

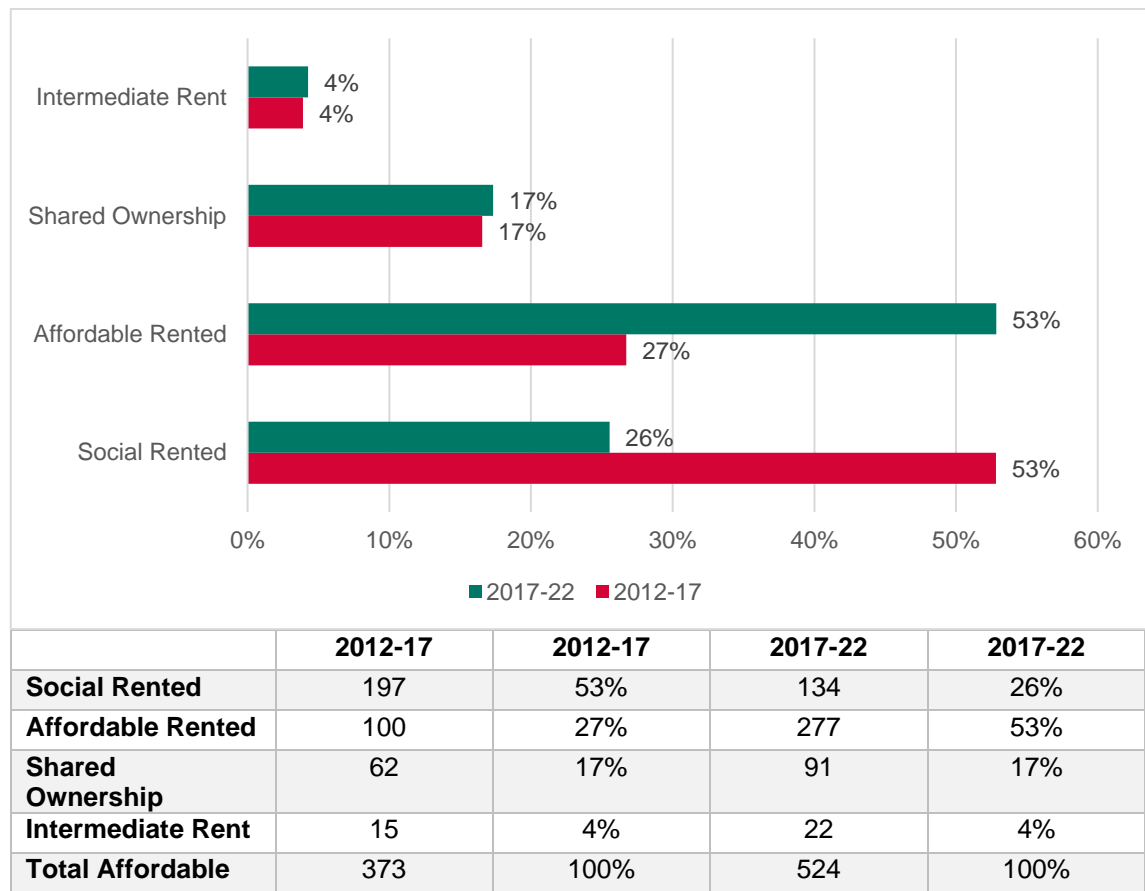
3.45 Analysis of the types of affordable homes being delivered indicates around 78-80% of affordable delivery has been of social/ affordable rented homes, albeit that the profile has shifted towards affordable rented homes over the last 5 years. Intermediate housing provision has been focused on shared ownership homes.

Figure 3.23 Gross Affordable Housing Completions by Type, SW Herts



Source: Council-supplied data/ AMRs

Figure 3.24 Profile of Affordable Housing Completions, SW Herts



Source: Council-supplied data/ AMRs

4. REVIEWING HOUSING MARKET DYNAMICS

- 4.1 This section moves on to review housing market dynamics, considering both the sales market first; and then the rental market.

Sales Market

House Price Trends

- 4.2 In the year to September 2022 the median house price across SW Herts was £513,000. The highest median house price in the HMA is in St Albans, at £625,000; whilst the lowest are £407,000 in Watford.
- 4.3 Median property prices in SW Herts are clearly very high in comparison to the rest of England, likely due to the area's proximity to London, high demand for housing, and strategic constraints which affect the supply of land for residential development.

Table 4.1 Median House Prices, Year ending September 2022

Area	Median Price
Dacorum	£425,000
Hertsmere	£547,500
Three Rivers	£560,000
St Albans	£625,000
Watford	£407,200
SW Herts HMA	£512,940
East of England	£328,000
England	£275,000

Source: ONS Median House Prices for Administrative Geographies

- 4.4 Table 4.2 highlights the house price growth in SW Herts over time. In the year to September 2022, house prices in SW Herts increased by 5.8%, an increase in value of £28,000, whilst across England prices fell by -3.5%.
- 4.5 The longer-term trend, over the last decade, has been of consistent house price inflation, which has averaged £15,800 per annum – notably stronger growth than seen regionally and nationally. In percentage terms, this is slightly below average but reflects the high existing house prices in the area.
- 4.6 Stronger house price growth is evident in St Albans, Hertsmere and Three Rivers over the last 10 years, with price growth exceeding £24,000 per annum; whereas in Watford and Dacorum average prices have grown more modestly (c. £18,000 pa).

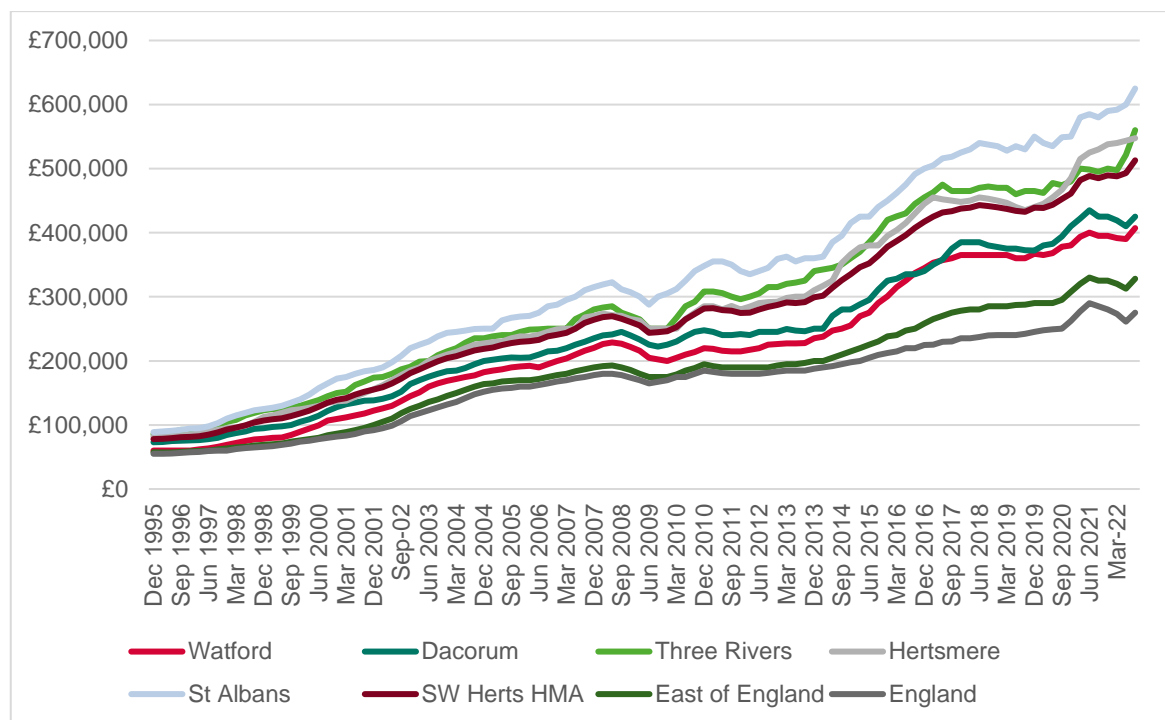
Table 4.2 Annual Growth in Median House Prices

Area	1 year Change		5 year Change		10 year Change	
	Absolute pa	CAGR	Absolute pa	CAGR	Absolute pa	CAGR
Dacorum	0	0.0%	£10,000	2.5%	£18,000	5.7%
Hertsmere	£17,500	3.3%	£19,500	4.0%	£25,600	6.5%
Three Rivers	£65,000	13.1%	£19,000	3.8%	£24,500	5.9%
St Albans	£45,000	7.8%	£21,300	3.8%	£28,000	6.1%
Watford	£12,200	3.1%	£9,440	2.5%	£18,220	6.1%
SW Herts HMA	£27,940	5.8%	£15,848	3.4%	£22,964	6.1%
East of England	£3,000	0.9%	£10,600	3.6%	£13,800	5.6%
England	£-10,000	-3.5%	£9,000	3.6%	£9,350	4.2%

Source: ONS Small Area House Price Statistics (CAGR represents the annual growth rate in house prices as a Compound Annual Growth Rate)

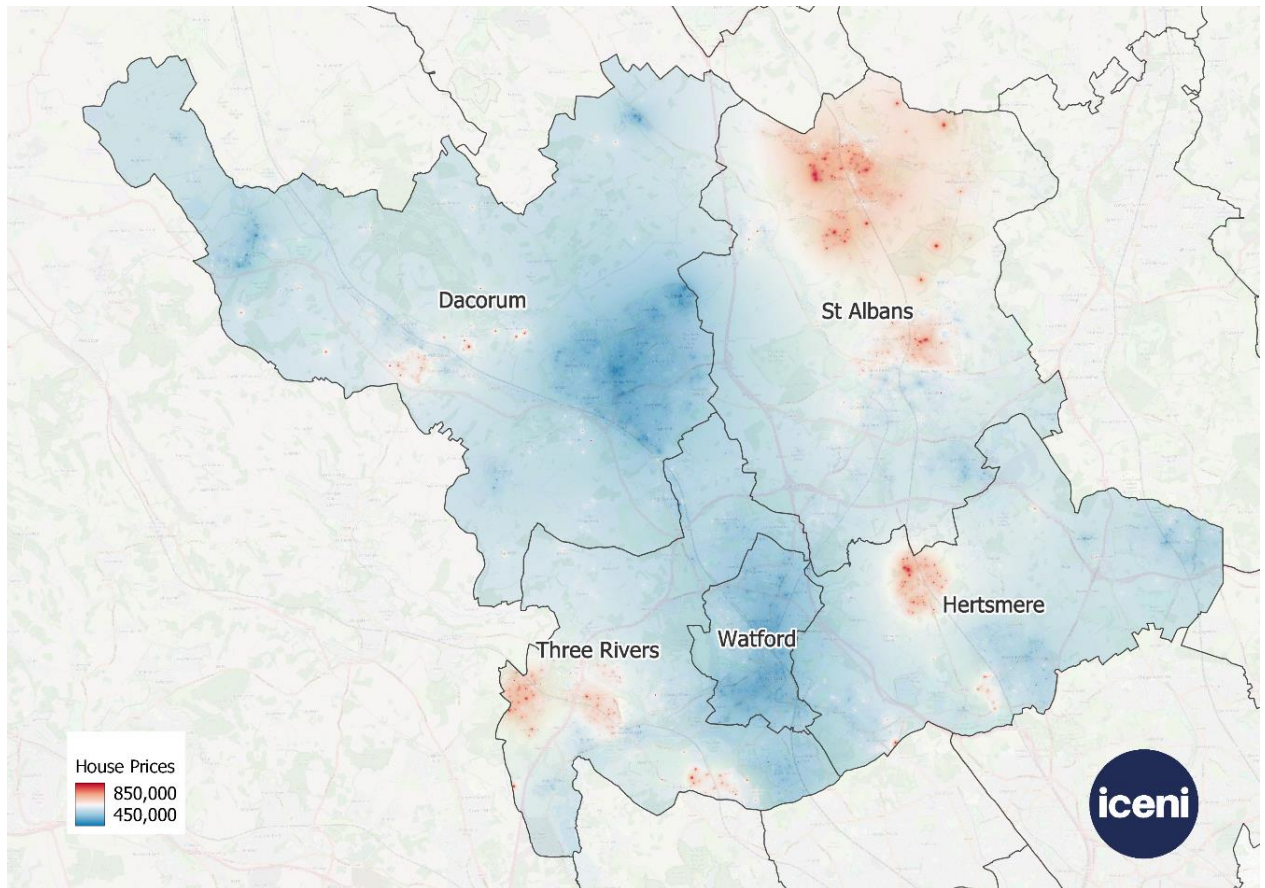
- 4.7 The graph below highlights the divergence in house price trends which has been seen, even since 2008. Whilst in many areas of the country house price increases between 2008-13 were modest (influenced by more restricted mortgage availability), SW Herts saw median house prices increasing. Since 2013, house prices have grown rapidly: in most areas this was particularly a characteristic of the period to 2017, however St Albans stands out as sustaining strong growth since.

Figure 4.1 Long-term Trends in Median House Prices, 1995-2022



Source: ONS Small Area House Price Statistics

4.8 Overall it is clear that the SW Herts authorities have all seen a significant and sustained increase in



house prices. The absolute increase in prices has exceeded regional and national trends; and it is clear that there has been a sustained imbalance between the supply and demand for homes.

Figure 4.2 House Price Heat Map

Source: Icení analysis of EPC data

4.9 Using data from Rightmove, based on HM Land Registry transactions data, we have profiled below the price geography in the main towns in SW Herts. The cheapest places to buy are Hemel Hempstead, Watford and Tring; whilst the highest prices are in Rickmansworth, and in particular Radlett, Chorleywood and Harpenden.

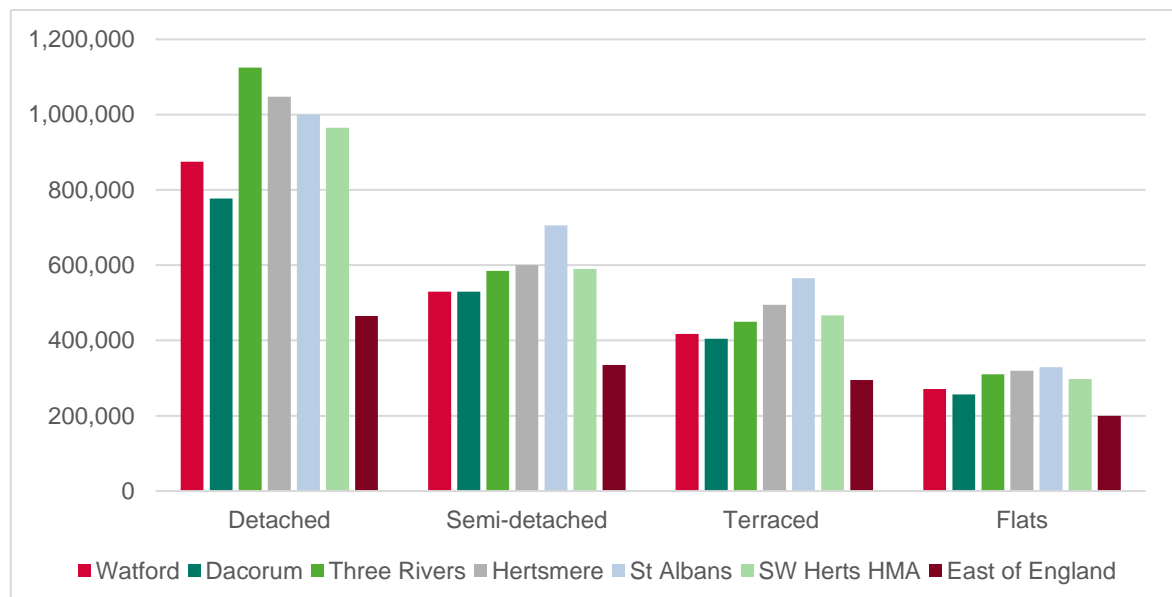
Table 4.3 Average House Prices, Main Towns (Year to May 2023)

	Average price	Change over last Year
Hemel Hempstead	£458,584	10%
Watford	£532,276	7%
Tring	£535,525	-1%
Borehamwood	£543,961	-4%
Potters Bar	£587,501	2%
Bushey	£645,129	8%
St Albans	£668,895	6%
Berkhamsted	£770,074	16%
Rickmansworth	£788,509	7%
Chorleywood	£915,135	8%
Harpenden	£942,947	6%
Radlett	£1,295,020	0%

Source: Rightmove

- 4.10 We have next analysed house prices by type. The prices of properties varies by size, but it is notable that across all areas there is a marked premium on prices relative to the regional average. This is particularly the case for larger (detached and semi-detached) properties. For most property types, St Albans has the highest comparative house prices; but for detached homes, prices in St Albans are exceeded by those in Hertsmere and Three Rivers. House prices across house types are lowest in Watford and Dacorum.

Figure 4.3 Median House Prices by Type, Year to Sept 2022



Source: ONS Small Area House Price Statistics

Table 4.4 Median House Prices by Type, Year to Sept 2022

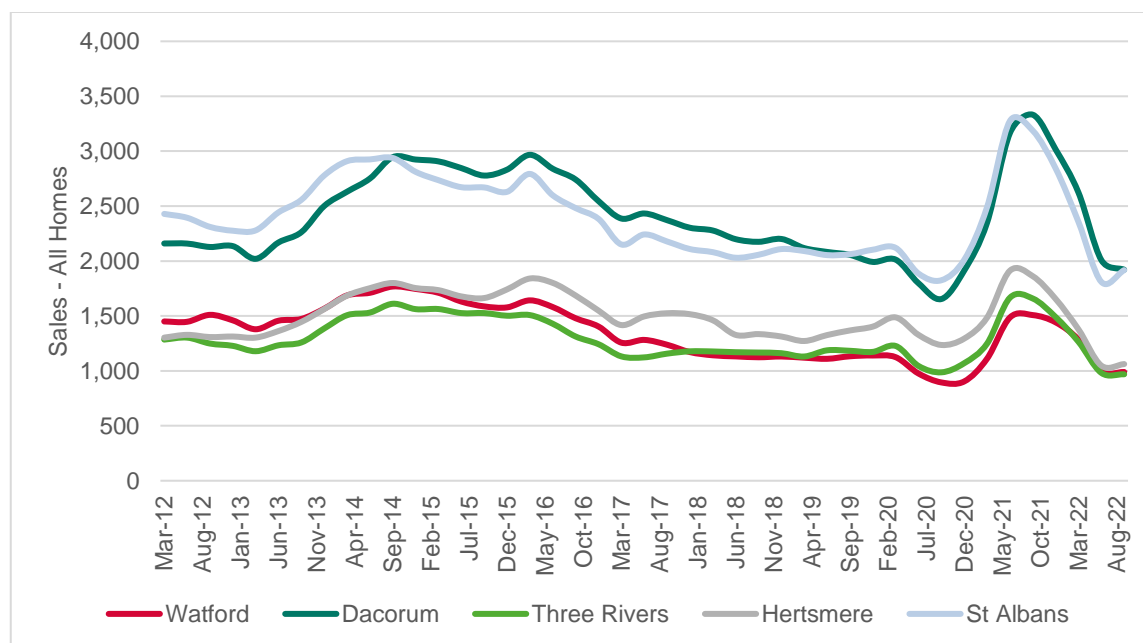
	Detached	Semi-detached	Terraced	Flats	All
Dacorum	£777,000	£530,000	£405,000	£257,000	£425,000
Hertsmere	£1,047,500	£600,000	£495,000	£319,215	£547,500
St Albans	£1,000,000	£705,500	£565,000	£329,000	£625,000
Three Rivers	£1,125,000	£585,000	£450,000	£310,000	£560,000
Watford	£875,011	£530,000	£417,000	£271,500	£407,200
SW Herts HMA	£964,902	£590,100	£466,400	£297,343	£512,940
East of England	£465,000	£335,150	£294,625	£200,000	£328,000

Source: ONS Small Area House Price Statistics

Sales Trends

- 4.11 Sales trends have varied over time, and have followed similar trends in each area. Sales peaked in 2013/14 as mortgage finance availability increased; and then fell steadily over the subsequent years. The effect of the Covid-19 lockdown in Spring 2020 resulted in a low point in sales in 2020; but the Stamp Duty Holiday, and effects that lockdowns had in causing households to re-evaluate their living circumstances, resulted in a peak of housing market activity in the Year to Sept 2021. The graph does not yet capture the effects of market uncertainty and rising interest rates since mid-2022.

Figure 4.4 Trends in Sales – All Properties



Source: ONS Small Area House Price Statistics

- 4.12 HM Land Registry data indicates that across England, sales in January 2023 were 55% lower than the number in September 2022. Whilst this will partly reflect market seasonality, it is clear that transactions volumes and the market have been affected by growth in interest rates and a weakening economic backdrop.

- 4.13 Our experience is that typically 10% of all sales might be of new-build properties. The new-build market has been buoyed over recent years by the Help-to-Buy Equity Loan scheme which has seen a range of areas out-perform this. However besides Hertsmere, in SW Herts most authorities have seen weaker levels of new-build sales (8.5 – 8.6%), with notably low new-build sales in Watford and Three Rivers over the last 5 years.

Table 4.5 Percentage Sales of New-Build Properties

	5 Year Average (2017-22)	10 Year Average (2012-22)
Dacorum	7.0%	8.6%
Hertsmere	10.7%	11.6%
St Albans	8.0%	7.9%
Three Rivers	6.3%	7.5%
Watford	5.0%	7.5%
SW Herts HMA	7.5%	8.6%
East of England	10.7%	10.6%
England	10.5%	10.6%

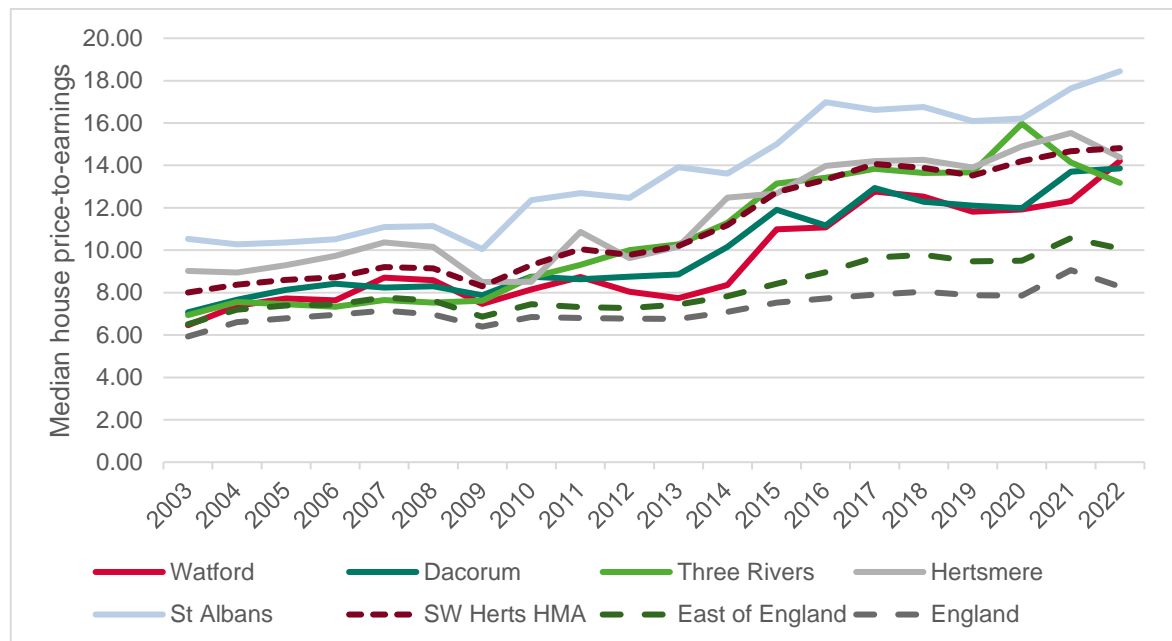
Source HM Land Registry/Iceni analysis

- 4.14 With the end of the Help-to-Buy Equity Loan scheme, the year to Sept 2022 saw new-build sales fall to 2.8% of sales across SW Herts (with only Dacorum notably out-performing this).

Affordability of Housing for Sale

- 4.15 Figure 4.5 shows median workplace-based affordability ratios over time. This is the ratio between median house prices and median earnings of those working in SW Herts. In all areas the affordability has worsened between 1997 and 2022 and SW Herts now has a median house price-to-income ratio of 14.81, worse than those seen in East of England and England (10.08 and 8.28 respectively). There is limited difference in the affordability ratios between the local authorities, however, St Albans has consistently shown an affordability ratio that is worse than its neighbouring authorities which is currently at 18.44.
- 4.16 The SW Herts affordability ratio has remained pretty consistent across time with one dip in 2009 due to the financial crisis and smaller dip in 2019 to 13.52. Since 2019 the ratio has increased year-on-year hitting its all-time high in 2022 at 14.81. However there have been some recent falls in the ratio in Hertsmere and Three Rivers.
- 4.17 These affordability ratios illustrate the difficulty of securing and funding a mortgage in SW Herts for households that don't already have considerable equity.

Figure 4.5 Median Affordability Ratio (1997 – 2022)



Source: ONS House price to workplace-based earnings ratio

4.18 Table 4.6 shows the latest median and lower quartile (LQ) affordability figures in SW Herts. The lower quartile figures show the ratio of affordability for the lower 25% of house prices to lower 25% of workplace-based earnings. The strongest affordability pressures are in St Albans, but it is evident that there are significant affordability pressures in all parts of SW Herts, where both LQ and median ratios are well above national/ regional averages. Tables 4.6 – 4.7 show the derivation of the headline ratios.

Table 4.6 Median and Lower-Quartile Affordability Figures 2022

Area	Median	Lower-Quartile
Dacorum	13.86	15.23
Hertsmere	14.39	13.98
St Albans	18.44	16.53
Three Rivers	13.17	12.85
Watford	14.21	13.19
SW Herts HMA	14.81	14.36
East of England	10.08	9.90
England	8.28	7.37

Source: ONS House price to workplace-based earnings ratio

Table 4.7 Derivation of Median Affordability Ratios, 2022

	Median House Price	Median Workplace-based Income	Median Affordability Ratio, 2022
Dacorum	£425,000	£30,674	13.9
Hertsmere	£547,500	£38,046	14.4
Three Rivers	£560,000	£42,524	13.2
St Albans	£625,000	£33,895	18.4
Watford	£407,200	£28,651	14.2

Source: ONS House price to workplace-based earnings ratio

Table 4.8 Derivation of LQ Affordability Ratios, 2022

	LQ House Price	LQ Earnings	LQ Affordability Ratio, 2022
Dacorum	£325,000	£21,340	15.2
Hertsmere	£396,000	£28,332	14.0
Three Rivers	£400,000	£31,134	12.8
St Albans	£430,000	£26,015	16.5
Watford	£306,000	£23,193	13.2

Source: ONS House price to workplace-based earnings ratio

- 4.19 This deterioration in housing affordability in SW Herts correlates with reductions in home ownership rates and increasing households living in the Private Rented Sector.
- 4.20 The total savings required to get on the housing ladder include the deposit, moving and solicitors costs and Stamp Duty Land Tax (SDLT). The standard amount of deposit needed for a home for First-time Buyers (FTBs) is 10%. With the Lower Quartile house price in SW Herts currently standing at £371,000, this would mean a deposit of £37,100 would be required. Households' savings are therefore a key barrier for FTBs to get on the housing ladder.
- 4.21 There are however several major lenders that are taking part in the Government's Mortgage Guarantee Scheme that allow access to 95% loan-to-value mortgages.
- 4.22 Moving costs can vary depending on various factors such as the distance of the move and the amount of belongings you have. Hiring a removal company or van costs can range from a few hundred pounds to over a thousand pounds. Packing materials and insurance also add expense. There are typically also fees for conveyancing which need to be paid by First-time Buyers.
- 4.23 Stamp Duty Land Tax (SDLT) is a tax paid when purchasing a property in England. The rates and thresholds for Stamp Duty vary depending on the value of the property. At the time of this report, the following rates applied in England:

- Up to £250,000 – Zero rate

- The portion from £250,001 to £925,000 – 5% rate
- The portion from £925,001 to £1.5 million – 10% rate
- The portion above £1.5 million – 12% rate

4.24 If you are purchasing a first home there is Stamp Duty relief up to £425,000. There is a 5% SDLT on the portion from £425,001 to £625,000. If the price is over £625,000, you cannot claim the relief.

4.25 The average First-time Buyer (FTB) seeking to buy a home in SW Herts would therefore need between £17,000 - £22,000 in savings to purchase with a 5% deposit and upwards of £33,000 of savings to buy with a 10% deposit.

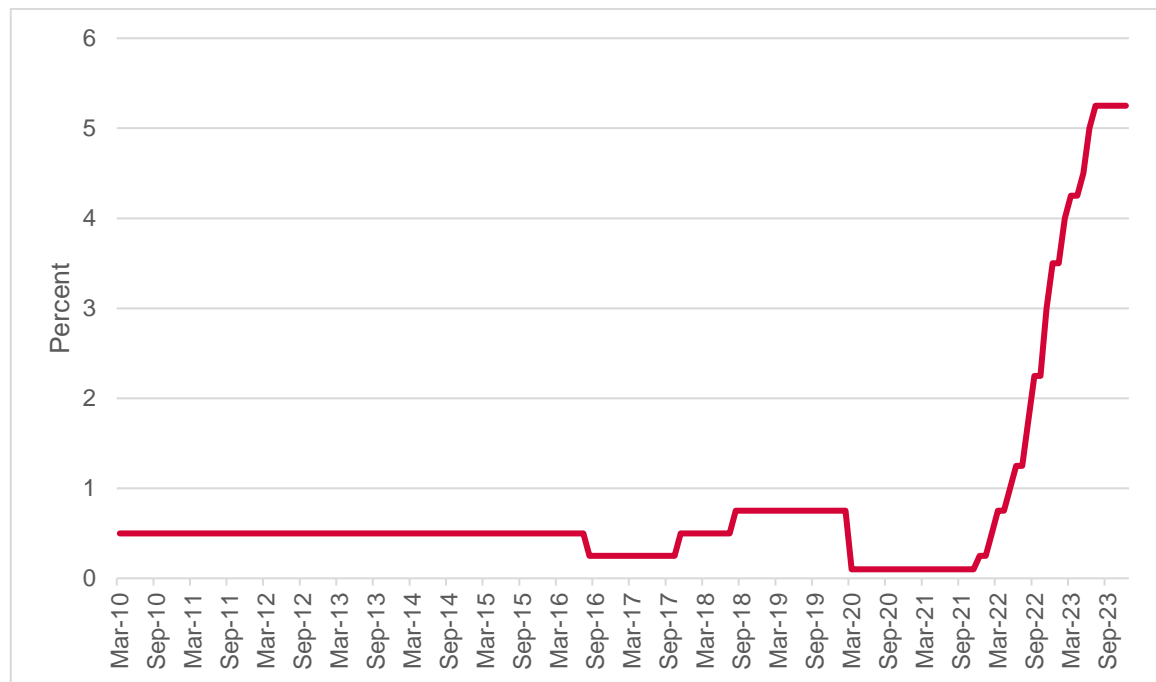
Table 4.9 Savings needed to Buy a new home with 10% Deposit

	LQ Price, Yr to Sept 22	10% Deposit	FTB Stamp Duty	Moving and Solicitors Costs	Savings Required
Dacorum	£325,000	£32,500	£0	£2,000	£34,500
Hertsmere	£396,000	£39,600	£0	£2,000	£41,600
St Albans	£430,000	£43,000	£250	£2,000	£45,250
Three Rivers	£400,000	£40,000	£0	£2,000	£42,000
Watford	£306,000	£30,600	£0	£2,000	£32,600

Source: HM Land Registry/Iceni Calculations

4.26 A further major issue currently affecting the housing market is interest rates. The UK's 'base rate' as set by the Bank of England, at the time of writing this report, stood at 5.25%. The Bank of England's Monetary Policy Committee has now raised interest rates in each of 14 consecutive meetings.

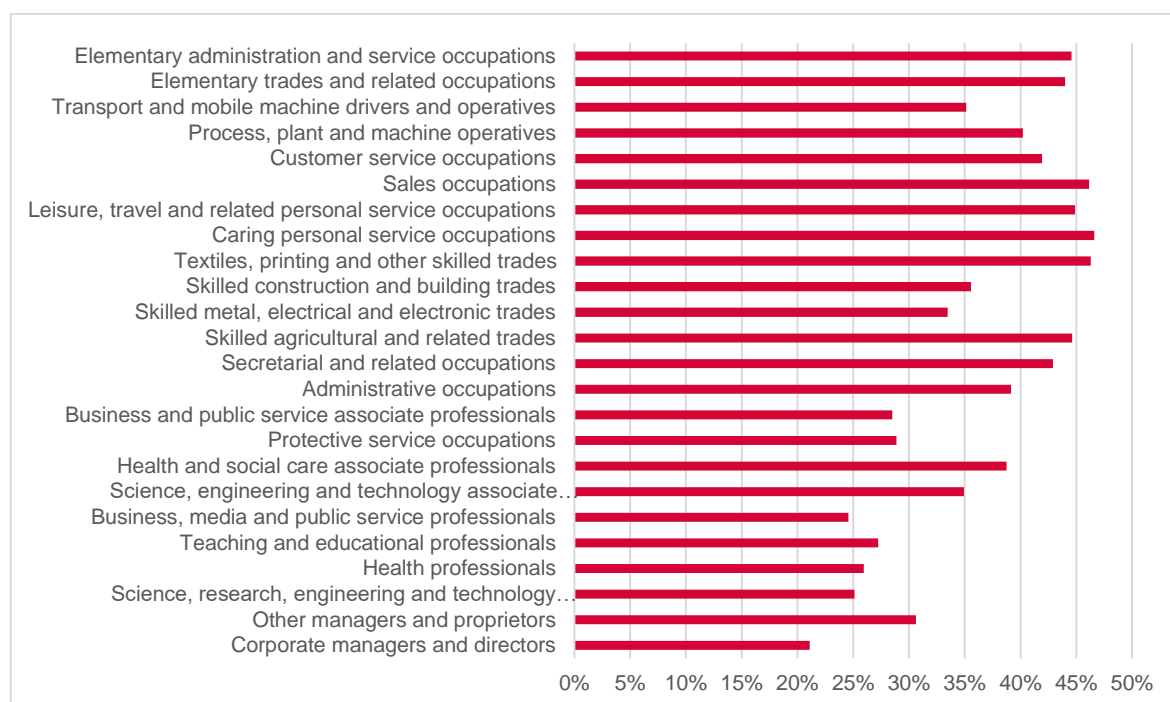
Figure 4.6 UK Interest Rate Since 2010



Source: Bank of England

- 4.27 The rise in interest rates are aimed at bringing down inflation. The Consumer Price Index (CPI) measures the average change in prices paid over a period of time by consumers for goods and services. The Consumer Price Index reading stood at 8.7% in the 12 months to April 2023, down from 10.1% in March. This has fallen from its peak in October 2022 where it stood at 11.1%; but then fell to 4.0% at year end. The latest data from February 2024 shows a figure of 3.4% which provides some prospect that interest rates could fall relatively rapidly over the next year.
- 4.28 Figure 4.7 shows the different first time buyer mortgage repayments as a percentage of different workers take home pay in 2022. It is a national analysis but shows that for many occupations, mortgage repayments in 2022 were above 30% of take-home pay.

Figure 4.7 First Time Buyer Mortgage Repayments as a Percentage of Take Home Pay, 2022



Source: Nationwide House Price Index

- 4.29 Thus whilst we may see some short-term correction in house prices (which may fall short-term), the effect of rising interest rates does not mean that this will improve affordability for non-home owners.

Market Outlook – Housing for Sale

- 4.30 Targeted telephone engagement with local estate agents in SW Herts took place in June 2023. This included discussions with agents in the main towns across the HMA. The following section collates these views although it should be caveated that not all views were universal, and the views are also anecdotal. However they provide a useful up-to-date and current position on market circumstances at the time of the assessment in Summer 2023.
- 4.31 The agents reported that sales demand across SW Herts is varied but the highest demand (at this point) is for one- and two-bed flats, typically close to town centres and rail stations. This will be in part reflected by the stock available in these locations; and market dynamics at the time of the assessment. There is also demand for three-bed properties within school catchment areas.
- 4.32 Almost all estate agents reported that there is a lack of stock of all types of homes, but there is a particular high demand for one- and two-bed properties when they become available, with these properties taking between four to eight weeks to sell on average. A few of the estate agents pointed to the difficulty in the rental market leading singles and couples to purchase their first homes out of necessity. This is in contrast to the owners of larger, more expensive properties who

are deciding not to move in the current climate with higher interest and mortgage rates, with resultant impacts on market activity. Many of those moving are doing so out of necessity.

- 4.33 Agents indicated that it is individuals, young couples and young families who are the buyers present in the market and that there has been a huge drop in the number of buy-to-let investors. Whereas post Covid-19 buyers were looking in more rural areas, there is now demand around town centres and stations as workers are finding that they are expected to commute into work more regularly. Many of the buyers are coming from London and looking for fast connections, larger properties at a cheaper price than in London and for good primary and secondary schools. The SW Herts area offers the benefit of proximity to London while also offering access to the countryside. Agents reported that there was an approximate split of 50% of buyers relocating, primarily from London; and 50% moving within the relevant local authority.
- 4.34 There is still demand in the market but there is a lack of supply of all properties, all the agents contacted reported. Buyers are significantly more cautious in light of rising interest rates, inflation and the cost of living crisis, which is leading to fewer offers and sales since the Summer of 2022. In addition, due to recent changes to legislation, agents are seeing an increase in the number of landlords selling their properties as renting out is becoming less profitable. This is having particular implications for the rental market (which is considered further later in this section).
- 4.35 Agents commented that there has always been a strong demand in their areas with a wide range of buyers and properties. There seems to be, at this time, a particularly strong demand for one- and two-bed properties. This translates to these properties having 20 to 30 viewings over two weeks and offers received and sold on average between one and two months.
- 4.36 Finally, in terms of the new build market, agents largely commented that there is a limited supply of new build properties coming to market, but those that do sell quickly.
- 4.37 Nationwide's House Price Index has recorded, at a national level, month-on-month falls in house prices since the Government's mini budget in September 2022 through to March 2023, before returning to positive growth in April 2023 pointing to a gradual return of confidence to the market. Market activity had reduced significantly, but again is showing some signs of recovery with new sales agreed in April 2023 at -6% below the 2017-19 average for the month, according to TwentyCI/ Savills; with mortgage approvals showing a similar trend but remaining 15% below the pre-Covid figure.

-
- 4.38 The RICS May 2023 UK Residential Market Survey⁵ points to a subdued trend in buyer demand. It reported some improvement in market sentiment and activity relative to previous months, but noted that the recovery could be affected by further interest rate rises. Nationally many agents were reporting that house prices were falling, although the picture for London appeared to have stabilised; and the outlook was generally flat.
- 4.39 The improvement in market conditions through Spring 2023 is similarly noted in Savills market research, from June 2023,⁶ which notes agreed sales coming within 2% of the pre-pandemic norm in May 2023; but noted that the recovery in mortgage approval rates appeared to have stalled and persistent upwards inflationary pressures are putting further upward pressure on mortgage rates and the housing market is therefore likely to remain price sensitive over the remainder of 2023 and into 2024.

Lettings Market

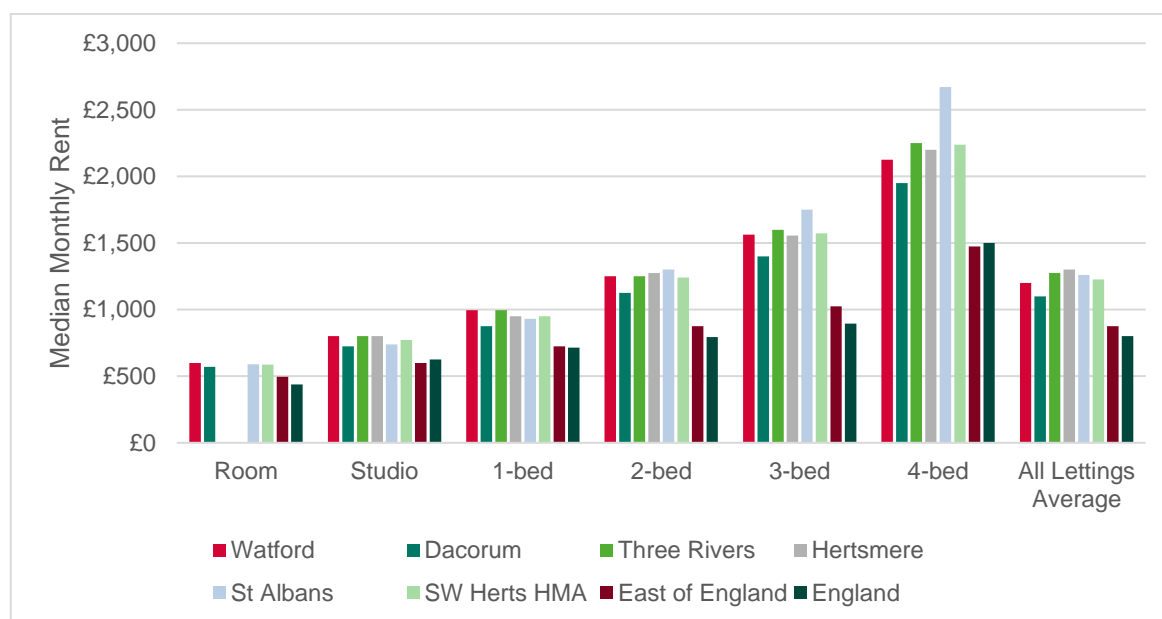
Rents and Rental Trends

- 4.40 The median monthly rent remains fairly consistent in price across the SW Herts local authorities ranging from £1,100 in Dacorum to £1,300 in Hertsmere. This is however considerably above that of East of England (£875) and England (£800 PCM).
- 4.41 The figure below shows the median rent for different sizes of property. It indicates a premium for larger properties (3 and 4+ bed) in St Albans.

⁵ <https://www.rics.org/news-insights/market-surveys/uk-residential-market-survey>

⁶ https://www.savills.co.uk/research_articles/229130/347940-0

Figure 4.8 Median Rents in SW Herts, Year to September 2022



Source: ONS, Private Rental Market Summary Statistics

Table 4.10 Median Rents in SW Herts, Year to September 2022

	Room	Studio	1-bed	2-bed	3-bed	4-bed	All
Dacorum	£570	£725	£875	£1,125	£1,400	£1,950	£1,100
Hertsmere	-	£800	£950	£1,275	£1,555	£2,200	£1,300
Three Rivers	-	£800	£995	£1,250	£1,600	£2,250	£1,275
St Albans	£590	£738	£932	£1,300	£1,750	£2,670	£1,260
Watford	£600	£800	£995	£1,250	£1,563	£2,125	£1,200
SW Herts HMA	£580	£766	£938	£1,238	£1,576	£2,268	£1,234
East of England	£495	£600	£725	£875	£1,025	£1,475	£875
England	£438	£625	£715	£793	£895	£1,500	£800

Source: ONS Private Market Rental Statistics

- 4.42 The table below shows rental growth over the year to September 2022, and on average over the previous five years. It is clear that recent growth in rents has been particularly strong, albeit there is variation between authorities. The longer-term trend has stronger relative growth in rents in Watford and Dacorum in proportional terms than other areas. In absolute terms, growth in rents in Watford (of £125 per month) over the last 5 years has matched the national average; with absolute growth in other areas lower than this.

Table 4.11 Rental Growth per Annum, SW Herts

	1 Year Change (2021-22)	5 year Change (2017-22) CAGR
Dacorum	0.0%	2.0%
Hertsmere	4.0%	1.6%
Three Rivers	6.3%	1.2%
St Albans	0.8%	1.0%
Watford	4.3%	2.2%
SW Herts HMA	3.1%	1.6%
East of England	2.9%	3.1%
England	6.0%	3.5%

Source: ONS Private Market Rental Statistics (CAGR describes the growth in rents using a Compound Annual Growth Rate)

Market Outlook – Lettings

- 4.43 Targeted telephone engagement with local Letting Agents took place in June 2023. The following section collates their views although it should be caveated that not all views were universal, and the views are also anecdotal.
- 4.44 Lettings agents reported that the rental property market across SW Herts is very buoyant, with landlords demanding increasingly high rents as they seek to pass on the cost of mortgage/interest rate increases to renters. Agents suggested that proposed changes to the Renters Reform Bill as well as investors avoiding buy-to-let properties had led to there being very strong demand and a shortage of rental housing across SW Herts. These factors have combined to mean renters are having to bid for properties allowing landlords to secure record rents.
- 4.45 Agents reported strong demand for a range of property sizes through SW Herts but particularly for 1 and 2 bed flats and 3 bed houses. There is a particular demand for rental accommodation close to stations and within school catchment areas.
- 4.46 Agents indicated that there is a wide range of renters present in the market, including young professionals, couples and families. A large proportion of renters are young couples and families opting to move out of London to find more space, or move from Watford and Harrow to find good schools.
- 4.47 Agents reported that depending on the area, there could be between 5 and 30 viewings in a few days before properties are taken. The average tenancy agreement was 12 months.
- 4.48 There has been a trend of renters who moved to rural locations post Covid-19 pandemic needing to be closer to good train connections and public transport as some businesses require employees to return to the office. This is influencing demand in Watford and St Albans in particular. This has led to the return of strong demand for rental properties in city and town centres.

-
- 4.49 The RICS Residential Market Survey in May 2023 reported strong growth in tenant demand, but generally falling new landlord instructions and almost two-thirds of survey participants reported seeing an increase in the number of buy-to-let landlords looking to sell their properties. This is resulting in a continuing mismatch between rising demand and falling supply, which is driving rental growth. The Survey expects rental price growth to average just below 6% per annum over the next 5 years.
- 4.50 It is evident that the attractiveness of housing as an investment has weakened over recent years. The Government reformed mortgage interest relief in 2016, allowing landlords to claim tax relief only at the basic rate of income tax. The Renters Reform Bill, which at the time of writing is working through Parliament, proposes the abolition of Section 21 of the Housing Act 1988 (ending so called 'no fault evictions') whilst at the same time strengthening landlord powers to recover possession of property where there has been a breach of tenancy terms, or where the landlord intends to sell the property. The formalisation of the process for rent reviews is also proposed, requiring in effect landlords to justify rent increases using market evidence. More significantly, many landlords have mortgages on their properties – and with rising interest rates, the cost of servicing the debt is increasing, putting returns under pressure. This is having the greatest effect on smaller, more indebted landlords.
- 4.51 These dynamics mean that there are more landlords currently exiting the sector than buying properties; whilst demand is buoyant in particular given the barriers for younger households or those on lower incomes who might wish to buy a home. The resultant supply/demand imbalance can be expected to drive further rental growth.
- 4.52 Savills forecasts (Jan 2023) for the 'prime commuter zone' around London are for 3.0% growth in rents in 2023, and 2.0% in 2024, before easing to 1.0 – 1.5% in the subsequent years. The mainstream market outside of London is expected to see stronger growth of 6.5% in 2023, 4.0% in 2024 before easing to between 2.0 – 2.3% over the subsequent years to 2027.
- 4.53 The growth in rental costs is likely to put pressure on the ability of the Councils in SW Herts to discharge homelessness duties through the offer of private rental market properties.

5. STANDARD METHOD FIGURES FOR SW HERTS

Context: Standard Method Starting Point

- 5.1 The Government implemented a new “standard method” for assessing housing need through a revision to the National Planning Policy Framework (NPPF) in July 2018. This replaced the process of defining an area’s ‘objectively assessed housing need’ (OAN) under the 2012 NPPF and associated Planning Practice Guidance (PPG) which was the approach considered in the Councils’ 2016 Strategic Housing Market Assessment (SHMA).
- 5.2 The new standard method was informed by a review of the plan-making progress which the Government commissioned from a number of experts – the Local Plans Expert Group (LPEG) – and which reported to Government in March 2016.⁷ LPEG identified that agreeing housing needs was one of the principal difficulties affecting the plan-making process and that the preparation of Strategic Housing Market Assessments (SHMAs) had “*become one of the most burdensome, complex and controversial aspects of plan making.*” It recommended a shorter, simplified standard methodology for assessing housing need, with the aim of saving time and resources and removing what Government considered to be unnecessary debate; with the aim that this would speed up the plan-making process.
- 5.3 Government endorsed these sentiments in its 2017 Housing White Paper and initiated a process of reviewing national planning policies and the process for calculating housing need, which culminated in the publication in July 2018 of a revised NPPF and associated changes to the Planning Practice Guidance on ‘Housing and Economic Needs Assessments’.
- 5.4 The standard method was designed around the Government’s 2014-based Household Projections, with the aim of meeting 300,000 homes nationally. The Government’s core ambitions in reforming the method were to establish an approach which was **simpler, quicker and more transparent** than the approach to calculating OAN which it replaced, with the aim of speeding up plan-making. In doing so, the assessment takes account of less specific local information; but also removes much of the scope for ‘professional judgement’ in what scale of housing provision should be sought in a local authority.
- 5.5 Since the preparation of these (2014-based) household projections, Government has transferred responsibility for preparing official household projections to the Office for National Statistics (ONS).
-

⁷ Local Plans Expert Group Report to the Secretary of State

<https://www.gov.uk/government/publications/local-plans-expert-group-report-to-the-secretary-of-state>

ONS made a number of methodological changes to how household growth was projected in its 2016-based Household Projections, which were released in September 2018.⁸ The overall result when these were inputted to Government's standard method formula was to reduce significantly the aggregate level of housing need across England (to around 213,000 homes). These equally affect other subsequent national household projections (such as the 2018-based household projections).

5.6 Government consulted on changes to the standard method in Autumn 2018.⁹ It set out its views on the way forward in February 2019¹⁰, concluding that the 2014-based Household Projections (around which the method was designed) should continue to be used to provide the demographic baseline within the assessment. Government's argument was that:

- Household projections are constrained by housing supply: if new homes are not built, households are unable to form; and the projections are trend-based;
- The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall;
- Other things being equal, a more responsive supply of homes through local authorities planning for more homes where we need them will help to address the effects of increased demand, such as declining affordability, relative to a housing supply that is less responsive.
- Population changes are only one aspect of the driver for housing supply. Rising incomes, changing social preferences and factors such as real interest rates and credit availability contribute to demand for housing.

5.7 Government set out on this basis that its judgement was that there is no need to change its aspirations for housing supply (to deliver 300,000 homes pa). It set out that the continued use of the 2014-based Household Projections provided **stability and certainty for the planning system**.

5.8 Government has since consulted on changes to the standard method in Autumn 2020¹¹, proposing adjustments to the formula which placed enhanced emphasis on affordability issues and introduction of a baseline related to an area's housing stock. However it did not take these forward,

⁸ These equally affect the 2018-based Household Projections which ONS released in June 2020

⁹ MHCLG (Oct 2018) *Technical consultation on updates to national planning policy and guidance*

¹⁰ MHCLG (Feb 2019) *Government response to the technical consultation on updates to national planning policy and guidance*

¹¹ MHCLG (Aug 2020) *Changes to the current planning system*

and instead in April 2021¹² introduced a 35% ‘urban and cities uplift’ which is applicable on top of the previous stages to London and 19 other large urban areas/cities across England. This does not specifically affect SW Hertfordshire.

- 5.9 The most recent consultation – *Reforms to National Planning Policy* – ran between December 2022 and March 2023. This set out that it remains important that there is a clear starting point for the plan-making process and did not propose any changes to the standard method formula itself.
- 5.10 Government then published revisions to the NPPF in December 2023. These emphasise that the outcome of the standard method is an ‘advisory starting point’ for establishing a housing requirement through the plan-making process (Paras 61 and 67). Read alongside the Government’s Consultation Response, it is clear that Government continues to expect local housing need to be determined using the standard method, unless there are exceptional circumstances, such as related to the demographic characteristics of the area, which justify an alternative approach.
- 5.11 The additional wording emphasises the difference between the ‘housing need’ and a ‘housing requirement’. A housing requirement figure may be different from the housing need as:
- There are strategic constraints, as set out in Para 11b or Footnote 7 in the NPPF, which affect the ability to sustainably accommodate housing need in full; or
 - There is unmet need that cannot be accommodated in neighbouring areas, as established through Statements of Common Ground (see Para 11b and Footnote 6); and/or
 - It reflects growth ambitions linked to economic development or infrastructure, which for instance might justify planning for higher housing provision. This is now explicitly recognised in the NPPF.

The insertion of references to an ‘advisory starting point’ are therefore focused on making the distinction between the assessment of housing need (which neither takes account of land availability, constraints, policy ambitions or unmet need) and the requirement or target (which does take into account these factors). It simply confirms the long-standing distinction between these which can be traced back to the Hunston Properties judgement in the Court of Appeal in 2013.¹³

¹² MHCLG (April 2021) *Government’s response to the local housing need proposals in ‘Changes to the current planning system’*

¹³ *St Albans Council v Hunston Properties* [2013] EWCA Civ 1610

-
- 5.12 This Local Housing Needs Assessment provides an assessment of housing need. The housing needs assessment has to be undertaken on a ‘unconstrained’ basis, i.e. setting aside development constraints. Constraints are then however overlaid by the Councils through the plan-making process in determining if housing need can be met in full, and setting the housing requirement/target. It is not the role of this LHNA to set the housing requirement.

Standard Method Calculations for SW Herts

- 5.13 The analysis below considers the level of local housing need for South West Herts using the Standard Method. The methodology for calculating housing need is clearly set out by Government in Planning Practice Guidance and follows a four-step process worked through in the following sub-sections. We consider first the implications of use of the 2014-based Household Projections, which is required in the Planning Practice Guidance.

Step One: Setting the Baseline

- 5.14 The first step in considering housing need against the Standard Method is to establish a demographic baseline of household growth. This baseline is drawn from the 2014-based Household Projections and should be the annual average household growth over a ten-year period, with the current year being the first year i.e. 2023 to 2033. This results in growth of 28,901 households (2,890 per annum) over the ten-year period.
- 5.15 Although this figure is calculated over a ten-year period from 2023 to 2033, Paragraph 12 of the PPG states that this average household growth and the local housing need arising from it can then “be applied to the whole plan period” in calculating housing need.

Step Two: Affordability Adjustment

- 5.16 The second step of the standard method is to consider the application of an uplift on the demographic baseline, to take account of market signals (i.e. relative affordability of housing). The adjustment increases the housing need where house prices are high relative to workplace incomes. It uses the published median affordability ratios from ONS based on workplace-based median house price to median earnings ratio for the most recent year for which data is available.

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25 + 1$$

- 5.17 The latest (workplace-based) affordability data is for 2022 and was published by ONS in March 2023. The Government's Guidance states that for each 1% increase in the ratio of house prices to earnings, above 4, the average household growth should be increased by 6.25%, with the calculation being shown below. For South West Herts, the ratio for 2022 ranges from 13.17 in

Three Rivers up to 18.44 in St Albans, giving an uplift of between 57% and 90% - this leads to a housing need of 4,862 dwellings per annum.

Step Three: The Cap

- 5.18 The third step of the Standard Method is to consider the application of a cap on any increase and ensure that the figure which arises through the first two steps does not exceed a level which can be delivered. There are two situations where a cap is applied:
- The first is where an authority has reviewed their plan (including developing an assessment of housing need) or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan.
 - The second situation is where plans and evidence are more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth (step 1) or the housing requirement in the most recent plan, where this exists.
- 5.19 In all areas in South West Herts outside Watford this points to a 40% cap on the household projections. In Watford, the need is capped at 40% above the housing requirement figure in the Plan of 784 dpa, and therefore no cap is applicable.

Step Four: Urban Uplift

- 5.20 The fourth and final step in the calculation means that the 20 largest urban areas in England are subject to a further 35% uplift. This uplift ensures that the Governments stated target of 300,000 dwellings per annum is met and that “homes are built in the right places, to make the most of existing infrastructure, and to allow people to live nearby the service they rely on, making travel patterns more sustainable.” (Paragraph: 035 Reference ID: 2a-035-20201216). None of the authorities in South West Herts are listed within the top 20 urban areas in the country and therefore there is no additional uplift.

Standard Method Calculation using 2014-based Household Projections

- 5.21 The table below works through the Standard Method calculations for the study area and each local authority at the time when this Study was prepared. This confirms a minimum local housing need for 4,045 dwellings per annum across South West Herts; ranging from 637 homes a year in Three Rivers up to 1,017 in Dacorum.

Table 5.1 Standard Method Housing Need Calculations using 2014-based Household Projections (2023)

	Dac- orum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Households 2023	69,134	45,302	63,651	40,162	44,158	262,407
Households 2033	76,401	50,490	69,990	44,710	49,717	291,308
Change in households	7,267	5,188	6,339	4,548	5,559	28,901
Per annum change	727	519	634	455	556	2,890
Affordability ratio (2022)	13.86	14.39	18.44	13.17	14.21	
Uplift to household growth	62%	65%	90%	57%	64%	
Uncapped need (per annum)	1,175	856	1,206	715	911	4,862
Capped need	1,017	726	887	637	911 ¹⁴	4,178

- 5.22 It is notable that the cap affects all of the local authorities in SW Herts besides Watford. The effect of this is to cap the affordability uplift which is applied within the calculation and reduce the minimum housing need by 14% across SW Herts as a whole.
- 5.23 Planning Practice Guidance sets out that the standard method figures may change over time as the inputs are variable and therefore the number needs to be kept under review.¹⁵ It is fixed for two years on submission of the Plan for examination. These changes are however often modest; and tend to be more significant only where the affordability calculation changes.
- 5.24 However for the SW Herts authorities, the effect of the cap means that any short-term improvements in affordability (or conversely any deterioration) is unlikely to have any material effect on the minimum local housing need as it will not reduce the capped figure. For example, taking Three Rivers the latest provision data indicates that the house price to earnings ratio has marginally improved from 13.2 to 12.5. This would reduce the affordability uplift applied from 57% to 53% and generated an uncapped housing need figure of 698 dpa; however this is still above the capped figure of 637 dpa and therefore the minimum local housing need does not change.
- 5.25 The introduction of the standard method has standardised the method for calculating the affordability uplift within the calculation of housing need. Iceni is not aware of any Local Plans which have been examined against the 2018 NPPF (or subsequent iterations) which have successfully argued in favour of using any alternative approach to calculating the affordability uplift.

¹⁴ Watford's adopted Plan sets out a housing requirement of 784 dpa and it is this figure, rather than the local housing need, which is expected to be used for monitoring housing land supply where relevant.

¹⁵ ID: 2a-008-20190220

The LHNA thus focuses on interrogating the demographic inputs to the calculation which are taken forwards in the next Section.

Updating the Calculations for 2023 Affordability Ratios

- 5.26 New affordability data was released by ONS on 25th March 2024 just prior to the finalisation of this LHNA. These show that the uncapped need across SW Herts has dropped by 3% - from 4,862 to 4,711 dpa – but that taking account of the cap, the minimum Local Housing Need has barely changed: falling from 4,178 to 4,122 dpa. This is a 1.4% difference which has is considered to have no fundamental effect on the wider conclusions on this report.

Table 5.2 Standard Method Housing Need Calculations using 2014-based Household Projections (2024)

	Dac- orum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Households 2024	69,859	45,813	64,294	40,607	44,717	265,290
Households 2034	77,114	51,031	70,612	45,179	50,280	294,216
Change in households	7,255	5,218	6,318	4,572	5,563	28,926
Per annum change	726	522	632	457	556	2893
Affordability ratio (2023)	13.12	14.49	17.61	12.11	12.45	-
Uplift to household growth	57%	66%	85%	51%	53%	
Uncapped need (per annum)	1,139	864	1,169	689	850	4,711
Capped need	1,016	731	885	640	850	4,122

- 5.27 Councils need to take account of changes up to the point of submission of a Local Plan at which point the figures are 'fixed' for a period of two years. The Councils will need to monitor changes over time, which arise particularly on release of new affordability data each March.

6. DEMOGRAPHIC REVIEW AND IMPLICATIONS FOR OVERALL HOUSING NEED

Scope for Divergence from the Standard Method

- 6.1 Table 5.1 sets out housing need using the Standard Method and whilst this is a relevant consideration Planning Practice Guidance does allow for divergence from these figures (in both an upward and downward direction) where exceptional circumstances can be demonstrated.
- 6.2 The December 2023 revisions to the NPPF set out that such exceptional circumstances may relate to the particular demographic characteristics of an area which may justify an alternative approach; in which case the alternative approach should also reflect current and future demographic trends and market signals. This is set out in Para 61.
- 6.3 It is also relevant to consider Government's Guidance on this topic. This can be found in Planning Practice Guidance 2a on 'Housing and Economic Needs Assessments' and below are some key quotes for the purposes of this document.

"Is the use of the standard method for strategic policy making purposes mandatory?"

No, if it is felt that circumstances warrant an alternative approach but authorities can expect this to be scrutinised more closely at examination. There is an expectation that the standard method will be used and that any other method will be used only in exceptional circumstances." - Paragraph: 003 Reference ID: 2a-003-20190220.

"If authorities use a different method how will this be tested at examination?"

Where an alternative approach results in a lower housing need figure than that identified using the standard method, the strategic policy-making authority will need to demonstrate, using robust evidence, that the figure is based on realistic assumptions of demographic growth and that there are exceptional local circumstances that justify deviating from the standard method. This will be tested at examination. Any method which relies on using household projections more recently published than the 2014-based household projections will not be considered to be following the standard method." - Paragraph: 015 Reference ID: 2a-015-20190220 (whole paragraph not replicated).

- 6.4 Paragraph 2a-010 also sets out circumstances where it might be appropriate to plan for a higher housing need figure than the standard method indicates; this includes noting that the method:

'does not attempt to predict the impact that future government policies, changing economic circumstances or other factors might have on demographic behaviour. Therefore, there will be circumstances where it is appropriate to consider whether actual housing need is higher than the standard method indicates'.

-
- 6.5 NPPF Para 67 now sets out that the requirement figure within a Plan may be higher than the identified housing need if, for example, it includes provision for neighbouring areas, or reflects growth ambitions linked to economic development or infrastructure investment.
- 6.6 National policy and guidance are therefore quite clear: there is an expectation that the 2014-based Sub-National Household Projections (SNHP) and the standard method should be used but that an alternative approach can be applied where exceptional circumstances can be demonstrated. When using an alternative approach, it is necessary to take account of demographic growth and market signals, but this cannot include simply using more recent versions of published SNHP.
- 6.7 The PPG does not specifically set out examples of exceptional circumstances, but it is considered (having regard to the NPPF amendments) that there are likely to be two main considerations:
- Firstly, that demographic data on which projections are based is demonstrably wrong and cannot realistically be used for trend-based projections on which the Standard Method is based; and
 - Secondly that demographic trends have changed so much that it is unrealistic to use a set of projections based on information in a trend period to 2014, which is now over 9-years old.
- 6.8 The analysis below principally focuses on population projections as these are the main driver of household growth. The analysis additionally does not seek to challenge the market signals (affordability) element of the Standard Method.

Data used in 2014-based projections

- 6.9 On the 22nd March 2018 ONS released *revised* population estimates for England and Wales: mid-2012 to mid-2016. The main justification ONS listed for this were that improvements had been made to international emigration and foreign armed forces dependents and that the distribution of people aged in their 20s and 30s has changed more than for other age groups.
- 6.10 By updating previous estimates of population change and migration (including in the period 2011-14) ONS were essentially changing the data used to underpin part of the 2014-based projections. It is therefore worthwhile seeing how significant these changes were for South West Herts and if updated information points to the 2014-based Projections as being substantially wrong.
- 6.11 The table below shows estimated population in 2014 from the original and revised Mid-Year Estimates (MYE) (as revised by ONS in 2018). For the whole of South West Herts the revised population estimate for 2014 is slightly higher than for previous data (data used for the 2014-SNPP). This would actually suggest the 2014-based projections could have slightly underestimated population growth, except in Dacorum. However, the scale of difference, both overall and for

individual authorities is not at all substantial and would be unlikely to have a notable impact on projections. This factor alone does not therefore justify deviation from 2014-based Projections.

Table 6.1 Original & Revised Estimate of Population in 2014 – South West Herts

	Original estimate	Revised estimate	Difference
Dacorum	149,741	149,515	-226
Hertsmere	102,427	102,540	113
St Albans	144,834	145,208	374
Three Rivers	90,423	90,525	102
Watford	95,505	95,553	48
South West Herts	582,930	583,341	411

Source: ONS

Population Trends

- 6.12 The analysis below looks at population trends across the study area. Two main sources are initially used, these are:
- MYE (unadjusted) – unadjusted ONS mid-year population estimates (MYE) – these are estimates of population made by ONS through its tracking of births, deaths and migration from 2021. This is an important source as the data contained within this data source (notably about migration) is likely to be used by ONS as part of the next round of population projections (2021-based SNPP); and
 - MYE (Census adjusted) – these are estimates of population in 2021 that take account of 2021 Census data. Essentially, ONS use the Census (which dates from March 2021) and roll forward to mid-year estimates based on births, deaths and migration in the subsequent 3 month period. The Census adjusted MYE replace the unadjusted figures as the ONS view of population in 2021.
- 6.13 Eventually, ONS will revise the full back series of data from 2011 to take account of the new 2021 MYE. However, at the time of writing this had not been done; and so there are only two reasonable data points (2011 and 2021) – much of the analysis to follow therefore looks at trends in this 10-year period.

A Note on Demographics

With demographic data, births and deaths tend to be well recorded as there are legal requirements to register births and deaths. Migration can be more difficult to accurately record as people and households are not required to officially register when they move home or to an area. Between Censuses, ONS model migration using a range of administrative data sources. Census data trends however tend to be more reliable and therefore ONS typically review its back series of MYE estimates following the publication of Census data.

- 6.14 The standard method is informed by 2014-based demographic projections. In this section we are examining whether the trends that have actually occurred in the intervening period (2014-21) are substantially different from those projected back in 2014; and then considering whether this divergence is influenced by factors which are specific to SW Herts (i.e. locally exceptional factors) or relate to changes in demographic trends more broadly (which we consider would be less likely to constitute exceptional circumstances for divergence, as they are not 'exceptional').
- 6.15 One way of considering this is to compare data for 2021 with recently published Census data and also MYE data (prior to a Census adjustment). Comparisons are made for both population (as this underpins the household projections) and household estimates.
- 6.16 The table below shows population figures for 2011 and 2021 from these sources. The data shows the 2014-based projections had projected the population of South West Herts to reach 627,688 by 2021 and ONS in their monitoring of data had actually estimated (in the MYE timeseries) a substantially lower population figure (599,617). Following publication of the 2021 Census, ONS has revised upwards slightly its estimate of population in 2021 to 608,366: but this is a figure still some way below where the 2014-SNPP had projected.

Table 6.2 Estimated Population in 2011 and 2021 – range of sources – South West Herts

	2011	2021	Change	% change
2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
MYE (unadjusted)	565,499	599,617	34,118	6.0%
MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

- 6.17 There is clearly a notable difference between the projections as used in the Standard Method and the reality of what seems to have happened in the 2011-21 period. It is evident that population growth has been notably weaker than shown in the 2014-based Projections. Whilst nationally the same trend has been seen (see table below) it is the case that differences in South West Herts are more marked than across England.

Table 6.3 Estimated Population in 2011 and 2021 – range of sources – England

	2011	2021	Change	% change
2014-based SNPP/SNHP	53,107,200	57,248,400	4,141,200	7.8%
MYE (unadjusted)	53,107,200	56,536,400	3,429,300	6.5%
MYE (Census adjusted)	53,107,200	56,334,700	3,227,600	6.1%

Source: ONS

- 6.18 The table below shows the same information for each local authority in SW Herts. In each case, the 2014-SNPP shows the highest level of population growth. It is also notable that areas do differ substantially in terms of the two different MYE estimates of population in 2021. In particular for Watford, whereas the ONS monitoring of data estimated a population of 95,900 in 2021, this was revised substantially upwards as a result of Census data (to 102,500).

Table 6.4 Estimated Population in 2011 and 2021 -range of sources – local authorities

		2011	2021	Change	% change
Dacorum	2014-based SNPP/SNHP	145,298	160,570	15,272	10.5%
	MYE (unadjusted)	145,298	155,622	10,324	7.1%
	MYE (Census adjusted)	145,298	155,217	9,919	6.8%
Hertsmere	2014-based SNPP/SNHP	100,379	109,318	8,939	8.9%
	MYE (unadjusted)	100,379	105,325	4,946	4.9%
	MYE (Census adjusted)	100,379	108,105	7,726	7.7%
St Albans	2014-based SNPP/SNHP	141,248	155,580	14,332	10.1%
	MYE (unadjusted)	141,248	148,912	7,664	5.4%
	MYE (Census adjusted)	141,248	148,641	7,393	5.2%
Three Rivers	2014-based SNPP/SNHP	87,921	96,432	8,511	9.7%
	MYE (unadjusted)	87,921	93,853	5,932	6.7%
	MYE (Census adjusted)	87,921	93,952	6,031	6.9%
Watford	2014-based SNPP/SNHP	90,653	105,769	15,116	16.7%
	MYE (unadjusted)	90,653	95,905	5,252	5.8%
	MYE (Census adjusted)	90,653	102,451	11,798	13.0%
South West Herts	2014-based SNPP/SNHP	565,499	627,668	62,169	11.0%
	MYE (unadjusted)	565,499	599,617	34,118	6.0%
	MYE (Census adjusted)	565,499	608,366	42,867	7.6%

Source: ONS

- 6.19 On the basis of the data above, the first question to consider is to test which of the two MYE figures look to be most realistic as this will determine the trend in population growth in the 2011-21 decade. For this we are particularly interested in how population has changed rather than absolute numbers and one source we can look at is the Patient Register (PR) data. The PR measures the number of patients registered at NHS GP surgeries. Typically the PR shows higher estimates of population than other sources as some people are registered in more than one place (e.g. if they have moved home, registered with a new GP but not unregistered with a previous one). The PR can however be a good source to look at changes over time.

- 6.20 The table below shows estimated population growth in both the MYE and the PR for each area along with the East of England region and England – the data for this analysis covers the 2011-20 period. For South West Herts as a whole, the data shows an increase in the number of people on the PR of 67,900 over the 9-year period, compared with 35,400 in the MYE, and a higher figure from Census data (albeit we do not have a 2020 figure from the Census). This would potentially point to issues with population change shown by the MYE.

Table 6.5 Comparing ONS mid-year population estimates with estimates of population from the Patient Register

		2011	2020	Change	% change
Dacorum	MYE	145,300	155,490	10,190	7.0%
	Patient Register	148,580	164,150	15,570	10.5%
Hertsmere	MYE	100,390	105,520	5,130	5.1%
	Patient Register	106,660	117,880	11,220	10.5%
St Albans	MYE	141,250	149,330	8,080	5.7%
	Patient Register	148,160	162,810	14,650	9.9%
Three Rivers	MYE	87,920	93,960	6,040	6.9%
	Patient Register	91,370	100,130	8,760	9.6%
Watford	MYE	90,690	96,610	5,920	6.5%
	Patient Register	94,490	112,220	17,730	18.8%
South West Herts	MYE	565,550	600,910	35,360	6.3%
	Patient Register	589,260	657,190	67,930	11.5%
East of England	MYE	5,862,420	6,269,170	406,750	6.9%
	Patient Register	6,026,910	6,697,610	670,700	11.1%
England	MYE	53,107,200	56,550,160	3,442,960	6.5%
	Patient Register	55,312,750	60,870,990	5,558,240	10.0%

Source: ONS

- 6.21 Taking the whole of SW Herts, the East of England and England, it can be seen that growth shown in the PR is typically around 60% higher than shown in the MYE, although this does vary for individual areas. It is not entirely clear why proportionate growth in the PR is higher than the MYE, but is likely to be linked to people still appearing on GP system despite having registered with a new GP – the analysis of Patient Registers is useful and interesting but has to be recognised as being influenced by the quality of data provided by GPs.
- 6.22 For Watford, the Patient Register data provides supporting evidence that MYE timeseries data has under-estimated population growth quite substantially.
- 6.23 For the purposes of comparison the table below shows (adjusted) PR population growth at 62.5% of the level recorded (i.e. broadly consistent with regional and national difference from MYE and calculated as $100 \div 160$), which is again compared with the change recorded in the 2021 MYE (adjusted for Census data).

- 6.24 These estimates, based on adjusted patient register data, shows a closer alignment with the Census adjusted data than the MYE (unadjusted) data, although with some differences for specific authorities. In interpreting the data below it needs to be remembered the PR data is for a 9- and not a 10-year period but it is nonetheless helpful to consider how the two datasets align and assess whether there are particularly substantial differences. There is a greater difference shown for St Albans, which could indicate that the 2021 Census data under-estimated the population growth, or there could be particular issues with the Patient Register data for this Authority. It is difficult to draw precise conclusions on this based on the quality of data available.

Table 6.6 Comparing estimated population change in mid-year population estimates and with adjusted Patient Register data (note different time periods)

	MYE Census adjusted (2011-21)	PR (adjusted) – 2011-2020	Difference
Dacorum	9,919	9,731	-188
Hertsmere	7,726	7,013	-713
St Albans	7,393	9,156	1,763
Three Rivers	6,031	5,475	-556
Watford	11,798	11,081	-717
South West Herts	42,867	42,456	-411

Source: Derived from ONS data

- 6.25 Overall, it is concluded from this analysis that levels of population change shown by the Census are more likely to be realistic than previous ONS estimates (through the MYE).
- 6.26 The Census population change, whilst higher than the MYE is still some way lower than was projected in the 2014-SNPP and so the analysis now moves on to see if this lower growth can be considered as exceptional and therefore point to a lower housing need.

Components of Population Change

- 6.27 The analysis above points to population growth in SW Herts in the period to 2021 as being notably lower than had been projected in the 2014-based projections. The analysis below looks at the reasons for this difference with population growth being split into two broad components of change:
- Natural change (births minus death); and
 - Implied net migration – by subtracting natural change from total change in population an estimate of net migration can be generated. This has been called ‘implied’ as the data is not directly drawn from ONS monitoring of migration and therefore could differ slightly from that source
- 6.28 For South West Herts as a whole, **the analysis shows a significant reduction in natural change from the level projected in the 2014-SNPP**. In the 2011-21 period the 2014-SNPP projected for

there to be around 32,000 more births than deaths, but actual recording of this data shows a figure of just 25,300. All areas see a lower level of natural change than was projected.

- 6.29 **Net migration figures are also notably lower in the recorded trend than was projected** – net migration was projected to run at 30,200 over the 2011-21 decade, but actually recorded as 17,600. Again for all areas net migration looks to have been lower than was projected (albeit with very little difference in Hertsmere).

Table 6.7 Broad components of population change (2011-21) – South West Herts

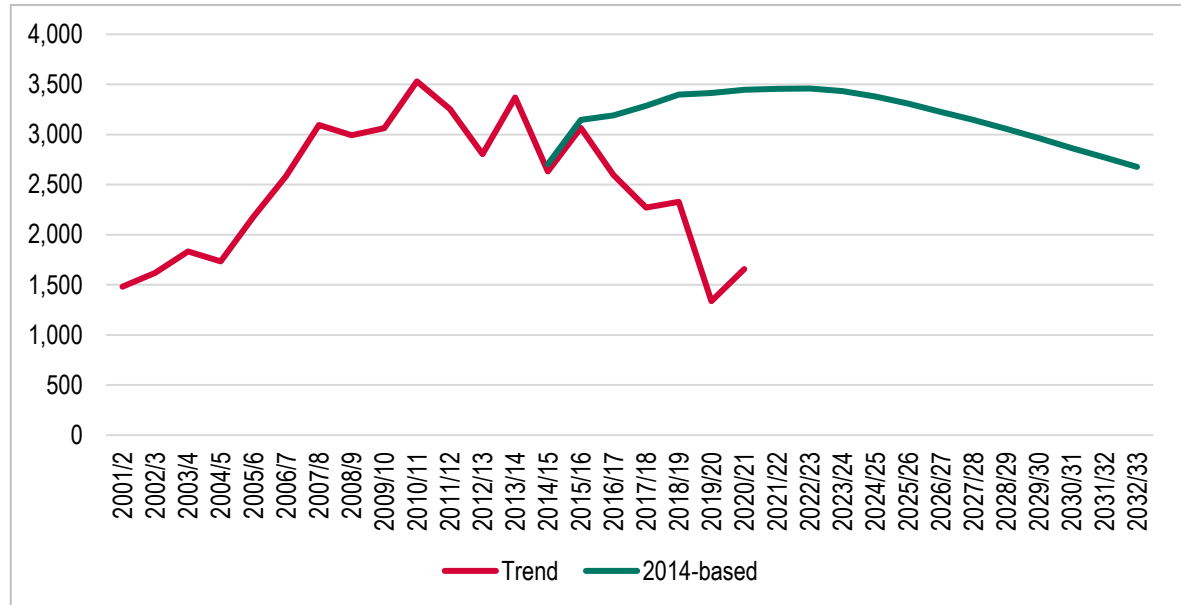
		Population change 2011- 21	Natural change	Implied net migration
Dacorum	2014-based SNPP/SNHP	15,272	7,463	7,809
	MYE (Census adjusted)	9,919	6,228	3,691
	Difference	5,353	1,235	4,118
Hertsmere	2014-based SNPP/SNHP	8,939	4,386	4,553
	MYE (Census adjusted)	7,726	3,335	4,391
	Difference	1,213	1,051	162
St Albans	2014-based SNPP/SNHP	14,332	9,050	5,282
	MYE (Census adjusted)	7,393	6,458	935
	Difference	6,939	2,592	4,347
Three Rivers	2014-based SNPP/SNHP	8,511	2,830	5,681
	MYE (Census adjusted)	6,031	2,207	3,824
	Difference	2,480	623	1,857
Watford	2014-based SNPP/SNHP	15,116	8,285	6,831
	MYE (Census adjusted)	11,798	7,087	4,711
	Difference	3,318	1,198	2,120
South West Herts	2014-based SNPP/SNHP	62,170	32,014	30,156
	MYE (Census adjusted)	42,867	25,315	17,552
	Difference	19,303	6,699	12,604

Source: Derived from ONS data

- 6.30 The question to follow is whether or not this is exceptional and below we consider each of these two broad components of change.
- 6.31 Firstly the figures below present data for natural change. The information shown is the recorded trend and the trajectory projected in the 2014-SNPP – data is provided for both South West Herts (SWH) and England. From this it is clear that the general trend across SWH is similar to England and whilst the trend has moved significantly away from the projection, a similar pattern can be seen for both areas. On this basis **it is not considered there is anything exceptional about the reduction in natural change in the study area: whilst this is a clear demographic phenomenon, it is seen nationally and across a range of areas across England.** If reduced

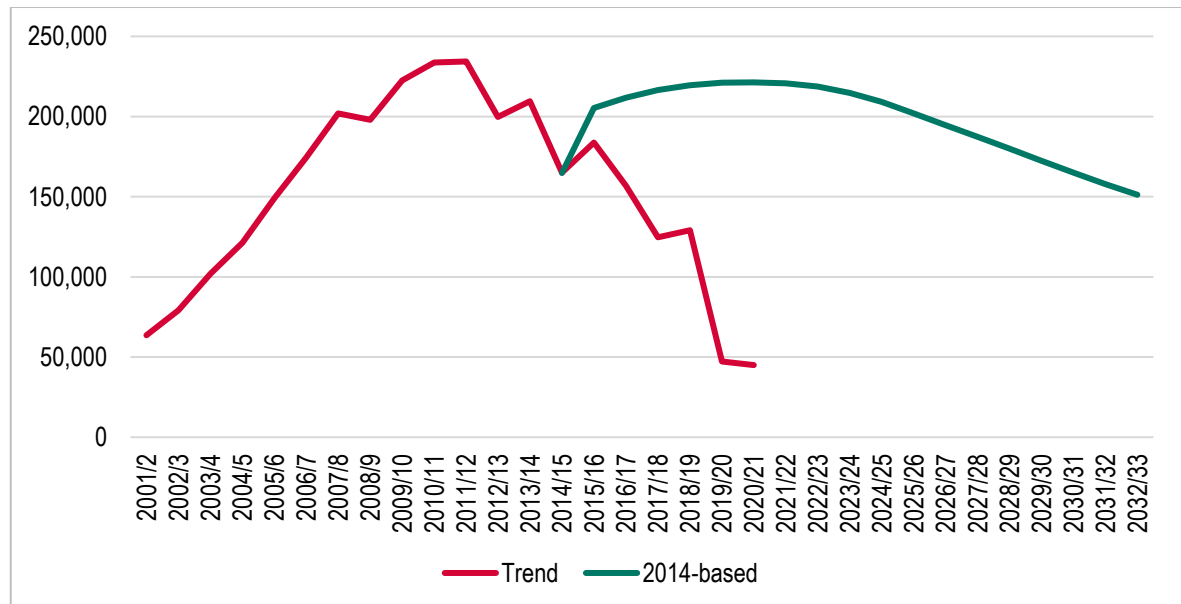
natural change was to constitute exceptional circumstances, there would be a case for deviation from the standard methodology for many local authorities across England.

Figure 6.1 Past Trends and Future Projections of Natural Change – South West Herts



Source: ONS

Figure 6.2 Past Trends and Future Projections of Natural Change – England



Source: ONS

- 6.32 For net migration, it is difficult to provide charts similar to those above. This is because we have looked at implied net migration based on the difference between population growth and natural change over the 2011-21 period. Therefore no equivalent time series of data exists. However, it is possible to look at data for this whole 10-year period to see if national figures have seen a significant decline (as is the case in South West Herts).

- 6.33 For clarity, the analysis above pointed to net migration in the 2011-21 period being around 17,600 people, but the 2014-SNPP had projected this to be 30,200. For England, the 2014-SNPP projected net migration to be 201,800 per annum (2011-21) and the recorded trend is actually slightly higher (but not dissimilar) at 209,700 per annum.
- 6.34 Hence the reduction in net migration across the study area, and the scale of it, is arguably exceptional in a local context and in demographic terms. However before consideration is given to whether exceptional circumstances exist, there is a need to consider the reasons why net migration may have been lower.

Housing Completions

- 6.35 The analysis above suggests there has been a shift in levels of migration in the 2011-21 period with the analysis below looking to see if lower levels of migration might be due to low levels of completions, essentially if homes are not built then the opportunity for households to move to an area is reduced. We have looked at three time periods:
- 2009-14 – the five year period to 2014 reflecting the main trend period used by ONS in the 2014-based projections;
 - 2016-21 – the last five years (to provide a consistent time period to above and to compare with it);
 - 2011-21 – a ten year period used to reflect that much of the data assessed has these two dates as data points (due to the Census).
- 6.36 Overall, the data suggests completions have actually been stronger in the recent past than in the 2009-14 period (Watford being the only exception).

Table 6.8 Average net housing completions for a range of time periods

	2009-14	2016-21	2011-21
Dacorum	359	600	500
Hertsmere	272	499	396
St Albans	346	460	409
Three Rivers	132	216	208
Watford	501	325	347
South West Herts	1,610	2,100	1,859

Source: Data supplied by Councils

- 6.37 Consideration however also needs to be given to how completions sit against the projected household growth in the 2014-based Household Projections. This is particularly important in a context in which Government has previously set out its view (see Para 4.6) that:

-
- Household projections are constrained by housing supply: if new homes are not supplied, households are unable to form; and the projections are trend-based; and
 - The historic under-delivery of housing means there is a case for public policy supporting delivery in excess of household projections, even if those projections fall.

6.38 The table below shows that over the 2011-21 decade, net completions fell 34% below the projected household growth in the 2014-based Household Projections. Completions were particularly low in relative terms in Three Rivers and Watford; but also in St Albans and Dacorum.

6.39 There is a correlation between lower relative delivery and the progress of development plans, specifically:

- Dacorum adopted its Core Strategy in 2013 and a Site Allocations Development Plan Document (DPD) in July 2017, but the CS fell short of meeting needs in full and was subject to a 'partial review' requirement which was originally intended to be adopted by 2017/18;
- Hertsmere adopted a Core Strategy in January 2013, following by an Area Action Plan (AAP) for the Elstree Corridor; and a Site Allocations and Development Management policies DPD in November 2016. The Core Strategy housing provision was based on the East of England Plan and was adopted with the expectation that housing need should be re-assessed and an early partial review would be undertaken within 3 years (which hasn't been achieved);
- St Albans last adopted a local plan in 1994. It has one of the oldest local plans of local authorities across England;
- Three Rivers adopted its Core Strategy in 2011 (prior to the NPPF) and a Site Allocations Plan in 2014. Housing provision within these were based on the East of England Plan rather than an up-to-date assessment of housing need;
- Watford adopted a new Local Plan in October 2022, after the period considered. Prior to this, it had a Core Strategy which was adopted in January 2013 – the requirement within which was based on the East of England Plan and Watford's capacity evidence.

6.40 Dacorum, Hertsmere and Watford are therefore the only authorities with a post-NPPF Plan within the sub-region. However Dacorum's plan did not fully meet needs and was subject to a requirement for a review to address this; whilst Hertsmere's Core Strategy was not informed by an up-to-date assessment of housing need.

6.41 Watford is the only local authority which has been examined since the introduction of the standard method in 2018. In other areas, plans are more than a decade old and there has been a lack of an up-to-date planning framework, and in the context of strategic constraints to development

(including Green Belt) it is reasonable to conclude that a lack of housing supply will have influenced the lower migration. There is a correlation between the scale of under-delivery and the scale of lower migration, which is logical – as migration can be constrained by housing delivery. Across the sub-region housing delivery fell below projected household growth by a third.

Table 6.9 Completions compared to Projected Household Growth, 2011-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	500	752	67%
Hertsmere	396	438	90%
St Albans	409	602	68%
Three Rivers	208	393	53%
Watford	347	624	56%
South West Herts	1859	2,808	66%

Source: LPA Monitoring Data/ 2014 Household Projections

- 6.42 For reference, the table below provides a similar analysis for the more recent 5 year period. A similar picture is evident, with annual housing delivery in line with the projected household growth in Hertsmere; but with lower delivery in the other authorities, and in particular in Three Rivers and Watford.

Table 6.10 Completions compared to Projected Household Growth, 2016-21

Annual average figures	Actual Delivery (Net Completions)	2014 Projections (Household Growth)	Delivery as % Projected Household Growth
Dacorum	600	768	78%
Hertsmere	499	501	100%
St Albans	460	665	69%
Three Rivers	216	430	50%
Watford	325	606	54%
South West Herts	2,204	2970	74%

Source: LPA Monitoring Data/ 2014 Household Projections

Alternative Population and Household Projections

- 6.43 The analysis above suggests that there has been a shift in levels of migration in the 2011-21 period. It is an evident demographic trend, but does appear to have been influenced by land supply and planning constraints.
- 6.44 We consider in this sub-section the notional implications of modelling forward the lower population growth implied by more recent projections.

- 6.45 Essentially, we have tested what population change and household growth might be if we modelled a lower level of migration. Because the trends in natural change are not exceptional, figures for this continue to be drawn from the 2014-based projections, whilst concerns about suppressed household formation being included in recent trends (and in projections developed since 2014) mean that data about household representation (the chances of a person of a particular age being a 'head of household' also continues to be drawn from 2014-based projections. In summary the method used has been to:
- Set up a model using 2014-based data – this means that we maintain the higher levels of natural change and also the more positive Household Representative Rate (HRR) data; and
 - Reduce migration in the modelling by the estimated difference between the 2014-SNPP and the observed trend. As noted, across SWH this is around 1,260 per annum with individual LA figures being (Dacorum – 412, Hertsmere – 16, St Albans – 435, Three Rivers – 186, Watford – 212).
- 6.46 This modelling gives the following estimates of household growth (2023-33) to which we have added an adjustment based on the latest affordability ratio and also a capped adjustment of 40%. With the uncapped figures the need drops from 4,862 dpa in the Standard Method to 3,934 dpa based on the uncapped figures in the updated projections.
- 6.47 If the alternative projection is capped, the reduction in need is more notable (reducing by 759 dwellings per annum). We do not however consider this to be a robust or justifiable approach, as it is applying a capped affordability uplift to a constrained (and thus effectively capped) figure for household growth, and does not represent an approach which considers the unconstrained housing need as required by the PPG.
- 6.48 There are differences for authorities with the uncapped need being slightly lower than the Standard Method in all areas apart from Hertsmere; and the capped need being notably lower (apart from in Hertsmere).

Table 6.11 Standard Method Housing Need Calculations with remodelled projections (including 2022 affordability ratios)

	Dac- orum	Herts- mere	St Albans	Three Rivers	Watfor d	SWH
SM as published – Uncapped	1,175	856	1,206	715	911	4,862
SM as published – Capped	1,017	726	887	637	778	4,046
Change in households (pa)	546	512	449	379	462	2,348
Uncapped need	882	844	854	596	757	3,934
Difference in uncapped need	-293	-12	-352	-119	-154	-928
Capped need	764	716	629	530	647	3,287
Difference in capped need	-253	-10	-258	-107	-131	-759

Source: Demographic projections; and affordability uplift from Table 5.1

6.49 The largest relative differences between the calculations using the alternative projections and those using the standard method are in St Albans and Dacorum. However both authorities have seen sustained house price inflation; have market signals which point to comparatively strong housing demand and high affordability barriers and as a result have seen declining home ownership. They have both seen trend-based housing growth which is below the national average and out of context with the wider demand evidence.

6.50 Drawing the evidence together, Icenl does not consider that there is a strong 'exceptional circumstances' case to justify the use of the figures in this table, and in particular the capped need, given the lack of an up-to-date (post standard method) planning policy framework in many areas which is focused on meeting objectively assessed housing need over the period from which the projections were derived and evidence of historical constraints on housing supply which will have constrained net migration to the area and growth in home ownership.

Relationship to Forecast Economic Growth

6.51 The analysis to follow considers the relationship between housing and economic growth; seeking to understand what level of jobs might be supported by changes to the local labour supply (which will be influenced by population change). To look at estimates of the job growth to be supported, a series of stages are undertaken. These can be summarised as:

- Estimate changes to the economically active population (this provides an estimate of the change in labour-supply);
- Overlay information about commuting patterns, double jobbing (i.e. the fact that some people have more than one job) and potential changes to unemployment; and
- Bringing together this information will provide an estimate of the potential job growth supported by the population projections.

6.52 To inform this analysis we have developed bespoke demographic projections which align to a) the minimum level of housing need shown in the standard method; and b) the level of housing need shown by the 2014-based demographic projections, **these are further detailed in Appendix A2**. The latter has been modelled to test the implications of lower housing provision on workforce growth to help inform decisions on housing provision as part of the plan making process. It does not imply that this is a suitable assessment of overall housing need.

Growth in Resident Labour Supply

6.53 The approach taken in this report is to derive a series of age and sex specific economic activity rates and use these to estimate how many people in the population will be economically active as projections develop. This is a fairly typical approach with data being drawn in this instance from the

Office for Budget Responsibility (OBR) – July 2018 (Fiscal Sustainability Report) – this data has then been rebased to information in the 2021 Census (for an updated estimate of the number of people who are economically active).

- 6.54 The table below shows the assumptions made for the HMA with data specific to local authorities being used in the modelling. The analysis shows that the main changes to economic activity rates are projected to be in the 60-69 age groups – this will to a considerable degree link to changes to pensionable age, as well as general trends in the number of older people working for longer (which in itself is linked to general reductions in pension provision).

Table 6.12 Projected changes to economic activity rates (2021 and 2041) – South West Herts

	Males			Females		
	2021	2041	Change	2021	2041	Change
16-19	31.0%	30.9%	-0.1%	32.5%	32.4%	-0.1%
20-24	80.8%	80.5%	-0.3%	77.4%	77.2%	-0.2%
25-29	90.4%	90.4%	0.0%	84.3%	84.3%	0.0%
30-34	92.3%	92.1%	-0.2%	82.3%	82.9%	0.5%
35-39	93.1%	92.7%	-0.4%	81.6%	83.1%	1.5%
40-44	93.0%	91.7%	-1.3%	82.2%	85.3%	3.1%
45-49	92.3%	91.6%	-0.7%	82.4%	86.6%	4.2%
50-54	89.9%	89.0%	-0.9%	80.3%	83.8%	3.5%
55-59	83.9%	83.4%	-0.5%	73.7%	75.8%	2.1%
60-64	70.2%	77.0%	6.8%	56.9%	65.4%	8.5%
65-69	38.2%	51.1%	12.8%	26.5%	42.2%	15.6%
70-74	17.7%	19.9%	2.3%	9.6%	16.2%	6.6%
75-89	6.7%	7.6%	0.9%	3.0%	6.0%	3.0%

Source: Based on OBR and Census data

- 6.55 Working through an analysis of age and sex specific economic activity rates it is possible to estimate the overall change in the number of economically active people in the study area – this is set out in the table below. The analysis shows that the projection linked to 2014-based household growth results in an increase in the economically-active population of 63,600 people – a 20% increase. Linked to the Standard Method, the increase is higher (79,400 people – 25%). This arises as in the modelling of the demographic implications of the standard method, we have modelled an improvement in household formation (with age specific household formation for younger households for instance modelled to move back towards the 2011 position).

Table 6.13 Estimated change to the economically active population (2021-41) – linked to 2014-based household growth

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	95,714	14,966	18.5%
Hertsmere	55,584	66,303	10,719	19.3%
St Albans	75,994	90,321	14,327	18.9%
Three Rivers	49,133	58,966	9,833	20.0%
Watford	55,926	69,654	13,727	24.5%
South West Herts	317,386	380,958	63,572	20.0%

Source: Derived from demographic projections

Table 6.14 Estimated change to the economically active population (2021-41) – linked to Standard Method

	Economically active (2021)	Economically active (2041)	Total change in economically active	% change
Dacorum	80,748	99,493	18,744	23.2%
Hertsmere	55,584	69,355	13,771	24.8%
St Albans	75,994	93,529	17,535	23.1%
Three Rivers	49,133	61,962	12,829	26.1%
Watford	55,926	72,463	16,537	29.6%
South West Herts	317,386	396,803	79,417	25.0%

Source: Derived from demographic projections

Linking Changes to Resident Labour Supply and Job Growth

6.56 The analysis above has set out potential scenarios for the change in the number of people who are economically active. However, it is arguably more useful to convert this information into an estimate of the number of jobs this would support. The number of jobs and resident workers required to support these jobs will differ depending on three main factors:

- Commuting patterns – where an area sees more people out-commute for work than in-commute it may be the case that a higher level of increase in the economically active population would be required to provide a sufficient workforce for a given number of jobs (and vice versa where there is net in-commuting);
- Double jobbing – some people hold down more than one job and therefore the number of workers required will be slightly lower than the number of jobs; and
- Unemployment – if unemployment were to fall then the growth in the economically active population would not need to be as large as the growth in jobs (and vice versa)

Commuting Patterns

- 6.57 The two tables below show summary data about commuting to and from South West Herts (and local authorities) from the 2011 and 2021 Census. The 2011 data is presented as well as 2021 data as the most up-to-date information is likely to be influenced by Covid-19 resulting in increased home-based working.
- 6.58 The 2011 data shows the HMA having a level of net out-commuting; the number of people resident in the area who are working being about 9% higher than the total number who work in the area. This number is shown as the commuting ratio in the final row of the table and is calculated as the number of people living in an area (and working) divided by the number of people working in the area (regardless of where they live). All areas other than Watford see net out-commuting.
- 6.59 The 2021 Census data on the other hand indicates that for the HMA there is a degree of net in-commuting, with the biggest change being seen in St Albans, which goes from seeing out-commuting of 16% to in-commuting of 12%. As expected the big difference here is a sizeable increase in home workers (and those of no fixed workplace).
- 6.60 In interpreting this data it is considered the 2011 data is somewhat dated, whilst data from 2021 is a reflection of commuting at the point in time of the Census which coincided with a Covid-19 lockdown (when people were encouraged to work from home if they could) and is unlikely to be fully reflective of current patterns.
- 6.61 It is difficult therefore to draw precise conclusions on commuting dynamics, and we have elected instead to model what workforce growth would result and the number of jobs which this could support. Given the inter-relationship between SW Herts authorities and London and public transport connections between the two, it may be quite reasonable to expect labour supply to exceed labour demand within individual authorities.

Table 6.15 Commuting patterns (2011)

	Daco- rum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Live and work in Local Authority (LA)	27,003	10,378	20,475	7,297	14,428	-
Home workers	9,021	6,292	9,411	5,540	4,093	-
No fixed workplace	6,852	4,907	5,303	4,245	4,411	-
In-commute	31,045	28,356	36,629	27,251	24,903	-
Out-commute	23,852	25,276	26,862	18,636	28,814	-
Total working in LA	66,728	46,853	62,051	35,718	51,746	263,096
Total living in LA (and working)	73,921	49,933	71,818	44,333	47,835	287,840
Commuting ratio	1.11	1.07	1.16	1.24	0.92	1.09

Source: 2011 Census

Table 6.16 Commuting patterns (2021)

	Daco- rum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Live and Work in District	17,325	7,107	13,304	4,931	10,830	-
Home Workers or No Fixed Workplace	41,861	28,798	45,424	26,326	26,083	-
In Commute	16,050	18,795	24,013	12,822	17,074	-
Out Commute	18,029	16,865	14,129	15,688	15,948	-
Total Working in LA	75,236	54,700	82,741	44,079	53,987	310,743
Total Living in LA and Working Anywhere	77,215	52,770	72,857	46,945	52,861	302,648
Commuting Ratio	1.03	0.96	0.88	1.07	0.98	0.97

Source: 2021 Census

Double Jobbing

- 6.62 The analysis also considers that a number of people may have more than one job (double jobbing). This can be calculated as the number of people working in the HMA divided by the number of jobs. Data from the Annual Population Survey (available on the NOMIS website) for the past 5-years suggests that typically about 4.5% of workers in SW Herts have a second job and this has been used in the assessment.
- 6.63 For the purposes of this assessment it has been assumed that around 4.5% of people will have more than one job moving forward. A double jobbing figure of 4.5% gives rise to a ratio of 0.955 (i.e. the number of jobs supported by the workforce will be around 4.5% higher than workforce growth). It has been assumed in the analysis that the level of double jobbing will remain constant over time.

Unemployment

- 6.64 The last analysis when looking at the link between jobs and resident labour supply is a consideration of unemployment. Essentially, this is considering if there is any latent labour force that could move back into employment to take up new jobs. This is particularly important given there is likely to have been notable increases in unemployment due to Covid-19, although it will be difficult to be precise about numbers. Given the estimates of economic activity and job growth are taken from 2021 it is considered that there is no need to include a further adjustment to take account of the pandemic. Essentially it is assumed that people who lost employment through the pandemic will have remained economically active in 2021.
- 6.65 There is some evidence nationally that some people, particularly in older age groups, left the labour force (such as taking early retirement) precipitated by the pandemic. There is a need to monitor this, given the Government's desire to draw people who stopped working through Covid back into the labour force to support economic growth, and consider how effective initiatives to do so are – particularly in relatively affluent areas such as SW Herts.

Jobs Supported by Growth in the Resident Labour Force

- 6.66 The tables below show how many additional jobs might be supported by population growth under the two projections developed. It is estimated that around 66,600 additional jobs could be supported by the changes to the resident labour supply over the 2021-41 period when linked to the 2014-based household projections with a higher figure (83,200) if linking to the Standard Method.

Table 6.17 Jobs supported by demographic projections (2021-41) – linked to 2014-based household growth

	Total change in economically active	Allowance for double jobbing
Dacorum	14,966	15,671
Hertsmere	10,719	11,224
St Albans	14,327	15,002
Three Rivers	9,833	10,296
Watford	13,727	14,374
South West Herts	63,572	66,568

Source: JGC and Icení modelling

Table 6.18 Jobs supported by demographic projections (2021-41) – linked to Standard Method

	Total change in economically active	Allowance for double jobbing
Dacorum	18,744	19,628
Hertsmere	13,771	14,420
St Albans	17,535	18,362
Three Rivers	12,829	13,434
Watford	16,537	17,316
South West Herts	79,417	83,159

Source: JGC and Icení modelling

Comparison of Labour Demand and Supply

- 6.67 Next we have sought to consider whether projections of jobs growth could drive demand for higher numbers of homes. To do this, we have compared the potential labour supply which could be supported by the two scenarios considered above with a projection of employment growth (net changes in total employment) being used in the preparation of the economic study/ employment land evidence for SW Herts. The projections have been prepared by Hatch, the Economy Study consultants, using forecast data from Cambridge Econometrics as an input; with adjustments to reflect inaccuracies with input BRES data. They provide estimates of future growth in employment in each of the SW Herts districts, which represent an assessment of labour demand.
- 6.68 Icení has considered whether the potential labour supply is sufficient to support these projections.. The analysis, as shown in the table below, indicates that in both scenarios for housing provision,

there is sufficient labour supply to support the projected jobs growth. This is the case at both a HMA level across SW Herts, and for individual authorities within the sub-region.

Table 6.19 Comparison of Labour Demand and Supply, 2021-41

	Projected Labour Demand	Employment Growth Supported	
		2014 Household Projections	Standard Method
Dacorum	10,200	15,671	19,628
Hertsmere	7,100	11,224	14,420
St Albans	10,000	15,002	18,362
Three Rivers	6,800	10,296	13,434
Watford	7,700	14,374	17,316
South West Herts	41,700	66,568	83,159

Source: Cambridge Econometrics and JGC/Iceni modelling

Wider Considerations in Drawing Conclusions on Housing Need

- 6.69 The Planning Practice Guidance in Para 2a-010-20201216 sets out that in addition to changing economic circumstances (as considered above), there may be other situations where housing need is likely to exceed past trends, which can include where there are growth strategies for the area, strategic infrastructure improvements; or an authority has agreed to take on unmet need from neighbouring areas. It also identifies that there may be occasions where previous housing delivery has significantly exceeded the standard method which may provide some basis for considering higher housing delivery. As discussed, NPPF Para 67 also enables Councils to set housing targets above the housing need to reflect economic growth ambitions or infrastructure investment.
- 6.70 There are no specific 'growth strategies' in place which affect the SW Herts local authorities and at the current time we are not aware that any of the 5 authorities have agreed to take on unmet need from adjoining areas.
- 6.71 As the table below shows, the standard method housing need figures are over 80% higher than recent housing completions rates, and are above historical completions over both a 5 and 10 year period in each of the SW Herts authorities.

Table 6.20 Comparing Standard Method and Historical Completions

Homes per year	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Minimum Local Housing Need (2023)	1,017	726	887	637	778	4,046
10 year average net completions (2012-22)	535	420	402	204	381	1,942
5 year average net completions (2017-22)	616	525	455	215	406	2,217

Source: Icen analysis of Council Data

- 6.72 **Appendix A3** has considered other factors which could have a potential bearing on housing need. Major infrastructure investment schemes identified are not currently committed or have funding in place. Nonetheless the main impacts of them would be to support the potential for additional employment growth.
- 6.73 The analysis identifies some potential major employment generating schemes which, if taken forwards, could support additional job creation – ultimately of up to c. 15,000 jobs; but the job creation associated with these is not of a scale which makes it likely that employment growth would exceed the labour supply shown in Table 6.19 above such that it generated an additional need for housing. The gap between jobs growth and labour supply therein points to considerable flexibility to support additional jobs growth before there is an impact on housing need.
- 6.74 Having regard to the balance between jobs and homes, the analysis does not therefore identify specific considerations which have an immediate bearing on conclusions on the overall need for homes in SW Herts.

Conclusions on Overall Housing Need

- 6.75 Drawing together the evidence on overall housing need:
- The sub-region has seen sustained and consistent house price inflation, which has been strongest in St Albans but affects all local authorities;
 - House prices are now very significant, with the average house price now exceeding £0.5 million, presenting substantial barriers to local households from getting on the housing ladder. Prices are now almost 15 times earnings for those working locally; and households need £30,000+ in savings to be able to buy without financial support;
 - Housing stock growth has been generally below the regional and national averages, except in Hertsmere and Watford, influenced by strategic development constraints and a lack of up-to-date local plans providing for development needs in some areas;

-
- Influenced by these constraints, there has been a particular focus of growth in flatted properties; with larger dwellings delivered partly by extensions to existing dwellings;
 - The housing supply and affordability constraints which are evident have led to declining home ownership, with the rate of home ownership falling from 69.2% to 65.9% of households across the HMA. Growth has particularly been seen in the Private Rented Sector.
 - Significant overcrowding is also evident, with 10% of households in rented tenures living in overcrowded homes.
 - The standard method is based on 2014 household projections which are now dated. The evidence shows that population growth has been notably weaker, growing by 7.6% over the 2011-21 decade compared to 11.0% projected in the 2014-based projections. These differences relate to two factors: lower natural change, and lower net migration.
 - The lower natural change is a factor which is not specific to SW Herts, and indeed is seen in many areas nationally. SW Herts is not exceptional in these terms.
 - Migration has been weaker, and this can be expected to feed into lower population growth in future ONS projections, but this correlates relatively closely to housing delivery; with the evidence suggesting that lower net migration has been influenced by a lack of up-to-date plans providing for objectively assessed housing needs. It does not provide a firm basis for divergence from the standard method.
 - When affordable housing provision is overlaid (as considered in the next section), it is clear that there is a very substantial need for affordable housing with the evidence pointing to a need for 2,279 rented affordable homes a year, and over 1,400 affordable home ownership properties. Whilst there is not a direct relationship to overall housing provision, and the affordable need is sensitive to changes in housing costs relative to incomes, there would be clear adverse consequences on affordable delivery from reducing overall housing need below the standard method levels which would not be justified on the evidence.

6.76 We do not therefore find that the evidence points towards housing need being below the standard method or exceptional circumstances for deviation from the standard method as a means of assessing housing need. As identified at the beginning of this Section, it is for the Councils to draw together the evidence of housing need with wider considerations, including development constraints, in setting a housing requirement. In doing so, the Councils should consider (amongst other factors) the effects of different growth options on the delivery of affordable housing in line with the PPG which sets out that an increase in total housing figures in plans may be considered whether it could help to deliver the required number of affordable homes. Affordable housing delivery may be an important consideration in some areas, recognising that a lack of affordable housing supply can have direct social consequences as well as economic consequences for

Councils who can end up seeing rising costs of housing people in temporary accommodation if there is insufficient supply of affordable housing to meet priority needs.

7. AFFORDABLE HOUSING NEED

7.1 This section provides an assessment of the need for affordable housing in South West Herts. It considers two categories of affordable housing need, linked to Annex 2 of the NPPF:

- Need for social or affordable rented housing – the need from households unable to buy, who need social or affordable rented homes or affordable private rented homes;
- Need for affordable home ownership – which includes shared ownership / equity, first homes, and other local cost home ownership products.

7.2 The method for studying the need for affordable housing has been enshrined in Government practice guidance for many years, with an established approach to look at the number of households who are unable to afford market housing (to either rent or buy) – it is considered that this group will mainly be a target for rented affordable homes (social/affordable rented/ affordable private rented) and therefore the analysis looks at the need for '*affordable housing for rent*' as set out in Annex 2 of the NPPF. The methodology for looking at the need for rented (social/affordable) housing considers the following:

- **Current affordable housing need:** an estimate of the number of households who have a need now, at the point of the assessment, based on a range of secondary data sources – this figure is then annualised so as to meet the current need over a period of time;
- **Projected newly forming households in need:** using demographic projections to establish gross household formation, and then applying an affordability test to estimate numbers of such households unable to afford market housing;
- **Existing households falling into need:** based on studying past trends in the types of households who have accessed different types of affordable housing; and
- **Supply of affordable housing:** an estimate of the likely number of lettings that will become available from the existing social/affordable housing stock of the relevant type.

7.3 The first three bullet points above are added together to identify a gross need, from which the supply of relets of existing properties is subtracted to identify a net annual need for additional affordable housing.

7.4 This approach has traditionally been used to consider the needs of households who have not been able to afford market housing (either to buy or to rent). As the income necessary to afford to rent homes without financial support is typically lower than that needed to buy, the ability of households

to afford private rents has influenced whether or not they are in need of social/ affordable rented housing.

- 7.5 The NPPF and associated guidance has expanded the definition of those in affordable housing need to include households who might be able to rent without financial support but who aspire to own a home, and require support to do so. The PPG on 'Housing and Economic Needs Assessment' includes households that "*cannot afford their own homes, either to rent, or to own, where that is their aspiration*" as having an affordable housing need. This widened definition has been introduced by national Government to support increased access to home ownership, given evidence of declining home ownership and growth in private renting over the last 20 years or so.
- 7.6 The analysis of affordable housing need is therefore structured to consider the need for rented affordable housing, and separately the need for affordable home ownership. The overall need is expressed as an annual figure, which can then be compared with likely future delivery (as required by 2a-024).
- 7.7 Data on housing costs and incomes based on the latest information at the time of the modelling provides an input into the process. This is set out in **Appendix A4**.

Affordability Thresholds

- 7.8 To assess affordability two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing (this establishes those households in need of social/affordable rented housing) and secondly to consider what income level is needed to access owner occupation (this, along with the first test helps to identify households in the 'gap' between renting and buying). This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. Additionally, different affordability tests are applied to different parts of the analysis depending on the group being studied (e.g. recognising that newly forming households are likely on average to have lower incomes than existing households).
- 7.9 A household is considered able to afford market rented housing in cases where the rent payable would constitute no more than a particular percentage of gross income. The choice of an appropriate threshold is an important aspect of the analysis – the PPG does not provide any guidance on this issue. CLG SHMA guidance prepared in 2007 suggested that 25% of income is a reasonable start point, it also noted that a different figure could be used. Analysis of current letting practice suggests that letting agents typically work on a multiple of 40%. Government policy (through Housing Benefit payment thresholds) would also suggest a figure of 40%+ (depending on household characteristics).

- 7.10 At £900-£1,075 per calendar month, lower quartile rent levels in South West Herts are above average in comparison to those seen nationally (a lower quartile rent of £610 for England in the year to September 2022). This would suggest that a proportion of income to be spent on housing could be higher than the bottom end of the range (the range starting from 25%). On balance, it is considered that a threshold of 30% is reasonable in a local context: to afford a £1,000 pcm rent would imply a gross household income of about £40,000 (and in net terms the rent would likely be around 38% of income).
- 7.11 In reality, many households may well spend a higher proportion of their income on housing and therefore would have less money for other living costs – for the purposes of this assessment these households would essentially be assumed as ideally having some form of subsidised rent so as to ensure a sufficient level of residual income.
- 7.12 Generally, the income required to access owner-occupied housing is higher than that required to rent and so the analysis of the need for social/affordable rented housing is based on the ability to afford to access private rented housing. However, local house prices (and affordability) are important when looking at the need for affordable home ownership.
- 7.13 For the purposes of this assessment, the income thresholds for accessing owner-occupation without financial support assume a household has a 10% deposit and can secure a mortgage for four and a half times their salary. These assumptions are considered to be broadly in line with typical lending practices although it is recognised that there will be differences on a case by case basis. Whilst some mortgages are available at a 95% loan-to-value ratio, these tend to be accompanied by higher interest rates.
- 7.14 The table below shows the estimated incomes required to both buy and rent (privately) in each local authority. This shows a notable 'gap' in all areas across the Study area, particularly locations with higher house prices. The information in the tables below is taken forward into further analysis in this section to look at affordable needs in different locations.

Table 7.1 Estimated Household Income Required to Buy and Privately Rent by local authority

	To buy	To rent (privately)	Income gap
Dacorum	£66,400	£36,000	£30,400
Hertsmere	£79,000	£42,000	£37,000
St Albans	£84,600	£40,000	£44,600
Three Rivers	£82,000	£43,000	£39,000
Watford	£61,600	£40,000	£21,600

Source: Based on Housing Market Cost Analysis

Need for Social/ Affordable Rented Housing

- 7.15 The sections below work through the various stages of analysis to estimate the need for social/affordable housing in the Study area. Final figures are provided as an annual need (including an allowance to deal with current need). As per 2a-024 of the PPG, this figure can then be compared with likely delivery of affordable housing.

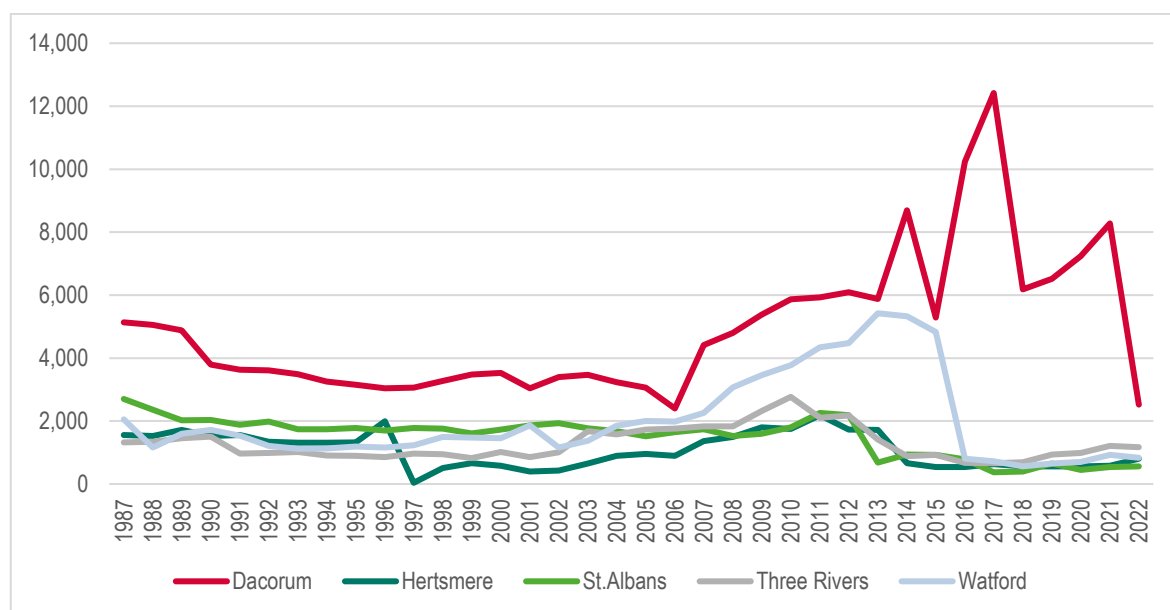
Contextual Data

- 7.16 The analysis below looks at some contextual data about affordable housing need, drawing on a number of published sources.

Housing Register

- 7.17 The figure below shows trends in the number of people on each Council's Housing Register. The main takeaway from this is how highly variable figures can be from year to year, particularly in Dacorum, which is more likely to reflect allocations policy rather than any measure of housing need. Taking Dacorum as an example, there were 12,400 people registered in 2017, with the figure now being just over 2,500. This reflects a review of Dacorum's Housing Allocations policy and data cleansing of the Housing Register. The Council consider that the number of applicants on the Housing Register is now more accurate measure of need in the Borough. Likewise, Watford saw a larger drop between 2015 and 2016.
- 7.18 The size of the Register in different areas can be a reflection more of how the Register is managed, including the policies on who can join the Register, rather than underlying differences in the affordable housing need. The current (2022) numbers on the register are:
- Dacorum – 2,518;
 - Hertsmere – 799;
 - St Albans – 559;
 - Three Rivers – 1,165; and
 - Watford – 835.

Figure 7.1 Number of Households on Council Housing Registers (1987-2022)



Source: DLUHC Live Table 600

- 7.19 Given the difficulty in having too much confidence in the Housing Register as providing a consistent measure of need, the main estimates of current affordable need (to follow) are based on a range of secondary data sources, although the current figures can still be considered to provide some context.

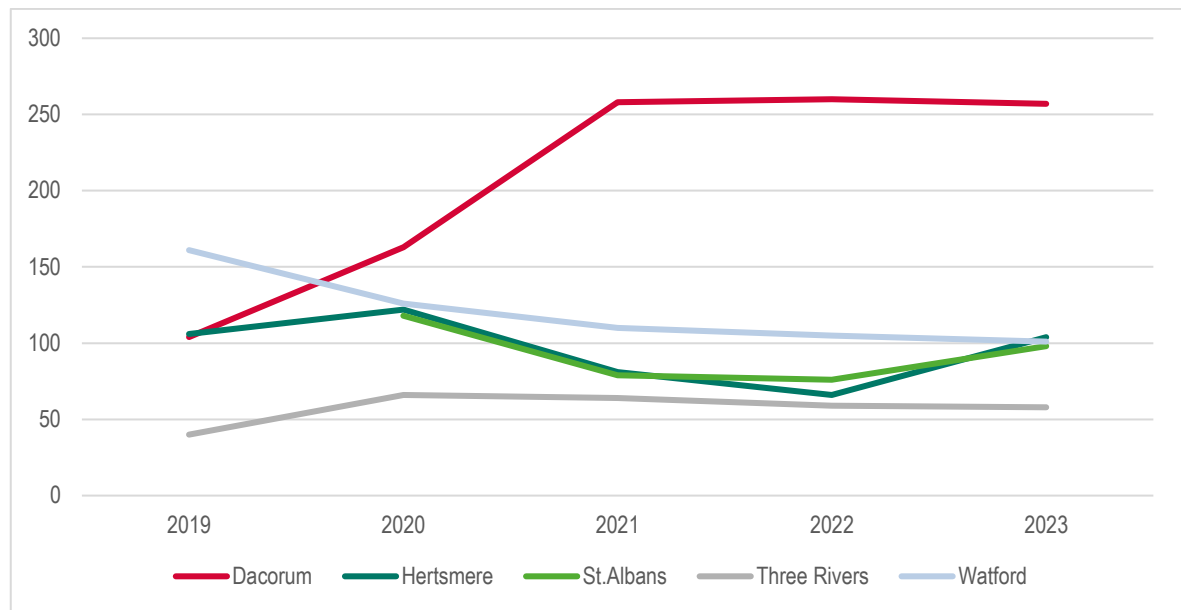
Temporary Accommodation

- 7.20 The figure below shows the number of households living in temporary accommodation in each Council area (figures include those for which the Council has a duty but are housed in another authority). Data is taken from Statutory Homelessness Statistics, which provide quarterly information about those who local authorities have a duty to accommodate as they are homeless through no fault of their own, eligible for assistance, and have a 'priority need'. This primarily includes those with children or a vulnerability, including disability or mental ill-health. The data presented is for March in each year from 2019 to 2023 with the start date reflecting data releases since the Homelessness Reduction Act (2017).

- 7.21 As with the Housing Register, the data shows some variation year-on-year in the number of households in temporary accommodation – there looks to have been a notable rise in Dacorum, but some reduction in Watford. As of March 2023, the number of households in temporary accommodation were:

- Dacorum – 257
- Hertsmere – 104
- St Albans – 98
- Three Rivers – 58
- Watford – 101

Figure 7.2 Number of Households living in Temporary Accommodation (2019-2023)



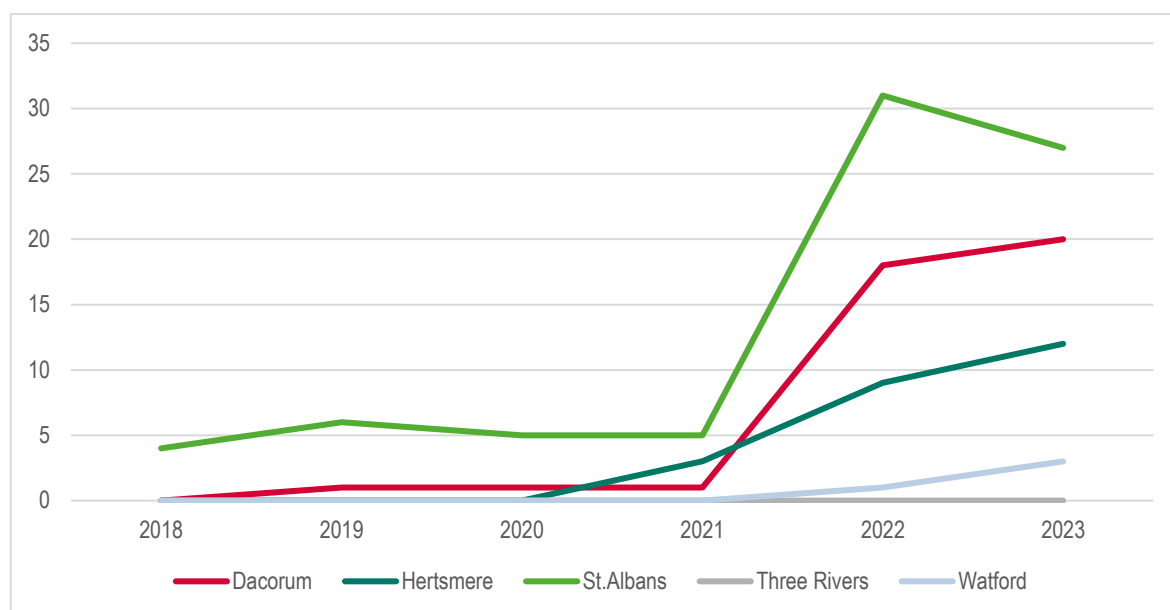
Source: DLUHC Statutory Homelessness Statistics

7.22 The final analysis below looks at trends in the number of asylum seekers in each local authority. This is based on data for 'Dispersal accommodation' which is described as accommodation provided to Asylum Seekers whose claim for Asylum Support has been agreed. Generally the number of asylum seekers across South West Herts is quite low, however there is a clear upward trend. As of March 2023 the number of asylum seekers housed in each authority was:

- Dacorum – 20
- Hertsmere – 12
- St Albans – 27
- Three Rivers – 0
- Watford – 3

7.23 The rise in asylum seeker numbers shown is likely to have been influenced by the launch of the Homes for Ukraine scheme and Ukraine Family Scheme in March 2022, in response to the Russian invasion; following on from the launch of the Afghan Relocations and Assistance Scheme and Hong King Nationals Scheme in 2021.

Figure 7.3 Number of asylum seekers housed in Dispersal Accommodation



Source: Home Office Asylum and Resettlement Datasets

7.24 In addition, there are more significant numbers living in contingency accommodation described as temporary accommodation (including hotels) used when there is insufficient Initial or Dispersal accommodation available. As of March 2023, there were 510 people in such accommodation in Dacorum, 40 in Hertsmere and 187 in St Albans.

7.25 Overall, the background data provides some indication of an affordable housing need. Whilst the Housing Register numbers are variable, it is clear there are many households seeking housing in all areas. This coupled with notable numbers living in temporary accommodation and a clear increase in the number of asylum seekers does point to pressures on the affordable housing stock across the HMA.

Current Need

7.26 In line with PPG paragraph 2a-020, the current need for affordable housing has been based on considering the likely number of households with one or more housing problems. The table below sets out the categories in the PPG and the sources of data being used to establish numbers. The PPG also includes a category where households cannot afford to own despite it being their aspiration – this category is considered separately in this report (under the title of the need for affordable home ownership).

7.27 Where the source shown is 'modelled data linking to past survey analysis', this is based on looking at surveys carried out nationally by Icen and JGC to seek to establish prevalence rates. These are mainly relevant to the private rented sector where there will be households who have a need due to a range of issues – the main ones generally being the threat of homelessness due to a tenancy ending, and housing costs leading to rent arrears. From national data applied to the size of different

housing sectors it is possible to establish a reasonable estimate of the likely number of households with a need currently.

Table 7.2 Main Sources for Assessing the Current Need for Affordable Housing

	Source	Notes
Homeless households (and those in temporary accommodation)	MHCLG Statutory Homelessness data	Household in temporary accommodation at end of quarter.
Households in overcrowded housing¹⁶	2021 Census table RM099	Analysis undertaken by tenure
Concealed households¹⁷	2021 Census table RM009	Number of concealed families
Existing affordable housing tenants in need	Modelled data linking to past survey analysis	Excludes overcrowded households
Households from other tenures in need	Modelled data linking to past survey analysis	

Source: PPG [2a-020]

- 7.28 The table below shows the estimated number of households in each of these categories (concealed and homeless households taken together as there is an overlap). This suggested a need from around 21,000 households in the SW Herts area, with just over half of these being overcrowded.

Table 7.3 Estimated housing need by category of household

	Households	% of households
Concealed/homeless household	4,269	20.3%
Households in overcrowded housing	10,752	51.2%
Existing affordable housing tenants in need	859	4.1%
Households from other tenures in need	5,138	24.4%
TOTAL	21,018	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

- 7.29 In taking this estimate forward, the data modelling next estimates the need by tenure and considers affordability. The affordability in different groups is based on estimates of how incomes are likely to

¹⁶ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2199>

¹⁷ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2109>

vary, for owner-occupiers there is a further assumption about potential equity levels. For homeless and concealed households it is assumed incomes will be low and households unlikely to be able to afford. The table below shows over half of those households identified above in the SW Herts area are unlikely to be able to afford market housing to buy OR rent and therefore there is a current need from 11,800 households.

Table 7.4 Estimated housing need and affordability by tenure

	Number in need	% unable to afford ¹⁸	Current need after affordability
Owner-occupied	4,580	4.5%	207
Affordable housing	4,667	83.1%	3,877
Private rented	7,502	45.9%	3,443
No housing (homeless/concealed)	4,269	100.0%	4,269
TOTAL	21,018	56.1%	11,797

Source: Derived from a range of sources as outlined in Table 7.2

7.30 Finally, from these estimates, households living in affordable housing are excluded (as these households would release a dwelling on moving and so no net need for affordable housing will arise). The total current need is therefore estimated to be around 7,900. For the purposes of analysis, it is assumed that the local authorities would seek to meet this need over a period of time. Given that this report typically looks at needs in the period from 2021 to 2041, the need is annualised by dividing by 20 (to give an annual need for 396 dwellings across all areas). This does not mean that some households would be expected to wait 20-years for housing as the need is likely to be dynamic, with households leaving the current need as they are housed but with other households developing a need over time. It provides an affordable housing figure which can be compared against the overall housing need on a like-for-like basis.

7.31 The table below shows this data for local authorities – this includes the number in need (once taking account of affordability), the number once excluding housing in affordable housing and the annual figure this represents.

¹⁸ The % unable to afford column is based on looking at an estimated income distribution for each group of households and testing what proportion have an income sufficient to access market housing without some form of subsidy. For owner-occupiers there is an additional assumption around equity levels being able to be used towards accessing housing.

Table 7.5 Estimated current housing need by local authority

	Number in need	Number in need, excluding those in affordable housing	Annualised
Dacorum	2,575	1,690	85
Hertsmere	2,398	1,563	78
St. Albans	1,984	1,205	60
Three Rivers	1,614	1,064	53
Watford	3,226	2,397	120
SW Herts	11,797	7,919	396

Source: Derived from a range of sources as outlined in Table 7.2

Newly-Forming Households

- 7.32 The number of newly forming households has been estimated through demographic modelling with an affordability test also being applied. This has been undertaken by considering the changes in households in specific 5-year age bands relative to numbers in the age band below, 5 years previously, to provide an estimate of gross household formation (the number of households which form each year). The calculation of newly-forming households thus is different from considering net household growth (the net change in households).
- 7.33 The number of newly-forming households is limited to households forming who are aged under 45 – this is consistent with CLG guidance (from 2007) which notes after age 45 that headship (household formation) rates ‘plateau’. There may be a small number of household formations beyond age 45 (e.g. due to relationship breakdown) although the number is expected to be fairly small when compared with formation of younger households.
- 7.34 In assessing the ability of newly forming households to afford market housing, data has been drawn from previous surveys undertaken nationally by Justin Gardner Consulting (JGC). This establishes that the average income of newly forming households is around 84% of the figure for households. This figure is remarkably consistent across areas (and is also consistent with analysis of English Housing Survey data at a national level).
- 7.35 The analysis has therefore adjusted the overall household income data to reflect the lower average income for newly forming households. The adjustments have been made by changing the distribution of income by bands such that average income level is 84% of the all household average. In doing this it is possible to calculate the proportion of households unable to afford market housing. For the purposes of the need for social/affordable rented housing this will relate to households unable to afford to buy OR rent in the market.

- 7.36 The assessment suggests overall that 46.8% of newly forming households will be unable to afford market housing (to rent privately) and this equates to a total of 2,241 newly forming households who will have a need per annum on average across the Study area.

Table 7.6 Estimated Need for Social/Affordable Rented Housing from Newly Forming Households (per annum)

	Number of new households	% unable to afford	Annual newly forming households unable to afford to rent
Dacorum	1,272	44.5%	566
Hertsmere	749	55.5%	415
St Albans	1,181	39.7%	469
Three Rivers	724	48.4%	350
Watford	867	50.7%	440
SW Herts	4,793	46.8%	2,241

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Affordable Housing Need

- 7.37 The second element of newly arising need is existing households falling into need. To assess this, information about past lettings in social/affordable rented has been used. The assessment looked at households who have been housed in general needs housing over the past three years – this group will represent the flow of households onto the Housing Register over this period. From this, newly forming households (e.g. those currently living with family) have been discounted as well as households who have transferred from another social/affordable rented property. Data has been drawn from a number of sources, including Local Authority Housing Statistics (LAHS) and Continuous Recording of Sales and Lettings (CoRe). Households in this category will include existing households who for instance fall into need as they are evicted from a private rented sector property; or others who can no longer afford market housing because of changes in their financial circumstances.
- 7.38 In the absence of any guidance in the PPG, this method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says on page 46 that *‘Partnerships should estimate the number of existing households falling into need each year by looking at recent trends. This should include households who have entered the housing register and been housed within the year as well as households housed outside of the register (such as priority homeless household applicants)’*. Following the analysis through suggests a need arising from 502 existing households each year across the Study area.

Table 7.7 Estimated Need for Social/Affordable Rented Housing from Existing Households Falling into Need (per annum)

	Total Additional Need	% of Total
Dacorum	175	34.7%
Hertsmere	86	17.0%
St Albans	123	24.4%
Three Rivers	48	9.6%
Watford	71	14.2%
SW Herts	502	100.0%

Source: Derived from a range of sources as outlined in Table 7.2

Supply of Social/Affordable Rented Housing Through Relets

- 7.39 The future supply of affordable housing through relets is the flow of affordable housing arising from the existing stock that is available to meet future need. This focusses on the annual supply of social/affordable rent relets.
- 7.40 The Practice Guidance suggests that the estimate of likely future relets from the social rented stock should be based on past trend data which can be taken as a prediction for the future. Information from a range of sources (mainly LAHS and CoRe) has been used to establish past patterns of social housing turnover. The figures are for general needs lettings but exclude lettings of new properties and also exclude an estimate of the number of transfers from other social rented homes. These exclusions are made to ensure that the figures presented reflect relets from the existing stock.
- 7.41 On the basis of past trend data it has been estimated that 881 units of social/affordable rented housing are likely to become available to let to new tenants each year moving forward for occupation by households in need.

Table 7.8 Analysis of Past Social/Affordable Rented Housing Supply, 2019/20 – 2021/22 (average per annum) – South West Herts

	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2019/20	1,604	85.2%	1,367	53.6%	732
2020/21	1,525	84.4%	1,287	63.9%	823
2021/22	2,154	76.9%	1,657	65.6%	1,087
Average	1,761	81.6%	1,437	61.5%	881

Source: CoRe

- 7.42 The table below shows the estimated supply of affordable housing from relets in each local authority – figures varying from 88 per annum in Three Rivers, up to 331 in Dacorum.

Table 7.9 Estimated supply of affordable housing from relets of existing stock by local authority (per annum)

	Annual supply	% of supply
Dacorum	331	37.6%
Hertsmere	146	16.6%
St Albans	203	23.1%
Three Rivers	88	10.0%
Watford	113	12.8%
SW Herts	881	100.0%

Source: CoRe

- 7.43 The PPG model also includes the bringing back of vacant homes into use and the pipeline of affordable housing as part of the supply calculation. These have however not been included within the modelling in this report. Firstly, there is no evidence of any substantial stock of vacant homes (over and above a level that might be expected to allow movement in the stock). Secondly, with the pipeline supply, it is not considered appropriate to include this as to net off new housing would be to fail to show the full extent of the need, although in monitoring it will be important to net off these dwellings as they are completed.

Net Need for Social/Affordable Rented Housing

- 7.44 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 2,258 dwellings per annum across the area – an affordable need is seen in all local authorities. The net need is calculated as follows:

Net Need = Current Need (allowance for) + Need from Newly-Forming Households + Existing Households falling into Need – Supply of Affordable Housing

Table 7.10 Estimated Need for Social/Affordable Rented Housing (per annum)

	Current need	Newly forming house-holds	Existing house-holds falling into need	Total Gross Need	Relet Supply	Net Need
Dacorum	85	566	175	825	331	494
Hertsmere	78	415	86	579	146	433
St. Albans	60	469	123	652	203	449
Three Rivers	53	350	48	451	88	364
Watford	120	440	71	631	113	518
SW Herts	396	2,241	502	3,139	881	2,258

Source: Affordable Housing Needs Modelling

- 7.45 When compared with a similar assessment carried out in 2020, this report points to a higher net need for affordable housing (an annual figure of 1,994 in 2020). The difference between figures is

largely driven by a reduction in estimated future relet supply due to turnover of stock having been notably lower in the recent past. This difference is in part due to the 2020 report including supported housing relets (although there is a knock-on effect of also including some existing households falling into need for supported housing). Supported housing (mostly older persons housing) is dealt with separately in this report.

- 7.46 Overall, the difference is not considered to be substantial, with both reports clearly pointing to the need to provide as much rented affordable housing as opportunities allow.

Table 7.11 Estimated Need for Social/Affordable Rented Housing (per annum) – comparing key data from 2020 SHMA report

		Total Gross Need	Relet Supply	Net Need
Dacorum	2020	993	630	363
	This study	825	331	494
Hertsmere	2020	585	228	356
	This study	579	146	433
St. Albans	2020	745	303	443
	This study	652	203	449
Three Rivers	2020	483	133	350
	This study	451	88	364
Watford	2020	712	230	482
	This study	631	113	518
SW Herts	2020	3,517	1,523	1,994
	This study	3,139	881	2,258

Source: Affordable Housing Needs Modelling and 2020 Study (Table 37)

Split Between Social and Affordable Rented Housing

- 7.47 The analysis above has studied the overall need for social and affordable rented housing with a focus on households who cannot afford to rent in the market. These households will therefore have a need for some form of rented housing at a cost below typical market rates. Typically, there are two main types of rented affordable accommodation (social and affordable rented). The analysis in this section considers the affordability of rented housing taking account of local incomes. This is intended to be an input to the consideration of policies for the delivery of rented affordable housing (alongside issues related to development viability and available funding).

Current Rents for Different Products

- 7.48 The tables below show current (2023) rent levels in the Study area for a range of products along with relevant Local Housing Allowance (LHA) rates. South West Herts is split across a number of Broad Rental Market Areas (BRMA) for the purposes of LHA, but the majority of the area (including key settlements of Watford, Hemel Hempstead and St Albans) are all within the South West Herts

BRMA. All relevant LHA rates are included in the tables although it should be noted this does not have any impact on the analysis to follow and should be seen as included for reference purposes.

- 7.49 Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH), which records average social and affordable rents being charged in each local authority, and this is compared with lower quartile and median market rents (from ONS data). The LHA rates for all sizes of home are typically below lower quartile market rents and notably below median figures. This does potentially mean that **households seeking accommodation in many locations may struggle to secure sufficient benefits (through Local Housing Allowance) to cover their rent.**
- 7.50 In November 2023 the Chancellor of the Exchequer took the decision to unfreeze Local Housing Allowance. This will allow people to claim more support for their rental costs going forwards.

Table 7.12 Comparison of rent levels for different products – Dacorum

	1- bedroom	2- bedrooms	3- bedrooms	4- bedrooms	All
Social rent	£437	£513	£572	£612	£519
Affordable rent (AR)	£664	£810	£994	£1,135	£797
Lower quartile (LQ) market rent	£825	£995	£1,300	£1,600	£900
Median market rent	£875	£1,125	£1,400	£1,950	£1,100
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Aylesbury)	£673	£798	£1,047	£1,392	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-

Source: RSH, ONS and VOA

Table 7.13 Comparison of rent levels for different products – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£441	£523	£594	£653	£536
Affordable rent (AR)	£680	£865	£987	£992	£826
Lower quartile (LQ) market rent	£895	£1,175	£1,450	£1,850	£1,050
Median market rent	£950	£1,275	£1,555	£2,200	£1,300
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Outer North London)	£1,067	£1,296	£1,596	£1,895	-
LHA (South East Herts)	£748	£922	£1,197	£1,396	-

Source: RSH, ONS and VOA

Table 7.14 Comparison of rent levels for different products – St Albans

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£454	£547	£623	£693	£541
Affordable rent (AR)	£711	£917	£1,133	£1,096	£888
Lower quartile (LQ) market rent	£850	£1,150	£1,500	£2,200	£1,000
Median market rent	£932	£1,300	£1,750	£2,670	£1,260
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

Table 7.15 Comparison of rent levels for different products – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£415	£503	£566	£623	£504
Affordable rent (AR)	£613	£753	£850	£990	£748
Lower quartile (LQ) market rent	£900	£1,125	£1,450	£1,950	£1,075
Median market rent	£995	£1,250	£1,600	£2,250	£1,275
LHA (South West Herts)	£798	£997	£1,296	£1,695	-
LHA (Chilterns)	£748	£972	£1,247	£1,645	-
LHA (North West London)	£997	£1,247	£1,546	£1,845	-

Source: RSH, ONS and VOA

Table 7.16 Comparison of rent levels for different products – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms	All
Social rent	£436	£496	£546	£610	£506
Affordable rent (AR)	£699	£880	£999	£1,102	£835
Lower quartile (LQ) market rent	£900	£1,185	£1,400	£1,875	£1,000
Median market rent	£995	£1,250	£1,563	£2,125	£1,200
LHA (South West Herts)	£798	£997	£1,296	£1,695	-

Source: RSH, ONS and VOA

7.51 To some extent it is easier to consider the data above in terms of the percentage one housing cost is of another and this is shown in the tables below. Caution should be exercised when looking at the overall averages as these will be influenced by the profile of stock in each category: as such the averages will be skewed slightly towards 2-bedroom homes, which make up the majority of rented stock. This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) and that affordable rents (as currently charged) represent 68%-84% of a current lower quartile market rent (62%-76% if comparing with a median rent). Whilst affordable rents are up to 80% of market rent (including service charges), the rent can be set lower and is evidently set based on the estimated market rent for individual properties.

Table 7.17 Difference between rent levels for different products – Dacorum

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	66%	53%	50%	81%	76%	94%
2-bedrooms	63%	52%	46%	81%	72%	88%
3-bedrooms	58%	44%	41%	76%	71%	93%
4-bedrooms	54%	38%	31%	71%	58%	82%
All	65%	58%	47%	89%	72%	82%

Source: RSH, ONS and VOA

Table 7.18 Difference between rent levels for different products – Hertsmere

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	65%	49%	46%	76%	72%	94%
2-bedrooms	60%	44%	41%	74%	68%	92%
3-bedrooms	60%	41%	38%	68%	64%	93%
4-bedrooms	66%	35%	30%	54%	45%	84%
All	65%	51%	41%	79%	64%	81%

Source: RSH, ONS and VOA

Table 7.19 Difference between rent levels for different products – St Albans

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	64%	53%	49%	84%	76%	91%
2-bedrooms	60%	48%	42%	80%	71%	88%
3-bedrooms	55%	42%	36%	76%	65%	86%
4-bedrooms	63%	32%	26%	50%	41%	82%
All	61%	54%	43%	89%	70%	79%

Source: RSH, ONS and VOA

Table 7.20 Difference between rent levels for different products – Three Rivers

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	68%	46%	42%	68%	62%	90%
2-bedrooms	67%	45%	40%	67%	60%	90%
3-bedrooms	67%	39%	35%	59%	53%	91%
4-bedrooms	63%	32%	28%	51%	44%	87%
All	67%	47%	40%	70%	59%	84%

Source: RSH, ONS and VOA

Table 7.21 Difference between rent levels for different products – Watford

	Social rent as % of affordable rent	Social rent as % of LQ market rent	Social rent as % of median market rent	Affordable rent as % of LQ market rent	Affordable rent as % of median market rent	LQ market rent as % of median market rent
1-bedroom	62%	48%	44%	78%	70%	90%
2-bedrooms	56%	42%	40%	74%	70%	95%
3-bedrooms	55%	39%	35%	71%	64%	90%
4-bedrooms	55%	33%	29%	59%	52%	88%
All	61%	51%	42%	84%	70%	83%

Source: RSH, ONS and VOA

Affordability of Current Social/Affordable Rents

- 7.52 An analysis has been undertaken to compare the income distribution of households with the cost of different products – initially based on actual affordable and social rents as published by the Regulator of Social Housing. For comparative purposes a lower quartile market rent is used to determine the group of households who cannot afford a market rent and would therefore benefit from a subsidised rent.
- 7.53 For the affordability test, a standardised average rent for each product has been used based on the proportion of stock in each size category and looks at the estimated income distribution of households likely to be seeking rented affordable housing. The table below suggests that across SW Herts around 15% of households who cannot afford to rent privately could afford an affordable rent, with a further 29% being able to afford a social rent (but not an affordable one). In both cases this is without benefit support. A total of 55% of households would need some degree of benefit support to be able to afford their housing (regardless of the tenure).
- 7.54 There is some variation by area, with affordable rents looking to be most affordable in Three Rivers and less so in Dacorum. It should be remembered that this finding is based on current affordable rent levels and the proportions would be different if rent levels are higher or lower than current averages.

Table 7.22 Estimated need for affordable rented housing (% of households able to afford)

	Afford affordable rent	Afford social rent	Need benefit support	All unable to afford market
Dacorum	12%	29%	59%	100%
Hertsmere	14%	26%	60%	100%
St Albans	16%	33%	51%	100%
Three Rivers	25%	24%	51%	100%
Watford	13%	32%	55%	100%
SW Herts	15%	29%	55%	100%

Source: Affordability analysis

- 7.55 The finding that only 15% of households can afford an affordable rent does not automatically lead to a policy conclusion on the split between the two types of housing. In particular, many households who will need to access rented accommodation will be benefit dependent and as such could technically afford an affordable rent (with their income being supported by benefits) – hence a higher proportion of affordable rented housing might be appropriate. Indeed the analysis does identify a substantial proportion of households as being likely to need benefit support. On the flip side, providing more social rents might enable households to return to work more easily, as a lower income would potentially be needed to afford the lower social (rather than affordable) rent.

7.56 There will be a series of other considerations both at a strategic level and for specific schemes. For example, there may be funding streams that are only available for a particular type of housing, and this may exist independently to any local assessment of need. Additionally, there will be the consideration of the balance between the cost of housing and the amount that can be viably provided, for example, it is likely that affordable rented housing is more viable, and therefore a greater number of units could be provided. Finally, in considering a split between social and affordable rented housing it needs to be considered that having different tenures on the same site (at least at initial occupation) may be difficult – e.g. if tenants are paying a different rent for essentially the same size/type of property and services.

7.57 To illustrate this, the table below provides an **indicative** assessment of the capital values associated with social rent and affordable rented properties. This takes the average rental figures shown for each area in Tables 7.12 – 7.16 and assumes 20% of the rent is consumed by operating costs and a 4% yield. There is inevitably a trade-off between the delivery of affordable housing which is genuinely affordable as against how much affordable housing can be delivered.

Table 7.23 Indicative Capital Values for Social Rent and Affordable Rented Properties, SW Herts

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Capital value - Social Rent	£124,560	£128,640	£129,840	£120,960	£121,200	£125,040
Capital Value - Affordable Rent	£191,280	£198,240	£213,120	£179,520	£198,000	£196,032
Difference per Unit	£66,720	£69,600	£83,280	£58,560	£76,800	£70,992

Source: Iceni high-level estimates

7.58 **There are therefore policy choices to be made by individual authorities around how policies are crafted**, recognising that on the one hand there is a case for delivering higher proportions of social rented provision which is more ‘genuinely affordable’ having regard to incomes; whilst on the other hand, providing more homes at affordable rent could help to support stronger overall delivery of rented affordable homes with households being able to supplement their income with LHA. The analysis is however clear that there is need for both social and affordable rented homes.

7.59 Decisions should be influenced by individual authorities’ priorities, the results of viability evidence and funding availability.

Affordable Rents at 60%, 70% and 80% of the Market

7.60

The analysis below seeks to investigate the potential impact of providing affordable rents at a 20%, 30% and 40% discount from market rents (i.e. rents at 60%, 70% and 80%). The analysis considers housing costs at percentage discounts to median rents and compares these to incomes in order to assess the proportion of households who need rented affordable housing who could afford these rents without benefit support. In reality, it is possible that the open market rents (prior to any discount) could be even higher than the median values, if they have a premium due to being a newbuild product.

Table 7.24 Estimated Monthly Rental Costs at Different Levels of Discount – Dacorum

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£700	£613	£525
2-bedrooms	£900	£788	£675
3-bedrooms	£1,120	£980	£840
4-bedrooms	£1,560	£1,365	£1,170

Source: Derived from ONS data

Table 7.25 Estimated Monthly Rental Costs at Different Levels of Discount – Hertsmere

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£760	£665	£570
2-bedrooms	£1,020	£893	£765
3-bedrooms	£1,244	£1,089	£933
4-bedrooms	£1,760	£1,540	£1,320

Source: Derived from ONS data

Table 7.26 Estimated Monthly Rental Costs at Different Levels of Discount – St. Albans

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£746	£652	£559
2-bedrooms	£1,040	£910	£780
3-bedrooms	£1,400	£1,225	£1,050
4-bedrooms	£2,136	£1,869	£1,602

Source: Derived from ONS data

Table 7.27 Estimated Monthly Rental Costs at Different Levels of Discount – Three Rivers

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,280	£1,120	£960
4-bedrooms	£1,800	£1,575	£1,350

Source: Derived from ONS data

Table 7.28 Estimated Monthly Rental Costs at Different Levels of Discount – Watford

	Discount from median market		
	20% (80% of market)	30% (70% of market)	40% (60% of market)
1-bedroom	£796	£697	£597
2-bedrooms	£1,000	£875	£750
3-bedrooms	£1,250	£1,094	£938
4-bedrooms	£1,700	£1,488	£1,275

Source: Derived from ONS data

- 7.61 These figures have been modelled in the same way as for existing rent levels to look at the proportion of households (who need rented affordable homes) able to afford different rent levels. In all cases the social rent is as previously set out and so it is only the first two categories in the tables below that vary. The proportion of households who require benefit support remain consistent across the rent levels tested. The outputs based on existing rents have also been included for reference – this is the outputs shown above and shows proportions able to afford current lower quartile market rents, current affordable rents and current social rents, the latter two figures being drawn from data from the Regulator of Social Housing.
- 7.62 The analysis suggests when looking at a 20% discount from median rents that very few additional households (additional to those able to afford the market) are now able to afford housing based on their incomes (just 5-6% in all areas) although higher discounts do see a greater proportion of households being able to afford an affordable rent without benefit support. Put simply, if the affordable rent is set at a lower proportion of market rents, more households are able to afford it (without financial support).
- 7.63 The tables below thus show the effect of setting affordable rent levels at different levels on the proportion of households who can afford affordable rented housing without financial support. With lower affordable rents, the proportion who can afford these increases; reducing those who would need social rented homes (as opposed to affordable rents).

Table 7.29 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Dacorum

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	12%	6%	13%	21%
% Afford social rent	29%	35%	28%	19%
% Need benefit support	59%	59%	59%	59%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.30 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Hertsmere

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	14%	5%	11%	19%
% Afford social rent	26%	35%	30%	22%
% Need benefit support	60%	60%	60%	60%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.31 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – St Albans

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	16%	5%	14%	24%
% Afford social rent	33%	44%	35%	25%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.32 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Three Rivers

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	25%	5%	13%	22%
% Afford social rent	24%	44%	36%	27%
% Need benefit support	51%	51%	51%	51%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

Table 7.33 Estimated Proportion of Households able to afford Affordable Rents at Different Levels of Discount – Watford

	Based on existing rents	Discount from median market		
		20% (80% of market)	30% (70% of market)	40% (60% of market)
% Afford affordable rent	13%	5%	11%	18%
% Afford social rent	32%	40%	34%	27%
% Need benefit support	55%	55%	55%	55%
All unable to afford market	100%	100%	100%	100%

Source: Affordability Analysis

7.64 On the basis of this analysis, and taking into account the likelihood that the open market rent of new-build homes is likely to be at or above the median, where Councils seek to set rents at levels which are ‘*genuinely affordable*’ having regard to local incomes, the evidence suggests that rental costs at 60% of market values (inclusive of service charges) would be a sensible starting point. Providing rented affordable housing at these levels would see a reasonable proportion of households in need being able to afford their rent without subsidy (in the form of housing benefit support).

7.65 These issues need however to be considered against the effects on residential development viability in setting policies. As above, there are potential trade-offs between Councils’ expectations on rents, the extent to which households need benefit support to afford their rent, and the volume of rented affordable housing delivered. Different Councils within the HMA may have different positions on these issues.

Current Rent Levels at 60% of Market Rent

7.66 The tables below indicate what rents would be if set at 60% of market rents for different property sizes and local authorities.

Table 7.34 Affordable Rent Levels based on 60% of median market rents – Dacorum

Per Calendar Month	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£437	£825	£525
2-bedrooms	£513	£995	£675
3-bedrooms	£572	£1,300	£840
4-bedrooms	£612	£1,600	£1,170

Source: Based on RSH and ONS data

Table 7.35 Affordable Rent Levels based on 60% of median market rents – Hertsmere

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£441	£895	£570
2-bedrooms	£523	£1,175	£765
3-bedrooms	£594	£1,450	£933
4-bedrooms	£653	£1,850	£1,320

Source: Based on RSH and ONS data

Table 7.36 Affordable Rent Levels based on 60% of median market rents – St Albans

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£454	£850	£559
2-bedrooms	£547	£1,150	£780
3-bedrooms	£623	£1,500	£1,050
4-bedrooms	£693	£2,200	£1,602

Source: Based on RSH and ONS data

Table 7.37 Affordable Rent Levels based on 60% of median market rents – Three Rivers

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£415	£900	£597
2-bedrooms	£503	£1,125	£750
3-bedrooms	£566	£1,450	£960
4-bedrooms	£623	£1,950	£1,350

Source: Based on RSH and ONS data

Table 7.38 Affordable Rent Levels based on 60% of median market rents – Watford

PCM	Social rent	Lower quartile (LQ) market rent	Suggested affordable rent (AR)
1-bedroom	£436	£900	£597
2-bedrooms	£496	£1,185	£750
3-bedrooms	£546	£1,400	£938
4-bedrooms	£610	£1,875	£1,275

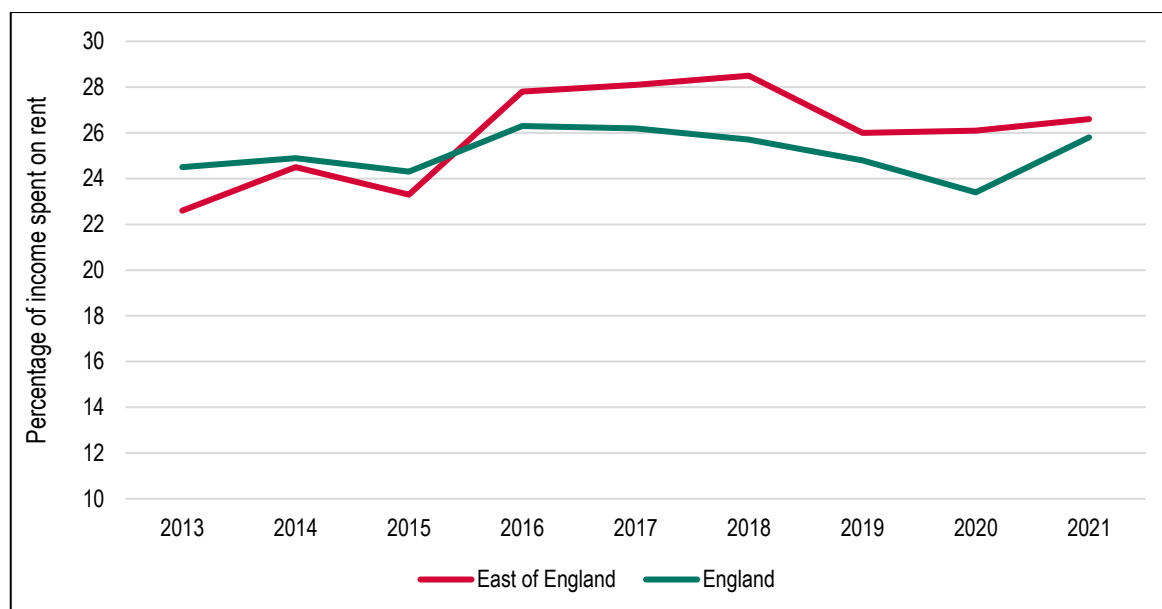
Source: Based on RSH and ONS data

Future Proofing

- 7.67 The analysis is based on data at a point in time (largely data relating to 2022). It is possible that the percentages calculated and therefore the conclusions drawn could change over time, for example if market rents were to increase faster than social rents then the discount from the market might need to increase to keep rents affordable. Likewise, if private rents were to increase at a different rate to local incomes then the proportions able to afford would change, which in turn could lead to a different conclusion about how much discount is required to be affordable.

7.68 It is however reasonably likely that incomes and rents are likely to increase at a similar rate over time (as affordability tends to cap growth in rents considered over a number of years). The figure below shows estimated change to the private rental affordability ratio in England and the East of England for the 2013-21 period. This is a dataset published by ONS and the period used is the full period studied. The ratio shown is comparing monthly rents with estimated monthly incomes. The analysis shows for the East of England an increase in this ratio from 2015 to 2016 but that since then the ratio has declined. For England, a more modest increase was shown for 2015-16 and subsequently a greater decline before increasing in the 2020-21 period. Overall, for the period studied there does not appear to be any notable trend with the ratio between private sector rents and incomes remaining at broadly the same level.

Figure 7.4 Percent of income spent of privately renting – East of England and England (2013-21)



Source: ONS Private Rental Affordability data

Affordable Private Rent

7.69 The NPPF, within the Glossary, identified that for Build to Rent schemes, affordable housing for rent is expected to be delivered as Affordable Private Rent. It does not require the involvement of a Registered Provider and envisages that such schemes will have single ownership and management control. Build to rent schemes are exempt from the requirement for 10% of homes to be provided for affordable home ownership (see NPPF Para 66).

7.70 The Build to Rent Planning Practice Guidance sets out that affordable housing should be provided by default as affordable private rent and managed by the built to rent landlord. The Guidance outlines that generally 20% is a suitable benchmark for the level of affordable housing provision; with a minimum rent of 20% discount on the private market rent for equivalent properties (which is

calculated when the home is let or tenancy renewed) and is expected to increase over time in line with the market rates achieved in the scheme. The PPG essentially envisages it as an intermediate rent product.

- 7.71 The analysis in Chapter 10 considers the demand for build to rent development. It is evidently a relatively embryonic market in South West Herts at the current time; with initial schemes coming forwards in central locations in Hemel Hempstead and Watford. The PPG position seeks to recognise the immature position of this market; and provide a policy framework which will enable it to grow and contribute to increasing housing delivery. These are also relevant considerations in setting affordable housing policies.
- 7.72 Iceni's experience is that the economics of a build-to-rent scheme differ from that of standard build-to-sale schemes. The financial model is fundamentally different; with returns achieved on the investment spread over a number of years (rather than in the short-term on a build to sale scheme). There can also be higher build costs associated with developments which are 'built to last', differences in net/gross floorspace ratios (as schemes include communal space and services), and higher operational (opex) costs. The development risk profile is also different, not least as an immature market, impacting on the Internal Rate of Return (IRR). Fundamentally this means that viability evidence needs to consider the specific economics of Build to Rent development. In the context of viability differences and the Planning Practice Guidance, this may justify a differential affordable housing policy position – such as a lower % affordable housing requirement - being applied to Build to Rent schemes.
- 7.73 Rent levels expected for affordable private rent should be set out in policies in terms of the percentage discount to market rents (inclusive of service charge). Whilst the affordability analysis above could support discounts of 40% or more on market rents to make properties 'genuinely affordable', this needs to be balanced against what can viably be supported – with the PPG specifically referencing effective trade-offs between the rental discount and proportion of units provided at affordable private rent. There will be policy judgements within this regarding what different local authorities want to see; which can be tested through the viability evidence as part of the plan-making process.

Establishing a Need for Affordable Home Ownership

- 7.74 The Planning Practice Guidance confirms a widening definition of those to be considered as in affordable need; now including households '*that cannot afford their own homes, either to rent, or to own, where that is their aspiration*'. However, at the time of writing, there is no guidance about how the number of households with a need for affordable home ownership should be measured.

-
- 7.75 The methodology used in this report therefore draws on the current methodology, and includes an assessment of current needs, and projected need (newly forming and existing households). The key difference is that in looking at affordability an estimate of the number of households in the 'gap' between buying and renting is used. There is also the issue of establishing an estimate of the supply of affordable home ownership homes – this is considered separately below.
- 7.76 The analysis has been developed in the context of First Homes with national policy now requiring that 25% of all affordable housing secured through developer contributions should be within this tenure. A definition of First Homes (from the relevant 'First Homes' PPG (70-001)) can be found later in this document.

Gross Need for Affordable Home Ownership

- 7.77 The first part of the analysis seeks to understand what the gap between renting and buying actually means in the Study area – in particular establishing the typical incomes that might be required. The information about incomes required to both buy and rent in different locations has already been provided earlier in this section and so the discussion below is a broad example.
- 7.78 Using the income distributions developed (as set out in Appendix A4) along with data about price and rents, it has been estimated that of all households living in the private rented sector, around 23% already have sufficient income to buy a lower quartile home, with 33% falling in the rent/buy 'gap'. The final 44% are estimated to have an income below which they cannot afford to rent privately (i.e. would need to spend more than the calculated threshold of their income on housing costs) although in reality it should be noted that many households will spend a higher proportion of their income on housing whilst others will have their income supplemented by housing benefits.
- 7.79 These figures have been based on an assumption that incomes in the private rented sector are around 88% of the equivalent figure for all households (a proportion derived from the English Housing Survey) and are used as it is clear that affordable home ownership products are likely to be targeted at households living in the sector or who might be expected to access it (e.g. newly forming households).

Table 7.39 Estimated proportion of households living in Private Rented Sector able to buy and/or rent market housing without support (2023)

	Can afford to buy OR rent	Can afford to rent but not buy	Cannot afford to buy OR rent
Dacorum	26%	32%	42%
Hertsmere	15%	32%	53%
St Albans	22%	41%	37%
Three Rivers	20%	34%	46%
Watford	28%	24%	48%
SW Herts	23%	33%	44%

Source: Derived from Housing Market Cost Analysis and Affordability Testing

- 7.80 The finding that a proportion of households in the private rented sector are likely to have an income that would allow them to buy a home is also noteworthy and suggests for some households, barriers to accessing owner-occupation are less about income/the cost of housing and more about other factors (which could for example include the lack of a deposit or difficulties obtaining a mortgage (for example due to a poor credit rating or insecure employment)). However, some households will choose to privately rent, for example as it is a more flexible option that may be more suitable for a particular household's life stage (e.g. if moving locations with employment).
- 7.81 To study current need, an estimate of the number of households living in the Private Rented Sector (PRS) has been established, with the same (rent/buy gap) affordability test (as described above) then applied. The start point is the number of households living in private rented accommodation; as of the 2021 Census there were some 38,300 households living in the sector across the Study area (renting from private landlord or letting agency).
- 7.82 Additional data from the English Housing Survey (EHS) suggests that 60% of all PRS households expect to become an owner at some point (23,000 households if applied to South West Herts) and of these some 40% (9,200 households) would expect this to happen in the next 2-years. These figures are taken as the number of households potentially with a current need for affordable home ownership before any affordability testing.
- 7.83 As noted above, on the basis of income it is estimated that around a third of the private rented sector sit in the gap between renting and buying (varying by location). Applying this proportion to the above figures would suggest a current need for around 2,930 affordable home ownership units (146 per annum if annualised over a 20-year period).
- 7.84 In projecting forward, the analysis can consider newly forming households and also the remaining existing households who expect to become owners further into the future. Applying the same affordability test (albeit on a very slightly different income assumption for newly forming households) suggests an annual need from these two groups of around 1,800 dwellings (1,570 from newly forming households and 220 from existing households in the private rented sector).

- 7.85 Bringing together the above analysis suggests that there is a need for around 1,938 affordable home ownership homes (priced for households able to afford to rent but not buy) per annum across the Study area. This is before any assessment of the potential supply of housing is considered.

Table 7.40 Estimated Gross Need for Affordable Home Ownership (arising per annum)

	Current need	Newly forming households	Existing households falling into need	Total Gross Need
Dacorum	32	402	47	481
Hertsmere	25	235	38	298
St Albans	43	487	64	593
Three Rivers	17	245	26	288
Watford	30	203	44	277
SW Herts	146	1,572	220	1,938

Source: Derived from a range of data

Potential Supply of Housing to Meet the Affordable Home Ownership Need and Net Need

- 7.86 As with the need for social/affordable rented housing, it is also necessary to consider if there is any supply of affordable home ownership products from the existing stock of housing. As with assessing the need for affordable home ownership, it is the case that at present the PPG on 'Housing and Economic Needs Assessments' does not include any suggestions about how the supply of housing to meet these needs should be calculated.
- 7.87 One source is likely to be resales of low cost home ownership products with data from the Regulator of Social Housing showing a total stock in 2022 of 1,922 homes. If these homes were to turnover at the same rate seen for the social housing stock then they would be expected to generate around 39 resales each year. These properties would be available for these households and can be included in the potential supply.
- 7.88 In addition, it should be noted that the analysis looks at households unable to afford a lower quartile property price. By definition, a quarter of all homes sold will be priced at or below a lower quartile level. According to the Land Registry, in South West Herts there were a total of 6,667 resales (i.e. excluding newly-built homes) in the last year (year to September 2022) and therefore around 1,667 would be priced below the lower quartile. This is 1,667 homes that would potentially be affordable to the target group for affordable home ownership products.
- 7.89 It is then possible to provide a best estimate of the supply of lower quartile homes that are bought by the target group of households (assumed to be first-time buyers). Whilst dated, a report by Bramley and Wilcox in 2010 (Evaluating requirements for market and affordable housing) noted

that around 40% of first-time buyers with a mortgage buy at or below the lower quartile¹⁹. Other recent data suggests that first time buyers account for around half of home purchase loans²⁰ with a total of around 65% of all homes being bought with a loan (35% as cash buyers²¹).

7.90 Bringing this together would point to 32.5% of homes being bought by first-time buyers and around 13% of all homes being a lower quartile home bought by a first-time buyer (32.5% × 40%) – this would point to around half of all lower quartile sales as being to first-time buyers (as half of 25% is 12.5%). Therefore, for the purposes of estimating a ‘need’ half of all lower quartile sales are included in the supply.

7.91 We can therefore now provide three supply estimates which can be considered in the context of the estimated need. These are:

- Only count the supply from affordable home ownership resales (39 per annum);
- Include the supply from affordable home ownership and half of resales of lower quartile homes (872 per annum (833+39)); and
- Include the supply from affordable home ownership and all resales of lower quartile homes (1,705 per annum (1,667+39)).

7.92 The table below shows the estimated net need from applying these three supply scenarios. Only including the resales of AHO shows a need for 1,899 dwellings per annum and this reduces to 1,066 if 50% of lower quartile sales are included. If all lower quartile sales are included in the supply, then there is a more modest need for affordable home ownership shown.

Table 7.41 Estimated Net Need for Affordable Home Ownership (arising per annum)

	AHO resales only	AHO resales plus 50% of LQ sales	AHO resales plus 100% of LQ sales
Total gross need	1,938	1,938	1,938
LCHO supply	39	872	1,705
Net need	1,899	1,066	233

Source: JGC/Iceni analysis derived from a range of sources

7.93 Focussing on the middle of the three scenarios above (50% of lower quartile sales) the table below shows a need for affordable home ownership in all areas, although the ‘need’ is much lower than for rented products. This middle scenario is the preferred scenario on which conclusions are drawn

¹⁹ https://thinkhouse.org.uk/site/assets/files/1614/2010_20nhpau_202.pdf

²⁰ <https://www.mortgagesolutions.co.uk/news/2022/01/24/first-time-buyer-numbers-rose-to-nearly-410000-in-2021/#:~:text=First%2Dtime%20buyers%20accounted%20for,39%20per%20cent%20in%202009>

²¹ <https://www.ft.com/content/e0ad2830-094f-4e61-acaa-d77457e2edbb>

as households are likely to be able to afford some market homes priced at the lower quartile but not all; and there will be quality issues for some cheaper properties.

Table 7.42 Estimated Need for Affordable Home Ownership by local authority (arising per annum)

	Total Gross Need	Supply	Net need
Dacorum	481	239	243
Hertsmere	298	142	156
St Albans	593	240	353
Three Rivers	288	125	163
Watford	277	127	150
SW Herts	1,938	872	1,066

Source: JGC/Iceni analysis derived from a range of sources

How Much Should Affordable Home Ownership Homes Cost?

- 7.94 The analysis and discussion above suggest there are a number of households likely to need affordable home ownership homes. The analysis below focusses on the cost of discounted market sale (which would include First Homes) to make them genuinely affordable; before moving on to consider shared ownership (in this case suggestions are made about the equity shares likely to be affordable and whether these shares are likely to be offered). This section also provides some comments about Rent to Buy housing. It will be important for the Council to ensure that any affordable home ownership is sold at a price that is genuinely affordable for the intended target group.

First Homes and other Discounted Market Sale Housing

- 7.95 In May 2021, MHCLG published a new Planning Practice Guidance (PPG) regarding First Homes. The key parts of this guidance are set out below:

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).*

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations.

-
- 7.96 In terms of eligibility criteria, a First Home purchaser should be a first-time buyer with a combined annual household income not exceeding £80,000 and a mortgage needs to fund a minimum of 50% of the discounted purchase price. Local authorities can set their own eligibility criteria, which could for example involve lower income caps, a local connection test, or criteria based on employment status. Regarding discounts, a First Home must be sold at least 30% below the open market value. However, local authorities do have the discretion to require a higher minimum discount of either 40% or 50% (if they can demonstrate a need for this).
- 7.97 The problem with having a percentage discount is that it is possible in some locations or types of property that such a discount still means that the discounted housing is more expensive than that typically available in the open market. This is often the case as new build housing itself attracts a price premium.
- 7.98 The approach used in this report is to set out a series of purchase costs for different sizes of accommodation which ensure these products are affordable for the intended group. These purchase costs are based on current lower quartile rental prices and also consideration of the income required to access the private rented sector and then estimating what property price this level of income might support (assuming a 10% deposit and a 4.5 times mortgage multiple). Below is an example of a calculation based on a 2-bedroom home in Dacorum:
- Previous analysis has shown that the lower quartile rent for a 2-bedroom home in Dacorum is £995 per month;
 - On the basis of a household spending no more than 30% of their income on housing, a household would need an income of around £3,300 per month to afford ($£995/0.3$) or £39,800 per annum; and
 - With an income of £39,800, it is estimated that a household could afford to buy a home for around £199,000. This is based on assuming a 10% deposit (mortgage for 90% of value) and a 4.5 times mortgage multiple – calculated as $£39,800 \times 4.5/0.9$.
- 7.99 Therefore, £199,000 is a suggested purchase price to make First Homes/discounted home ownership affordable for households in the rent/buy gap in Dacorum. This figure is essentially the equivalent price that is affordable to a household who can just afford to rent privately.
- 7.100 In reality, there will be a range of incomes in the rent/buy gap and so some households could afford a higher price; however, setting all homes at a higher price would mean that some households will still be unable to afford.

- 7.101 The tables below set out a suggested purchase price for affordable home ownership/First Homes in each local authority. The table also shows an estimated Open Market Value (OMV) and the level of discount likely to be required to achieve affordability. The OMV is based on taking the estimated lower quartile price by size and adding 15% (which is the typically newbuild premium seen nationally). It should be noted that the discounts are based on the OMV as estimated, in reality the OMV might be quite different for specific schemes and therefore the percentage discount would not be applicable. For example, if the OMV for a 2-bedroom home in Dacorum were to actually be £400,000 (rather than the modelled £316,300) then the discount would be up to 50%.
- 7.102 On the basis of the specific assumptions used, **the analysis points to a discount of at least 30% being required for all sizes of accommodation in most areas. Given there is a cap of £250,000 on the purchase price (and looking at the estimated pricing below), it will be difficult for 3+-bedroom homes to be provided as First Homes (and in some cases 2-bedroom homes).** First Homes are likely to be focused on smaller 1- and 2-bed properties.

Table 7.43 Affordable home ownership prices – data for year to September 2022 – Dacorum

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£165,000-£177,500	£218,500	19%-24%
2-bedrooms	£199,000-£237,000	£316,300	25%-37%
3-bedrooms	£260,000-£330,000	£460,000	28%-43%
4+-bedrooms	£320,000-£447,500	£661,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.44 Affordable home ownership prices – data for year to September 2022 – Hertsmere

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£179,000-£202,000	£258,800	22%-31%
2-bedrooms	£235,000-£275,000	£362,300	24%-35%
3-bedrooms	£290,000-£382,500	£546,300	30%-47%
4+-bedrooms	£370,000-£505,000	£736,000	31%-50%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.45 Affordable home ownership prices – data for year to September 2022 – St Albans

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£170,000-£210,000	£287,500	27%-41%
2-bedrooms	£230,000-£290,000	£402,500	28%-43%
3-bedrooms	£300,000-£432,500	£649,800	33%-54%
4+-bedrooms	£440,000-£617,500	£914,300	32%-52%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.46 Affordable home ownership prices – data for year to September 2022 – Three Rivers

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£205,000	£264,500	22%-32%
2-bedrooms	£225,000-£275,000	£373,800	26%-40%
3-bedrooms	£290,000-£407,500	£603,800	33%-52%
4+-bedrooms	£390,000-£540,000	£793,500	32%-51%

Source: Derived from JGC/Iceni analysis and ONS data

Table 7.47 Affordable home ownership prices – data for year to September 2022 – Watford

	Affordable Price	Estimated newbuild OMV	Discount required
1-bedroom	£180,000-£220,000	£253,000	22%-29%
2-bedrooms	£237,000-£268,500	£345,000	22%-31%
3-bedrooms	£280,000-£365,000	£517,500	29%-46%
4+-bedrooms	£375,000-£480,000	£672,800	29%-44%

Source: Derived from JGC/Iceni analysis and ONS data

- 7.103 Based on current housing costs, **the evidence would point to a discount of 30% being justified in most areas, and potentially 40% in St Albans and Three Rivers on an affordability basis.** A higher discount will certainly make homes cheaper and therefore potentially open up additional households as being able to afford. In addition, the analysis does suggest that homes other than 1-bedroom could potentially need a higher discount to make them affordable (for example a 2-bedroom home in St. Albans would need to be discounted by at least 38% to get below the £250,000 cap).
- 7.104 However, **providing a higher discount may well have an impact on viability, meaning the Councils will not be able to provide as many homes in other tenures** (such as rented affordable housing which is likely to be needed by those with more acute needs and fewer choices in the housing market). The Councils could therefore investigate higher discounts, but it is not

necessarily recommended to seek figures higher than 30%, unless this can be proven to not impact on overall affordable housing delivery.

7.105 As SW Herts is a high priced area, **there is very limited scope for the price cap to be lowered. We recommend that the price cap for First Homes is maintained at the nationally-set level of £250,000.**

7.106 The analysis is clear that there are likely to be a number of households whose incomes sit in the range of being able to afford to privately rent, but not being able to buy a home. It can be concluded that as long as First Homes are made available for an affordable price, it is likely there will be a strong demand (although some households in the rent/buy gap may not choose a discounted product given that the discount is held in perpetuity). However it is possible that First Homes will see demand from those who can technically afford housing in the existing market – this would not be meeting a need but would arguably provide some demand for this type of home.

7.107 To ensure First Homes are available to local residents and workers a local connection eligibility criteria could be used. This could be in-line with any criteria within local allocations policies, where applicable, and for example could require potential purchasers to demonstrate that they:

- Live in the relevant local authority (for a period of time (possibly 2-years));
- Work over 16 hours a week in the area, or
- Have a close relative (parent, adult son or daughter or adult sibling) who has lived in the area for a period of time

7.108 Additional preference could be given to essential workers (see paragraphs 7.128-7.136). Annex 2 of the NPPF also includes the needs of essential local workers *‘Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers’ [emphasis added]. Essential local workers are defined as ‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.*

Shared Ownership

7.109 Whilst the Government has a clear focus on First Homes, it also sees a continued role for Shared Ownership, launching a ‘New Model for Shared Ownership’ in early 2021 (following a 2020 consultation). This includes a number of proposals, with the main one for the purposes of this assessment being the reduction of the minimum initial share from 25% to 10%. **A key advantage of shared ownership over other tenures is that a lower deposit is likely to be required than for full or discounted purchase.** Additionally, the rental part of the cost will be subsidised by a

Registered Provider which keeps monthly outgoings down; and it is thus an affordable option for some prospective home owners who cannot afford to buy outright, or buy a First Home.

7.110 For the purposes of the analysis in this report it is considered that for shared ownership to be affordable, total outgoings should not exceed that needed to rent privately.

7.111 Because shared ownership is based on buying part of a property, it is the case that the sale will need to be at open market value. Where there is a large gap between the typical incomes required to buy or rent, it may be the case that lower equity shares are needed for homes to be affordable (at the level of renting privately). The analysis below therefore seeks to estimate the typical equity share that might be affordable for different sizes of property with any share lower than 10% likely to be unavailable. The key assumptions used in the analysis are:

- Open Market Value at Lower Quartile price plus 15% (reflecting likelihood that newbuild homes will have a premium attached and that they may well be priced above a Lower Quartile level) – it should be noted that this is an assumption for modelling purposes and consideration will need to be given to the OMV of any specific product;
- 10% deposit on the equity share;
- Rent at 2.75% pa on unsold equity;
- Repayment mortgage over 25-years at 4%²²;
- Service charge of £100 per month for flatted development (assumed to be 1- and 2-bedroom homes); and
- It is also assumed that shared ownership would be priced for households towards the bottom end of the rent/buy gap and so the calculations assume that total outgoings should be no higher than the equivalent private rent (lower quartile) cost for that size of property.

7.112 The tables below show that to make shared ownership affordable, equity shares in the region of 13% to 35% could work for 2-bedroom homes depending on location (1% to 22% of 3-bedroom homes). This suggests a difficulty in delivering affordable shared ownership as typically 25% minimum shares are required although this may fall to 10% through new regulation. As an alternative the Councils could consider additional affordable rental accommodation.

²² Interest rates are currently above this, but expected to fall over the next 2 years.

7.113 As with conclusions on First Homes, it should also be noted that the analysis below is predicated on a particular set of assumptions (notably about likely Open Market Value). In reality costs do vary across the area and will vary from site to site. Therefore, this analysis should be seen as indicative with specific schemes being tested individually to determine if the product being offered is genuinely (or reasonably) affordable.

Table 7.48 Estimated Affordable Equity Share by Size – Dacorum

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£218,500	£316,300	£460,000	£661,300
Share	42%	22%	22%	5%
Equity Bought	£91,100	£69,300	£99,800	£34,400
Mortgage Needed	£82,000	£62,300	£89,800	£30,900
Monthly Cost of Mortgage	£433	£329	£474	£163
Retained Equity	£127,400	£247,000	£360,200	£626,900
Monthly Rent on Retained Equity	£292	£566	£825	£1,437
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£825	£995	£1,300	£1,600

Source: Data based on Housing Market Cost Analysis

Table 7.49 Estimated Affordable Equity Share by Size – Hertsmere

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£258,800	£362,300	£546,300	£736,000
Share	32%	27%	15%	9%
Equity Bought	£82,000	£99,400	£80,600	£66,200
Mortgage Needed	£73,800	£89,500	£72,500	£59,600
Monthly Cost of Mortgage	£390	£473	£383	£315
Retained Equity	£176,700	£262,800	£465,700	£669,800
Monthly Rent on Retained Equity	£405	£602	£1,067	£1,535
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£895	£1,175	£1,450	£1,850

Source: Data based on Housing Market Cost Analysis

Table 7.50 Estimated Affordable Equity Share by Size – St Albans

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£287,500	£402,500	£649,800	£914,300
Share	13%	13%	1%	5%
Equity Bought	£37,100	£51,900	£4,500	£42,500
Mortgage Needed	£33,400	£46,700	£4,100	£38,300
Monthly Cost of Mortgage	£176	£247	£22	£202
Retained Equity	£250,400	£350,600	£645,200	£871,700
Monthly Rent on Retained Equity	£574	£803	£1,479	£1,998
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£850	£1,150	£1,500	£2,200

Source: Data based on Housing Market Cost Analysis

Table 7.51 Estimated Affordable Equity Share by Size – Three Rivers

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£264,500	£373,800	£603,800	£793,500
Share	30%	18%	4%	7%
Equity Bought	£78,800	£68,400	£26,900	£53,600
Mortgage Needed	£70,900	£61,600	£24,200	£48,200
Monthly Cost of Mortgage	£375	£325	£128	£255
Retained Equity	£185,700	£305,400	£576,900	£739,900
Monthly Rent on Retained Equity	£426	£700	£1,322	£1,696
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,125	£1,450	£1,950

Source: Data based on Housing Market Cost Analysis

Table 7.52 Estimated Affordable Equity Share by Size – Watford

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
Open Market Value	£253,000	£345,000	£517,500	£672,800
Share	35%	35%	17%	20%
Equity Bought	£89,700	£119,700	£86,900	£135,600
Mortgage Needed	£80,700	£107,700	£78,200	£122,000
Monthly Cost of Mortgage	£426	£569	£413	£644
Retained Equity	£163,300	£225,300	£430,600	£537,200
Monthly Rent on Retained Equity	£374	£516	£987	£1,231
Service Charge per month	£100	£100	£0	£0
Total Cost per month	£900	£1,185	£1,400	£1,875

Source: Data based on Housing Market Cost Analysis

- 7.114 In policy terms, whilst the analysis has provided an indication of the equity shares possibly required by size, the key figure is actually the total cost per month (and how this compares with the costs to access private rented housing). For example, whilst the table suggests a 22% equity share for a 2-

bedroom home in Dacorum, this is based on a specific set of assumptions. Were a scheme to come forward with a 22% share, but a total cost in excess of £995 per month, then it would be clear that a lower share is likely to be required to make the home genuinely affordable. **Hence the actual share can only be calculated on a scheme-by-scheme basis.** Any policy position should seek to ensure that outgoings are no more than can reasonably be achieved in the private rented sector, rather than seeking a specific equity share.

Rent to Buy

- 7.115 A further affordable option is Rent to Buy; this is a Government scheme designed to ease the transition from renting to buying the same home. Initially (typically for five years) the newly built home will be provided at the equivalent of an affordable rent (approximately 20% below the market rate). The expectation is that the discount provided in that first five years is saved in order to put towards a deposit on the purchase of the same property. Rent to Buy can be advantageous for some households as it allows for a smaller 'step' to be taken on to the home ownership ladder.
- 7.116 At the end of the five-year period, depending on the scheme, the property is either sold as a shared ownership product or to be purchased outright as a full market property. If the occupant is not able to do either of these then the property is vacated.
- 7.117 In order to access this tenure it effectively requires the same income threshold for the initial phase as a market rental property although the cost of accommodation will be that of affordable rent. The lower-than-market rent will allow the household to save for a deposit for the eventual shared ownership or market property. In considering the affordability of rent-to-buy schemes there is a direct read across to the income required to access affordable home ownership (including shared ownership). It should therefore be treated as part of the affordable home ownership products suggested by the NPPF.
- 7.118 If the Councils are to accept Rent-to-Buy as part of the package of affordable home ownership, it will be important to ensure such housing is genuinely affordable. As with affordable rents, there may well be a case to seek for a greater discount to ensure housing costs remain below those already available in the open market.

Drawing the Analysis Together

- 7.119 The table below shows the rented and low cost home ownership needs together. A need for both rented and affordable home ownership homes is shown in all areas, with rented accommodation accounting for 68% of the need shown across SW Herts (rising to 73% in Hertsmere and 78% in Watford). The higher rental need in Watford is reflective of a smaller gap in the estimated income required to buy and rent housing (meaning fewer households sit within the 'affordable home

ownership' income bracket). In contrast, a higher relative need for affordable home ownership (as a proportion of the overall affordable housing need) is shown in St Albans.

Table 7.53 Overall Annual Affordable Housing Need

	Rented Affordable Need	Affordable Home Ownership Need (pa)	Total Affordable Need
Dacorum	494	243	737
Hertsmere	433	156	589
St Albans	449	353	802
Three Rivers	364	163	527
Watford	518	150	668
SW Herts	2,258	1,065	3,323

Source: Affordable housing need analysis

Relationship to Overall Housing Need

- 7.120 The PPG encourages local authorities to consider increasing planned housing numbers where this can help to meet the identified affordable need. Specifically, the wording of the PPG [2a-024] states:

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

- 7.121 The table below then compares the affordable housing need shown to the standard method local housing need. Typically up to 35% or 40% of homes are sought as affordable housing. At these proportions, much higher levels of overall housing provision would be required to deliver in full the genuinely affordable housing which this report identifies is needed.

- 7.122 Taking St Albans as an example, the affordable housing need identified exceeds the standard method LHN. This occurs because the two figures are derived from fundamentally different modelling approaches. The following factors need to be noted:

- The affordable housing model is looking not just at the overall growth in the housing stock, but issues of tenure imbalance. It is not looking across tenures but looking at affordable housing specifically – part of the need shown is for instance from households in existing homes, who require an alternative tenure or size of home, but by moving would release the existing property for another household.
- The need shown is in part a factor of historical investment decisions, funding availability and losses, which have influenced the current stock of affordable housing available to meet needs.

- Some households would see their circumstances improve over time. One example would be a newly forming household with an income level that means they spend more than 30% of income on housing, as the household's income rises they would potentially pass the affordability test and therefore not have an affordable need. Additionally, there is the likelihood when looking over the longer-term that a newly-forming household will become an existing household in need and would be counted twice if trying to multiply the figures out for a whole plan period.
- In reality, some households 'in need' are accommodated within the Private Rented Sector with support through Local Housing Allowance (LHA). Whilst this is not genuine affordable housing or offer the same security of tenure, the 2011 Localism Act allows Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS. However there can be risks from reliance on this sector to meet need. Whilst housing delivery through the Local Plan can be expected to secure additional affordable housing it needs to be noted that delivery of affordable housing through planning obligations is an important, but not the only means, of delivering affordable housing; and the Council should also work with housing providers to secure funding to support enhanced affordable housing delivery on some sites and through use of its own land assets.
- The Planning Practice Guidance specifically sets out in Para 67-001 that the needs of specific groups (such as those needing affordable housing in this case) may well exceed, or be proportionally high in relation to the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which forms the baseline for the standard method. It sets out that planning authorities will need to consider whether based on the evidence a higher level of housing provision might be considered, whether in effect there are constraints to additional housing delivery, as well as the anticipated deliverability, having regard to viability.

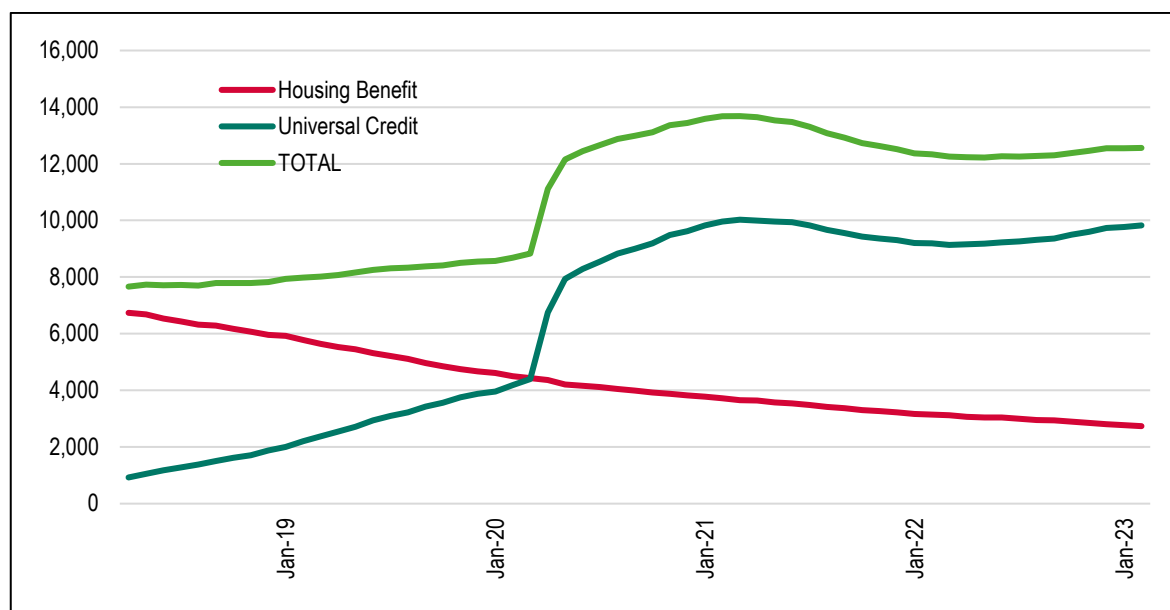
Table 7.54 Housing Provision notionally required to meet Affordable Housing in Full

Dwellings per annum	Total Annual Affordable Need	Delivery to Meet AHN in Full @ 35%	Delivery to Meet AHN in Full @ 40%	Standard Method Minimum LHN (dpa)
Dacorum	737	2,106	1,842	1,017
Hertsmere	590	1,685	1,474	726
St Albans	802	2,292	2,005	887
Three Rivers	527	1,505	1,317	637
Watford	668	1,909	1,670	778
SW Herts	3,324	9,496	8,309	4,046

Source: Iceni

-
- 7.123 Clearly where a household is able to access suitable housing in the Private Rented Sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. The analysis below considers the current position in this respect.
- 7.124 Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of February 2023, it is estimated that there were over 12,500 benefit claimants in the private rented sector in South West Herts. From this, it is clear that the PRS contributes to the wider delivery of ‘affordable homes’ with the support of benefit claims, and further complicates any attempts to find a relationship between affordable need and overall housing need.
- 7.125 It should however be noted that it may be difficult for households to access private rented housing where they are reliant on Housing Benefit (HB)/ Universal Credit (UC). In some cases Local Housing Allowance (LHA) levels will be low compared to the rent being sought and there will also be cases where landlords do not let homes to households claiming benefits. Therefore, whilst the private rented sector does release some pressure from affordable housing, it should not be considered as an affordable tenure.
- 7.126 The figure below shows the trend in the number of claimants in the Study area. This shows there has been a notable increase since March 2020, which is likely to be related to the Covid-19 pandemic. However, even the more historical data shows a substantial number of households claiming benefit support for their housing in the private sector (typically around 8,000 households).

Figure 7.5 Number of Housing Benefit claimants in the private rented sector – South West Herts



Source: Department of Work and Pensions

- 7.127 The table below shows the number of claimants in February 2023 and also 4-years previously (to provide an indication of the impact of the pandemic). Benefit claimant numbers are particularly high in Watford and lowest in Three Rivers.

Table 7.55 Number of Housing Benefit claimants in the Private Rented Sector – local authorities

	February 2019			February 2023		
	Housing Benefit	UC with housing element	TOTAL	Housing Benefit	UC with housing element	TOTAL
Dacorum	1,430	251	1,681	579	2,138	2,717
Hertsmere	1,264	358	1,622	672	2,229	2,901
St Albans	919	498	1,417	482	1,503	1,985
Three Rivers	660	266	926	321	1,043	1,364
Watford	1,507	830	2,337	680	2,908	3,588
SW Herts	5,777	2,204	7,981	2,736	9,820	12,556

Source: Department of Work and Pensions

Essential Local Workers

- 7.128 Annex 2 of the NPPF also includes the needs of essential local workers 'Affordable housing: housing for sale or rent, for those whose needs are not met by the market (including housing that provided a subsidised route to home ownership and/or is for essential local workers' [emphasis

added]. Essential local workers are defined as ‘Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers’.

- 7.129 To give an indication of the number of essential workers in South West Herts analysis has been undertaken looking at Standard Industrial Classification 2007 (SIC) categories. This shows employment sectors based on industry, and for the purposes of this analysis the public administration, education and health industries have been used to represent ‘essential workers’. The analysis shows that around 28% of resident workers are considered ‘essential workers’ in the HMA – this figure is very slightly below that seen regionally and nationally (essentially reflecting a strong private sector business base).

Table 7.56 Number and proportion of essential workers in a range of areas – 2021

	South West Herts		East of England	England
	Resident workers	% of workers	% of workers	% of workers
Agriculture, energy and water	3,771	1.2%	2.3%	2.3%
Manufacturing	14,075	4.7%	7.0%	7.3%
Construction	28,150	9.3%	10.0%	8.7%
Distribution, hotels and restaurants	54,785	18.1%	19.4%	19.9%
Transport and communication	35,995	11.9%	9.8%	9.8%
Financial, Real Estate, Professional & Administration	66,599	22.0%	18.1%	17.4%
Public administration, education and health	83,915	27.7%	28.8%	30.2%
Other	15,357	5.1%	4.5%	4.6%
All industries	302,647	100.0%	100.0%	100.0%

Source: 2021 Census

- 7.130 The table below shows how the number of essential workers varies across the local authorities – there are only modest differences between locations with around 29% of workers falling into the Public administration, education and health category in Three Rivers and Watford but just 26% in Dacorum. No area has a higher proportion than the national average.

Table 7.57 Number and proportion of Essential Workers – local authorities

	Resident essential workers	% of workers in area	% of resident workers
Dacorum	20,360	26.4%	24.3%
Hertsmere	14,820	28.1%	17.7%
St Albans	19,899	27.3%	23.7%
Three Rivers	13,567	28.9%	16.2%
Watford	15,269	28.9%	18.2%
South West Herts	83,915	27.7%	100.0%

Source: 2021 Census

- 7.131 The 2021 Census also enables analysis to be conducted as to the tenure of workers by industry. It can be seen that essential workers see a fairly average profile, although the proportion living in social rented housing is slightly above the HMA average (owner-occupation and private renting being slightly lower).

Table 7.58 Housing tenure by industry of employment (2011) – South West Herts

	Owner-occupied	Social rented	Private rented
Agriculture, energy and water	63.1%	17.7%	19.3%
Manufacturing	70.4%	9.1%	20.5%
Construction	62.4%	12.7%	24.9%
Distribution, hotels and restaurants	56.3%	17.5%	26.2%
Transport and communication	68.8%	9.7%	21.5%
Financial, Real Estate, Professional and Administration	74.8%	7.2%	18.0%
Public administration, education and health	64.6%	14.5%	20.9%
Other	63.5%	11.3%	25.1%
All industries	66.2%	12.0%	21.8%

Source: 2021 Census

- 7.132 It is possible to consider the affordability of housing for essential workers by considering local salaries. An online assessment of local jobs (across Hertfordshire) for nurses, firefighters, teachers, police officers and childcare was undertaken in September 2023. This showed a range of salaries, but with earnings concentrated in the range of about £25,000 to £35,000 per annum. The average salary was around £30,000, although it does need to be noted that there are a variety of roles with a range of salaries in these professions depending on level of expertise and experience.

-
- 7.133 With a salary of £30,000, an individual might be able to buy a home for around £150,000 (based on a 10% deposit and 4.5 times mortgage multiple) and with two salaries at this level would be able to afford around £300,000. This latter figure would just about allow the household to afford to buy a 1- or 2-bedroom home across much of the study area, but the single income would make home ownership difficult.
- 7.134 On the basis of incomes **essential local workers could be a potential target for affordable home ownership products** whilst there may be some in lower paid roles/ professions, including social care, who are in need of rented affordable housing. In addition, it looks like essential local worker incomes will often sit in the gap between being able to buy and rent. As with other professions it is important however to remember that incomes will vary within organisations; and that many households will include multiple incomes. However the analysis quite strongly suggests that to be affordable to essential local workers, homes would need to be priced at under £300,000.
- 7.135 The evidence does show recruitment and retention difficulties for public sector organisations within the area. As an example, the Herts and West Essex ICS People Strategy indicates that within the health sector, high living costs mean that attracting health and care workers with the right skills can be difficult. It quotes the very substantial differential between monthly private rents between St Albans and Bedford (£1,150 vs £675). It identifies a high proportion of the primary care and nursing workforce who are older; and significant issues of turnover amongst social care staff which stands at 27% pa. Because of domestic constraints, as with other NHS organisations, it is reliant increasingly on international recruitment. Vacancies are running at 9.1% in social care and 9.7% in secondary care. This is similar to the picture across the East of England (9.5% vacancies across the NHS workforce). There will be similar challenges across other public sector organisations.
- 7.136 Improving access to housing can help to address some of these recruitment and retention pressures by addressing issues linked to housing costs and cost of living pressures. Options to do so include ensuring that allocations policies for affordable housing take into account whether households contain key workers, which can enhance access to social housing; as well as specific programmes which provide key worker housing such as intermediate rented units close to key public sector employers. An example is The Wrap scheme in Watford, which offers intermediate rented properties for those earning £25,000 - £60,000 a year which prioritises those working for East & North Herts NHS Trust.²³ Similarly in identifying purchasers for shared ownership properties, particularly those close to key hubs of public sector employment, initial priority could be given to key workers.

²³ <https://www.originhousing.org.uk/customers/rent-a-home/keyworker-and-young-professional/the-wrap-watford>

Mix of Affordable Housing Sought

- 7.137 The above analysis suggests that affordable housing needs are unlikely to be met in full. Therefore there is a question regarding what types of affordable housing is prioritised. Here different factors need to be balanced against one another. Policies for affordable housing provision also need to take account of viability considerations.
- 7.138 A need for affordable home ownership properties is shown. The NPPF (Dec 2023) gives a clear direction that 10% of all new housing (on eligible 'major developments') should be for affordable home ownership; and it is now the case that policy compliant planning applications would be expected to deliver a minimum of 25% affordable housing as First Homes (as a proportion of the total affordable housing), with Councils being able to specify the requirement for any remaining affordable housing (subject to at least 10% of all housing being for AHO). The evidence shows a sufficient affordable home ownership need to support this; albeit that there is a case for seeking to support provision of a range of affordable home ownership products (beyond First Homes).
- 7.139 **However the evidence also points to a clear and acute need for rented affordable housing for lower income households, and it is important that a supply of rented affordable housing is maintained to meet the needs of this group including those to which the authorities have a statutory housing duty.** Such housing is notably cheaper than that available in the open market and can be accessed by many more households (some of whom may be supported by benefit payments). In South West Herts, the clear need for additional rented housing would likely mean that prioritising the affordable home ownership could 'prejudice the ability' to meet the needs of the 'specific group' requiring rented accommodation, depending on decisions on the scale of housing provision to be planned for.
- 7.140 **At a strategic level, Iceni would recommend that 70% of affordable housing should be focused on rented provision, and 30% intermediate/low cost home ownership. However it is for individual local authorities to set policies for their own areas having regard to the evidence in this Assessment, their own viability evidence and local priorities.**
- 7.141 The evidence for instance shows a higher affordable home ownership need in St Albans; and a lower need in Watford where there is a higher relative need for rented affordable homes, and in particular social rented provision. These are relevant considerations in setting policies in different authorities and for instance would justify a 60/40 split in St Albans; whilst for Watford, the evidence base continues to support the emphasis in Policy on provision at social rents.
- 7.142 Recognising some potential for policies regarding the form of affordable home ownership products to evolve over time at a national level, there is some case for setting out policies in Local Plans which support provision of a range of affordable home ownership products – which for instance

allow First Homes to come forward, but would also support delivery of other products including shared ownership and rent-to-buy.

8. NEED FOR DIFFERENT TYPES & SIZES OF HOMES

- 8.1 This section considers the appropriate mix of housing across South West Herts, with a particular focus on the sizes of homes required in different tenure groups. This section looks at a range of statistics in relation to families (generally described as households with dependent children) before moving on to look at how the number of households in different age groups are projected to change moving forward.

Background Data

- 8.2 The number of families in South West Herts (defined for the purpose of this assessment as any household which contains at least one dependent child) totalled 81,000 as of the 2021 Census, accounting for 34% of households; this proportion is higher than that seen across the East of England region and nationally. In particular South West Herts sees a high proportion of married couples with children (21% of all households).

Table 8.1 Households with dependent children (2021)

	South West Herts		Hertfordshire	East of England	England
	No.	%	%	%	%
Married couple	49,687	20.6%	18.9%	15.5%	14.4%
Cohabiting couple	9,341	3.9%	4.3%	4.8%	4.5%
Lone parent	15,405	6.4%	6.5%	6.3%	6.9%
Other households ²⁴	6,568	2.7%	2.5%	2.4%	2.7%
All other households	160,566	66.5%	67.8%	71.0%	71.5%
Total	241,567	100.0%	100.0%	100.0%	100.0%
Total with dependent children	81,001	33.5%	32.2%	29.0%	28.5%

Source: Census (2021)

- 8.3 The table below shows the same information for each of the local authorities. There is some variation in the proportion of households with dependent children, ranging from 32% in Dacorum, up to 35% in St Albans and Watford – all areas see a proportion with dependent children above the regional and national average. This is likely to be influenced by the area's economic dynamism and its relationship (and relative affordability compared) to London.

²⁴ Including student only, all over 66 and 'other' household composition types

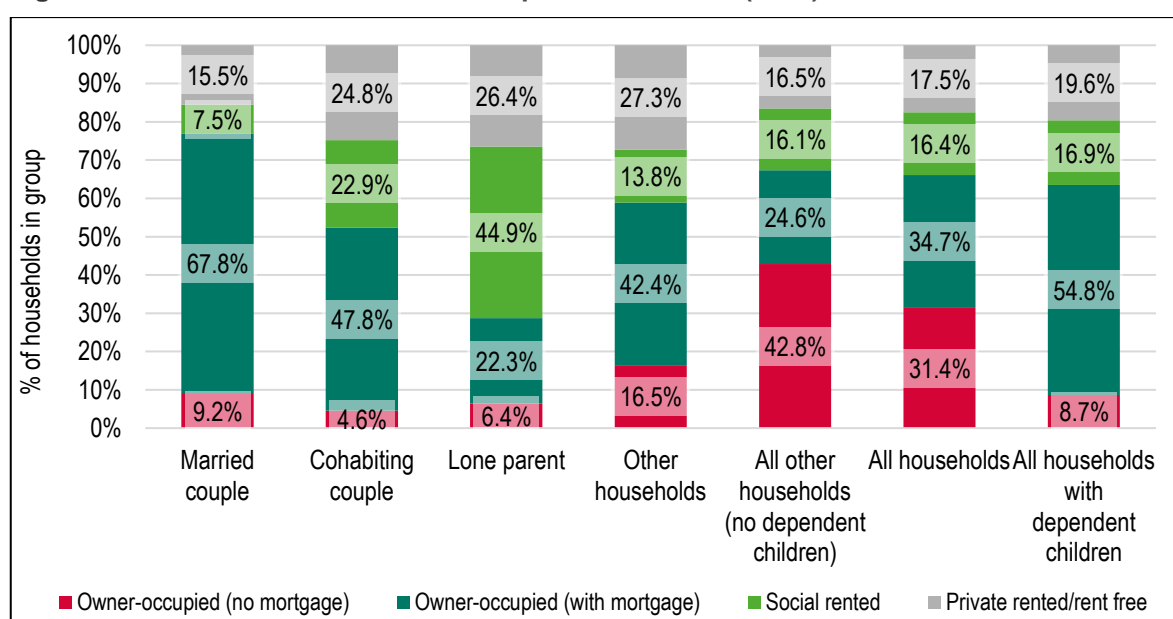
Table 8.2 Households with Dependent Children (2021)

	Dacorum	Herts- mere	St. Albans	Three Rivers	Watford	SWH
Married couple	18.0%	19.8%	24.0%	21.0%	20.0%	20.6%
Cohabiting couple	4.8%	3.2%	3.5%	3.9%	3.6%	3.9%
Lone parent	7.0%	7.0%	5.5%	5.7%	6.6%	6.4%
Other households	2.1%	3.1%	1.8%	2.9%	4.5%	2.7%
All other households	68.2%	66.9%	65.3%	66.4%	65.2%	66.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total with dependent children	31.8%	33.1%	34.7%	33.6%	34.8%	33.5%

Source: Census (2021)

- 8.4 The figure below shows the current tenure of households with dependent children. There are some considerable differences by household type with lone parents having a very high proportion living in the social rented sector and also in private rented accommodation. In South West Herts, only 29% of lone parent households are owner-occupiers compared with 77% of married couples with children.

Figure 8.1 Tenure of households with dependent children (2021) – South West Herts

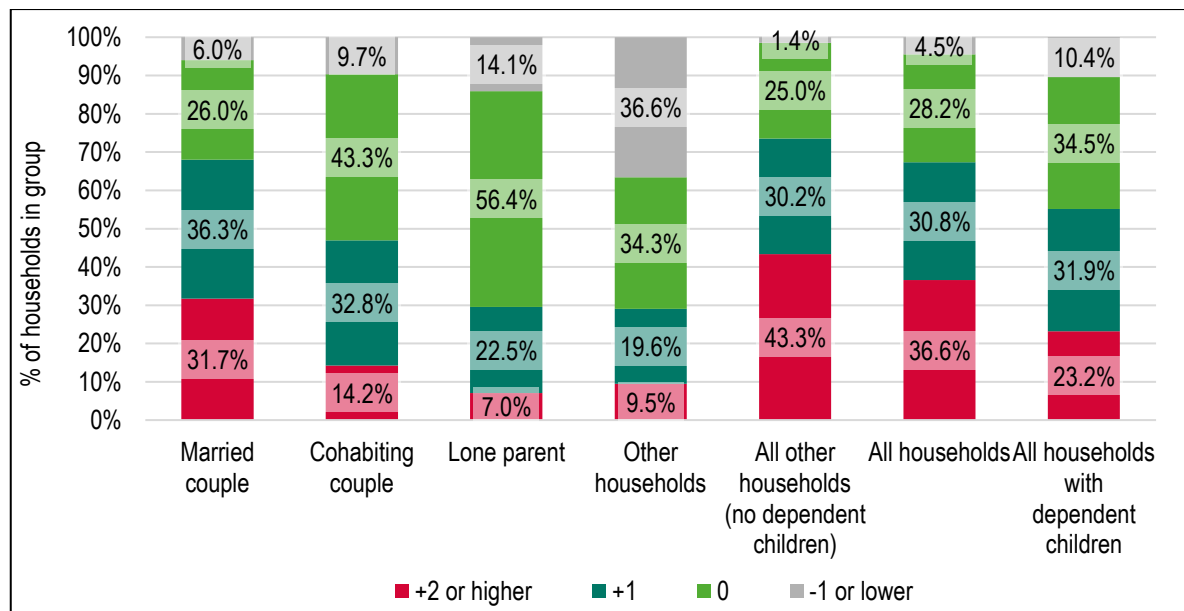


Source: Census (2021)

8.5 The figure below shows levels of overcrowding and under-occupancy of households with dependent children. A negative figure, -1 or less, indicates that a household has fewer bedrooms than required and is therefore overcrowded. A positive figure indicates that the household has spare bedrooms relative to the household requirement. However a household can have a single spare room that is used as an office or guest bedroom younger children that do not share a room.

8.6 The figure shows higher levels of overcrowding for all household types with dependent children, as might be expected, with 14% of all lone parents and 37% of 'other' households being overcrowded (compared to 4.5% of all households). Overall, some 10% of households with dependent children are overcrowded, compared with 1.4% of other households. Levels of under-occupancy are also notably lower in households with dependent children.

Figure 8.2 Occupancy rating of households with dependent children (2021) – South West Herts



Source: Census (2021)

The Mix of Housing

8.7 A model has been developed that starts with the current profile of housing in terms of size (bedrooms) and tenure. Within the data, information is available about the age of households and the typical sizes of homes they occupy. By using demographic projections linked to the local housing need calculated through the standard method, it is possible to see which age groups are expected to change in number, and by how much.

8.8 On the assumption that occupancy patterns for each age group (within each tenure) remain the same, it is therefore possible to assess the profile of housing needed over the assessment period (taken to be 2021-41).

8.9 An important starting point is to understand the current balance of housing in the area – the table below profiles the sizes of homes in different tenure groups across areas. The data shows a market stock (owner-occupied) that is dominated by 3+-bedroom homes (making up 76% of the total in this tenure group, although a similar proportion to that seen in other areas). The profile of the social rented sector is broadly similar across areas whilst the private rented sector generally has more smaller homes than other locations. Observations about the current mix feed into conclusions about future mix later in this section.

Table 8.3 Number of Bedrooms by Tenure, 2021

		South West Herts	Hertfordshire	East of England	England
Owner-occupied	1-bedroom	5%	5%	4%	4%
	2-bedrooms	19%	19%	20%	21%
	3-bedrooms	39%	42%	44%	46%
	4+-bedrooms	37%	35%	32%	29%
	Total	100%	100%	100%	100%
	Ave. no. beds	3.08	3.06	3.05	3.01
Social rented	1-bedroom	31%	30%	29%	29%
	2-bedrooms	32%	32%	35%	36%
	3-bedrooms	33%	35%	32%	31%
	4+-bedrooms	4%	4%	4%	4%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.11	2.13	2.11	2.10
Private rented	1-bedroom	26%	25%	21%	21%
	2-bedrooms	41%	40%	38%	39%
	3-bedrooms	22%	24%	30%	29%
	4+-bedrooms	11%	11%	11%	11%
	Total	100%	100%	100%	100%
	Ave. no. beds	2.18	2.20	2.31	2.30

Source: Census (2021)

8.10 The table below shows the same information for each local authority. For owner-occupied housing this shows the largest stock to be in St Albans with Watford having the lowest average dwelling size. This latter pattern is the same in the private rented sector (smallest dwelling sizes in Watford) with Three Rivers seeing the largest private rented sector. There are some variations in the social rented stock – in this case the smallest stock is in Three Rivers and the largest in Dacorum and Watford. Differences between areas in terms of the social rented stock are less notable than for the market tenures.

Table 8.4 Number of Bedrooms by Tenure, 2021 – local authorities

		Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Owner-occupied	1-bedroom	4%	5%	4%	4%	8%
	2-bedrooms	18%	21%	17%	18%	23%
	3-bedrooms	42%	41%	35%	40%	42%
	4+-bedrooms	36%	34%	45%	38%	27%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	3.09	3.02	3.20	3.12	2.88
Social rented	1-bedroom	29%	31%	31%	34%	29%
	2-bedrooms	31%	34%	33%	31%	32%
	3-bedrooms	34%	32%	33%	33%	33%
	4+-bedrooms	5%	4%	4%	3%	5%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.15	2.09	2.09	2.03	2.14
Private rented	1-bedroom	25%	22%	26%	21%	33%
	2-bedrooms	41%	42%	43%	40%	39%
	3-bedrooms	24%	25%	21%	27%	18%
	4+-bedrooms	10%	12%	11%	13%	11%
	Total	100%	100%	100%	100%	100%
	Ave. no. beds	2.19	2.27	2.16	2.31	2.07

Source: Census (2021)

Overview of Methodology

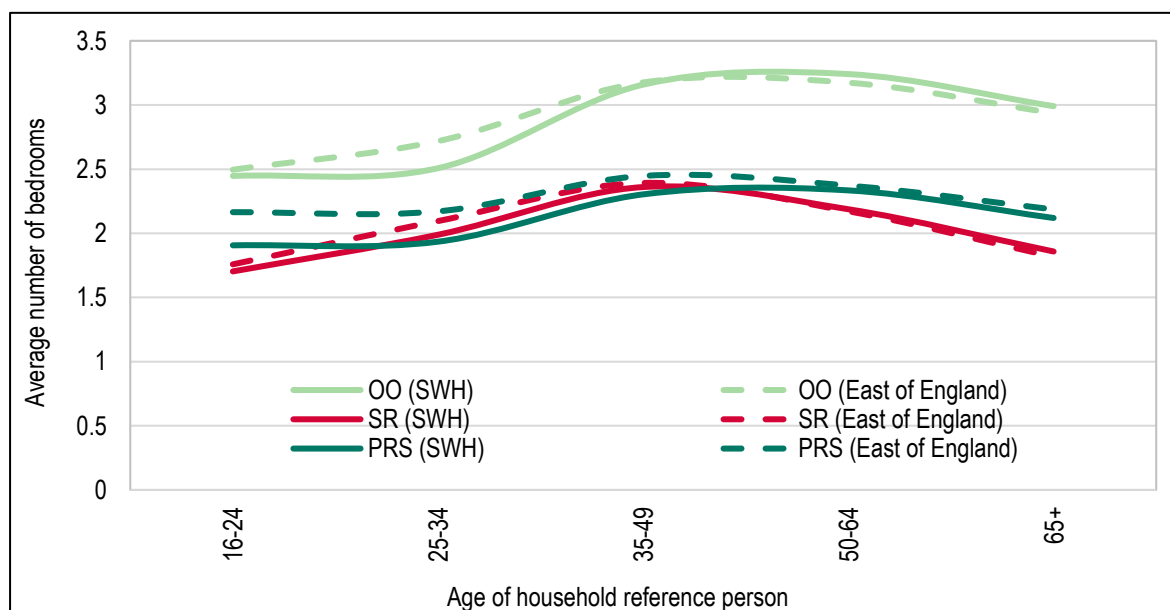
- 8.11 The method to consider future housing mix looks at the ages of the Household Reference Persons (occasionally referred to as the Head of Household) and how these are projected to change over time. The sub-sections to follow describe some of the key analysis.

Understanding How Households Occupy Homes

- 8.12 Whilst the demographic projections provide a good indication of how the population and household structure will develop, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the sizes of property to be provided.
- 8.13 The size of housing which households occupy relates more to their wealth and age than the number of people they contain. For example, there is no reason why a single person cannot buy (or choose to live in) a 4-bedroom home as long as they can afford it, and hence projecting an increase in single person households does not automatically translate into a need for smaller units.

- 8.14 That said, issues of supply can also impact occupancy patterns, for example it may be that a supply of additional smaller level access homes would encourage older people to downsize but in the absence of such accommodation these households remain living in their larger accommodation.
- 8.15 The issue of choice is less relevant in the affordable sector (particularly since the introduction of the social sector size criteria) where households are allocated properties which reflect the size of the household, although there will still be some level of under-occupation moving forward with regard to older person and working households who may be able to under-occupy housing (e.g. those who can afford to pay the spare room subsidy ('bedroom tax')).
- 8.16 The approach used is to interrogate information derived in the projections about the number of household reference persons (HRPs) in each age group and apply this to the profile of housing within these groups (data being drawn from the 2021 Census).
- 8.17 The figure below provides an estimate of how the average number of bedrooms varies by different ages of HRP and broad tenure group for South West Herts and the East of England region. In all sectors the average size of accommodation rises over time to typically reach a peak around the age of 50. After peaking, the average dwelling size decreases – as typically some households downsize as they get older. The analysis identifies some differences between South West Herts and the region with the main one being around smaller dwelling sizes in the private rented sector. The general patterns of average dwelling sizes by age of HRP are however similar in both areas.

Figure 8.3 Average Bedrooms by Age and Tenure in South West Herts



Source: Census (2021). OO = Owner Occupied; SR = Social Rented; PRS = Private Rented Sector. SWH = South West Hertfordshire.

8.18 The analysis uses the existing occupancy patterns at a local level as a start point for analysis and applies these to the projected changes in Household Reference Person by age discussed below. The analysis has been used to derive outputs for three broad categories. These are:

- **Market Housing** – which is taken to follow the occupancy profiles in the owner-occupied sector. Arguably, this could also include the profile of private rented housing (as this is a market tenure), however, it is considered that the vast majority of newbuild homes are built with the intention of owner-occupation whilst it has previously been shown that a significant part of the private rented sector is actually being used to support the lack of affordable housing in the area. That said, a sensitivity has been undertaken to see the difference if using PRS occupancy profiles;
- **Affordable Home Ownership** – which is taken to follow the occupancy profile in the private rented sector (this is seen as reasonable as the Government's desired growth in home ownership looks to be largely driven by a wish to see households move out of private renting); and
- **Rented Affordable Housing** – which is taken to follow the occupancy profile in the social rented sector. The affordable sector in the analysis to follow would include social and affordable rented housing.

Changes to Households by Age

8.19 The tables below present the projected change in households by age of household reference person from 2021 to 2041; two tables are provided, based on the projections described in Section 6 (one linking to levels of households growth in the 2014-based household projections and the other the Standard Method). The analysis shows growth as being expected in all age groups and in particular older age groups. The number of households headed by someone aged 35-49 is projected to see the most modest increase over the period studied (up 9% in the case of household growth only) with numbers aged 85 and over projected to increase by at least 70%.

Table 8.5 Projected Change in Household by Age of HRP in South West Herts (linked to household growth)

	2021	2041	Change in Households	% Change
Under 25	3,331	3,999	667	20.0%
25-34	28,388	34,600	6,212	21.9%
35-49	72,557	79,189	6,632	9.1%
50-64	71,961	83,898	11,937	16.6%
65-74	30,870	40,885	10,015	32.4%
75-84	23,743	37,941	14,198	59.8%
85+	11,132	19,292	8,160	73.3%
TOTAL	241,983	299,803	57,819	23.9%

Source: Demographic Projections

Table 8.6 Projected Change in Household by Age of HRP in South West Herts (linked to Standard Method)

	2021	2041	Change in Households	% Change
Under 25	3,331	5,775	2,443	73.3%
25-34	28,388	41,566	13,177	46.4%
35-49	72,557	87,653	15,096	20.8%
50-64	71,961	85,809	13,847	19.2%
65-74	30,870	41,628	10,758	34.8%
75-84	23,743	38,453	14,710	62.0%
85+	11,132	19,645	8,513	76.5%
TOTAL	241,983	320,527	78,544	32.5%

Source: Demographic Projections

Modelling Outputs

- 8.20 By following the methodology set out above and drawing on the sources shown, a series of outputs have been derived to consider the likely size requirement of housing within each of the three broad tenures at a local authority level. Two tables are provided, considering both local and regional occupancy patterns. The data linking to local occupancy will to some extent reflect the role and function of the local area, whilst the regional data will help to establish any particular gaps (or relative surpluses) of different sizes/tenures of homes when considered in a wider context.
- 8.21 The analysis for rented affordable housing can also draw on data from the local authority Housing Registers with regard to the profile of need. The data shows a pattern of need which is focussed on 1-bedroom homes but with over a quarter of households as requiring 3+-bedroom accommodation.

Table 8.7 Size of Social/Affordable Rented Housing – Housing Register Information (March 2022)

	Number of households	% of households
1-bedroom	2,824	50.8%
2-bedrooms	1,151	20.7%
3-bedrooms	1,280	23.0%
4+-bedrooms	303	5.5%
TOTAL	5,558	100.0%

Source: LAHS

- 8.22 The tables below show the modelled outputs of need by dwelling size in the three broad tenures. This is done by linking local and regional occupancy patterns and modelling using both projections developed. There are only very limited differences in the two models and in both cases market housing focusses on 3+-bedroom homes, affordable home ownership on 2- and 3-bedroom accommodation and rented affordable housing showing a slightly smaller profile again.

- 8.23 Given there is only a limited difference in the scenarios, further analysis to follow focuses on the 'linked to household growth' scenario only.

Table 8.8 Modelled Mix of Housing by Size and Tenure (linked to household growth)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	22%	43%	31%
Affordable home ownership	24%	40%	26%	11%
Affordable housing (rented)	32%	32%	32%	4%

Source: Housing Market Model

Table 8.9 Modelled Mix of Housing by Size and Tenure (linked to the Standard Method)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	5%	22%	42%	32%
Affordable home ownership	25%	40%	25%	10%
Affordable housing (rented)	31%	34%	31%	4%

Source: Housing Market Model

Sensitivity Analysis: Including Private Rent in the Market Analysis

- 8.24 Below, the modelling has been repeated but including the profile of households in the private rented sector as part of the market – this is reasonable given the PRS is a market tenure, but as previously noted does have the issue that it will be picking up a notable number of households using this sector due to a lack of affordable housing). This does have a modest impact on the findings – in particular there is a small shift towards smaller (1- and 2-bedroom) homes.

Table 8.10 Modelled Mix of Housing in market sector (with and without including private rented sector)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Excluding PRS	5%	22%	42%	32%
Including PRS	8%	25%	40%	28%

Source: Housing Market Model

Adjustments for Overcrowding

- 8.25 The analysis above sets out the potential need for housing if occupancy patterns remained the same as they were in 2021 (with differences from the current stock profile being driven by demographic change). It is however worth also considering that the 2021 profile will have included households who are overcrowded (and therefore need a larger home than they actually live in) and this could point to a larger profile of homes being needed than shown by initial modelling.

8.26 Arguably the analysis could also look at under-occupancy (where households have more bedrooms than they need) – this might help to make a more efficient use of stock. However, it would not be reasonable to expect to remove under-occupancy (particularly in the market sector) and so this is not taken into account in the modelling, although the scale of under-occupancy in different tenures is highlighted below.

8.27 The table below shows a cross-tabulation of a household's occupancy rating and the number of bedrooms in their home (for owner-occupiers). This shows a high number of households with at least 2 spare bedrooms who are living in homes with 3 or more bedrooms. There are also a small number of overcrowded households. Overall, in the owner-occupied sector in 2021, there were 133,000 households with some degree of under-occupation and just 2,700 overcrowded households.

Table 8.11 Cross-tabulation of occupancy rating and number of bedrooms (owner-occupied sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	32,174	47,148	79,322
+1	0	22,545	21,449	9,707	53,701
0	7,313	6,775	8,271	1,525	23,884
-1	503	856	945	427	2,731
TOTAL	7,816	30,176	62,839	58,807	159,638

Source: Census (2021)

8.28 For completeness the tables below show the same information for the social and private rented sectors. In both cases there are more under-occupying households than overcrowded, but differences are less marked than seen for owner-occupied housing.

Table 8.12 Cross-tabulation of occupancy rating and number of bedrooms (social rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	3,298	597	3,895
+1	0	4,223	3,712	516	8,451
0	11,308	6,771	4,911	406	23,396
-1	791	1,694	1,171	156	3,812
TOTAL	12,099	12,688	13,092	1,675	39,554

Source: Census (2021)

Table 8.13 Cross-tabulation of occupancy rating and number of bedrooms (private rented sector)

Occupancy rating	Number of bedrooms				
	1-bed	2-bed	3-bed	4+-bed	TOTAL
+2	0	0	2,234	2,916	5,150
+1	0	7,602	3,540	1,051	12,193
0	9,531	7,901	2,896	493	20,821
-1	1,565	1,758	681	203	4,207
TOTAL	11,096	17,261	9,351	4,663	42,371

Source: Census (2021)

- 8.29 In using this data in the modelling an adjustment is made to move overcrowded households into larger homes; households are moved up as many bedrooms as is needed to resolve the problems. The adjustments for overcrowding lead to the suggested mix as set out in the following table. It can be seen there is little difference from the main modelling.

Table 8.14 Adjusted Modelled Mix of Housing by Size and Tenure

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	4%	21%	43%	32%
Affordable home ownership	21%	39%	28%	12%
Affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

- 8.30 Across the study area, the analysis points to around a third of the social/affordable housing need being for 1-bedroom homes and it is of interest to see how much of this is due to older person households. In the future household sizes are projected to drop whilst the population of older people will increase. Older person households (as shown earlier) are more likely to occupy smaller dwellings. The impact of older people have on demand for smaller stock is outlined in the table below.
- 8.31 This indeed identifies a larger profile of homes needed for households where the household reference person is aged Under 65, with a concentration of 1-bedroom homes for older people. This information can be used to inform the mix required for General Needs rather than Specialist Housing, although it does need to be noted that not all older people would be expected to live in homes with some form of care or support.

Table 8.15 Adjusted Modelled Mix of Housing by Size and Age – Affordable Housing (Rented) – South West Herts

Age of HRP	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Under 65	21%	34%	34%	11%
65 and over	47%	53%		
All affordable housing (rented)	30%	30%	33%	7%

Source: Housing Market Model (with adjustments)

- 8.32 A further analysis of the need for rented affordable housing is to compare the need with the supply (turnover) of different sizes of accommodation. This links back to estimates of need in the previous section (a need for 2,258 dwellings per annum) with additional data from CoRe about the sizes of homes let over the past three years.
- 8.33 This analysis is quite clear in showing the very low supply of larger homes relative to the need. For 4+-bedroom accommodation, it is estimated the supply is only around 5% of the need arising each year, whereas for 1-bedroom homes around 43% of the need can be met.

Table 8.16 Need for general needs rented affordable housing by number of bedrooms – South West Herts

	Gross Annual Need	Gross Annual Supply	Net Annual Need	As a % of total net annual need	Supply as a % of gross need
1-bedroom	819	350	469	20.8%	42.7%
2-bedrooms	1,145	367	778	34.5%	32.0%
3-bedrooms	924	153	771	34.1%	16.5%
4+-bedrooms	252	12	240	10.6%	4.7%
Total	3,139	881	2,258	100.0%	28.1%

Source: JGC Modelling

Comparison of Modelling Outputs with 2020 study

- 8.34 A similar analysis was carried out in the 2020 LHNA and the table below provides a comparison of the modelling outputs from that report and this study. It can be seen there are some differences between the figures, but generally these are not particularly substantial. Differences will be driven by a number of factors, including: use of up-to-date projections, use of 2021 Census data on occupancy and an adjustment for overcrowding (which mainly impacts on rented affordable needs). It should be noted the 2020 study did not separate out the rented affordable need into households aged over and under 65.

Table 8.17 Comparing Modelled Mix of Housing by Size and Tenure (2020 and 2023 reports) – South West Herts

		1-bedroom	2-bedrooms	3-bedrooms	4+- bedrooms
Market	This study	4%	21%	43%	32%
	2020 study	5%	22%	44%	29%
Affordable home ownership	This study	21%	39%	28%	12%
	2020 study	27%	41%	24%	9%
Affordable housing (rented)	This study	30%	30%	33%	7%
	2020 study	35%	29%	32%	4%

Source: 2020 data from Tables 71-73

Indicative Targets for Different Sizes of Property by Tenure

- 8.35 The analysis below provides some indicative targets for different sizes of home (by tenure). The conclusions take account of a range of factors, including the modelled outputs and an understanding of the stock profile in different locations. The analysis (for rented affordable housing) also draws on the Housing Register data as well as taking a broader view of issues such as the flexibility of homes to accommodate changes to households (e.g. the lack of flexibility offered by a 1-bedroom home for a couple looking to start a family).
- 8.36 A further factor which has been considered is the evidence that conversions and in particular extensions of existing properties have been contributing to the supply of larger properties in the HMA. This is particularly likely to have affected market sector homes (and in particular those that are owner occupied), as households seek to extend properties given the high transactional costs of moving (influenced in particular by property values and therefore Stamp Duty). Taking this into account, it is reasonable for new-build development to focus slightly more towards smaller homes than the modelled need, with slightly lower provision of 4+ bed homes, reflecting that the supply of some larger properties of these sizes will be achieved in part through extensions to existing stock. Much of the housing stock in 2040/41 is likely to exist now.

Social/Affordable Rented

- 8.37 Bringing together the above, a number of factors are recognised. This includes recognising that it is unlikely that all affordable housing needs will be met and that it is likely that households with a need for larger homes will have greater priority (as they are more likely to contain children). That said, there is also a possible need for 1-bedroom social housing arising due to homelessness (typically homeless households are more likely to be occupied by younger single people).

-
- 8.38 As noted, the conclusions also consider the Housing Register and also take account of the current profile of housing in this sector). In taking account of the modelled outputs, the Housing Register and the discussion above, it is suggested that the following mix of social/affordable rented housing would be appropriate:

General Needs	Housing for Older People
<ul style="list-style-type: none">• 1-bedroom: 20%• 2-bedroom: 30%• 3-bedroom: 35%• 4+-bedroom: 15%	<ul style="list-style-type: none">• 1-bedroom: 50%• 2+-bedroom: 50%

Affordable Home Ownership

- 8.39 In the affordable home ownership and market sectors a profile of housing that closely matches the outputs of the modelling is suggested. It is considered that the provision of affordable home ownership should be more explicitly focused on delivering smaller family housing for younger households and childless couples. Based on this analysis, it is suggested that the following mix of affordable home ownership would be appropriate:

- 1-bedroom: 20%
- 2-bedroom: 40%
- 3-bedroom: 30%
- 4+-bedroom: 10%

Market Housing

- 8.40 Finally, in the market sector, a balance of dwellings is suggested that takes account of both the demand for homes and the changing demographic profile (as well as observations about the current mix when compared with other locations and also the potential to slightly reduce levels of under-occupancy). However they have also sought to balance wider issues including the increased prevalence of home working but also the role which extensions to existing homes play in contributing to the stock of larger properties. These issues counteract one another to some degree.
- 8.41 The conclusions for market housing see a slightly larger recommended profile compared with other tenure groups, but with future stock provision focused on 2- and 3-bed stock:
- 1-bedroom: 5%
 - 2-bedroom: 20%
 - 3-bedroom: 45%
 - 4+-bedroom: 30%

-
- 8.42 Although the analysis has quantified this on the basis of the market modelling and an understanding of the current housing market, it does not necessarily follow that such prescriptive figures should be included in the plan making process (although it will be useful to include an indication of the broad mix to be sought across the Council area) – demand can change over time linked to macro-economic factors and local supply. Policy aspirations could also influence the mix sought.
- 8.43 The suggested figures can be used as a monitoring tool to ensure that future delivery is not unbalanced when compared with the likely requirements as driven by demographic change in the area. The recommendations can also be used as a set of guidelines to consider the appropriate mix on larger development sites, and the Council could expect justification for a housing mix on such sites which significantly differs from that modelled herein. Site location and area character and the form of development are also however relevant considerations in identifying the appropriate mix of market housing on individual development sites.

Considering the Need for different Sizes of Homes against Recent Delivery

The historical data, as considered in Section 3, points to a focus of delivery in SW Herts towards 1- and 2-bed properties in recent years, with family-sized homes with 3 or more bedrooms equating to just 31% of new-build homes delivered. Property extensions have provided an important source of supply of larger homes in this context.

The delivery of family homes tends to be focused on suburban locations, larger and greenfield sites. If the delivery of family homes is to be supported through local plans in the sub-region, the mix of sites allocated for development should be considered through the plan-making process. However the delivery of specialist homes and those attractive to older households, in locations with access to services, amenities and public transport, can also help to release existing family-sized homes for other local households.

District Level Housing Mix

- 8.44 The analysis above has focussed on overall study area-wide needs; given differences between authorities. It is however worth considering the potential mix at a district level with figures for local authorities shown in the tables below.
- 8.45 These tables are all based on the same analysis above, but using data specific to each local authority. The analysis uses district-level occupancy patterns (combined with regional data) and links to the projection based on household growth. The figures in the market link to owner-occupier profiles (i.e. excludes the Private Rented Sector) but do include an adjustment for overcrowding by tenure.

- 8.46 It is not considered that any District-level findings point to a significantly different mix being required in different areas when compared with the study area as a whole and it should be noted that in practice, the future housing mix will also be influenced by the types of housing site available. This will vary from district to district and will be influenced by the scale of Green Belt releases in Local Plans. Generally, it is much easier to secure family houses on greenfield sites than on previously developed urban land, which explains why relatively few family homes are built in Watford for example.

Table 8.18 Adjusted Modelled Mix of Housing by Size and Tenure – Dacorum

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	21%	20%	48%
2-bedrooms	21%	39%	37%	52%
3-bedrooms	43%	28%	35%	
4+-bedrooms	32%	11%	7%	

Source: Housing Market Model (with adjustments)

Table 8.19 Adjusted Modelled Mix of Housing by Size and Tenure – Hertsmere

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	18%	23%	42%
2-bedrooms	24%	39%	33%	58%
3-bedrooms	43%	30%	34%	
4+-bedrooms	29%	13%	10%	

Source: Housing Market Model (with adjustments)

Table 8.20 Adjusted Modelled Mix of Housing by Size and Tenure – St Albans

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	22%	20%	46%
2-bedrooms	21%	40%	33%	54%
3-bedrooms	41%	27%	32%	
4+-bedrooms	34%	11%	15%	

Source: Housing Market Model (with adjustments)

Table 8.21 Adjusted Modelled Mix of Housing by Size and Tenure – Three Rivers

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	4%	19%	20%	53%
2-bedrooms	21%	39%	32%	47%
3-bedrooms	42%	30%	35%	
4+-bedrooms	32%	13%	12%	

Source: Housing Market Model (with adjustments)

Table 8.22 Adjusted Modelled Mix of Housing by Size and Tenure – Watford

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	22%	18%	44%
2-bedrooms	21%	37%	33%	56%
3-bedrooms	44%	29%	34%	
4+-bedrooms	30%	13%	15%	

Source: Housing Market Model (with adjustments)

- 8.47 These calculations reflect an unconstrained assessment of the need for different types of homes. The nature of the land supply in different areas can however have an influence on the form of development coming forwards and what is built. In areas such as Watford, a high proportion of development is on flatted schemes where developers prefer to deliver smaller 1-bed and 2-bed properties which support higher values per square foot. There is however a case for seeking the delivery of larger properties on flatted schemes through policy with a view to achieving a balanced mix of homes overall.

Built-form

- 8.48 A final issue is a discussion of the need/demand for different built-forms of homes. In particular this discussion focusses on bungalows and the need for flats vs. houses with a short discussion also provided on the size of homes within bedroom number categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes).

Bungalows

- 8.49 The sources used for analysis in this report make it difficult to quantify a need/demand for bungalows in the Council areas as Census data (which is used to look at occupancy profiles) does not separately identify this type of accommodation. Data from the Valuation Office Agency (VOA) does however provide estimates of the number of bungalows (by bedrooms) although no tenure split is available.
- 8.50 The table below shows a modest proportion of homes in South West Herts are bungalows (6% of all flats and houses). Approaching half of bungalows have 2-bedrooms (46% of the total). A notably higher proportion (9%) of homes across England are bungalows.

Table 8.23 Number of dwellings by property type and number of bedrooms (March 2020) – South West Herts

	Number of bedrooms					All
	1	2	3	4+	Not Known	
Bungalow	2,130	6,310	3,740	1,490	80	13,730
Flat/Maisonette	28,990	32,470	3,100	220	340	65,110
Terraced house	1,810	19,780	39,800	5,580	160	67,120
Semi-detached house	190	5,470	43,460	8,870	150	58,130
Detached house	70	1,250	12,300	28,770	300	42,660
All flats/houses	33,190	65,280	102,400	44,930	1,030	246,750
Annexe	-	-	-	-	-	360
Other	-	-	-	-	-	1,210
Unknown	-	-	-	-	-	1,370
All properties	-	-	-	-	-	249,670

Source: Valuation Office Agency

- 8.51 In general, discussions with local estate agents (discussions nationally) find that there is a demand for bungalows and in addition, analysis of survey data (in other locations) points to a high demand for bungalows (from people aged 65 and over in particular). Bungalows are often the first choice for older people seeking suitable accommodation in later life and there is generally a high demand for such accommodation when it becomes available (this is different from specialist accommodation for older people which would have some degree of care or support).
- 8.52 As a new build option, bungalows are often not supported by either house builders or planners (due to potential plot sizes and their generally low densities). There may, however, be instances where bungalows are the most suitable house type for a particular site; for example, to overcome objections about dwellings overlooking existing dwellings or preserving sight lines.
- 8.53 There is also the possibility of a wider need/demand for retirement accommodation. Retirement apartments can prove very popular if they are well located in terms of access to facilities and services, and environmentally attractive (e.g. have a good view). However, some potential purchasers may find high service charges unacceptable or unaffordable and new build units may not retain their value on re-sale.
- 8.54 Overall, the Councils could consider the potential role of bungalows as part of the future mix of housing. Such housing may be particularly attractive to older owner-occupiers (many of whom are equity-rich) which may assist in encouraging households to downsize. However, the downside to providing bungalows is that they are relatively land intensive and this is likely to limit opportunities for development – particularly in more urban locations.

- 8.55 Bungalows are likely to see a particular need and demand in the market sector and also for rented affordable housing (for older people as discussed in the next section of the report). Bungalows are likely to particularly focus on 2-bedroom homes, including in the affordable sector where such housing may encourage households to move from larger 'family-sized' accommodation (with 3+-bedrooms).

Flats versus Houses

- 8.56 Although there are some 1-bedroom houses and 3-bedroom flats, it is considered that the key discussion on built-form will be for 2-bedroom accommodation, where it might be expected that there would be a combination of both flats and houses. At a national level, 82% of all 1-bedroom homes are flats, 38% of 2-bedroom homes and just 5% of homes with 3-bedrooms.
- 8.57 The table below shows (for 2-bedroom accommodation) the proportion of homes by tenure that are classified as a flat, maisonette or apartment in South West Herts and a number of other locations. This shows a relatively high proportion of flats in South West Herts (52% of all 2-bedroom homes). This would arguably point to a broad split between flats and houses for 2-bedroom homes in the future although this will to some extent depend on site characteristics. The analysis does also show a higher proportion of flats in the social and private rented sectors.

Table 8.24 Proportion of 2-bedroom homes that are a flat, maisonette or apartment (by tenure)

	Owner-occupied	Social rented	Private rented	All (2-bedroom)
Dacorum	37%	49%	68%	48%
Hertsmere	47%	59%	73%	57%
St Albans	40%	63%	68%	53%
Three Rivers	33%	42%	63%	41%
Watford	47%	69%	70%	60%
SWH	41%	56%	69%	52%
East of England	20%	42%	47%	32%
England	25%	48%	52%	38%

Source: 2021 Census

- 8.58 For completeness, the table below shows the proportion of flats in South West Herts for all sizes of accommodation and different tenures. Of particular note is the very small proportion of 3+-bedroom homes as flats – particularly in the market sector.

Table 8.25 Proportion of homes that are a flat, maisonette or apartment (by tenure and dwelling size)

	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Owner-occupied	80%	41%	2%	0%
Social rented	86%	56%	5%	7%
Private rented	90%	69%	15%	11%
All	85%	52%	4%	1%

Source: 2021 Census

- 8.59 As noted, this analysis would suggest that 2-bedroom homes might be expected to be split between houses (or bungalows) and flats given the nature of the current stock. Any decisions will have to take account of site characteristics, which in some cases might point towards flatted development as being most appropriate.
- 8.60 The analysis would suggest that the affordable sector might be expected to see a higher proportion of flats than for market housing although the Councils should ensure there is a mix of both built-forms in all tenures. The Councils can also consider the likely occupancy of new homes with analysis (below) pointing to a high proportion of lettings being to households with children – such households are likely to be better suited to houses rather than flats.

Sizes within bedroom size categories

- 8.61 The final mix consideration is around the sizes of homes within bedroom size categories (e.g. the need for 2 bed 3 person homes versus 2 bed 4 person homes). This is mainly an issue for rented forms of affordable housing and it is considered an understanding of occupancy will be an important consideration (notably the extent to which homes contain children) with data considered in the context of the number of lettings (by size).
- 8.62 The table below shows the proportion of lettings to households and the number with children under the age of 16. This clearly shows a high proportion of lettings to households with children with half of lettings over the past 3-years containing children – around half of these are to households with more than one child.

Table 8.26 Proportion lettings to households with children aged under 16

	No children	1-child	2-children	3+-children
Dacorum	42%	33%	17%	8%
Hertsmere	53%	24%	12%	11%
St Albans	51%	22%	17%	10%
Three Rivers	58%	21%	12%	9%
Watford	53%	23%	14%	10%
SWH	50%	26%	15%	9%

Source: CoRe

-
- 8.63 **This analysis would suggest maximising sizes of homes in new properties;** with this being further supported by noting there will be other children (aged over 16 in some households) and also the observation earlier in this section of relatively high levels of overcrowding in the social rented sector. Previous analysis has also identified around 40% of lettings are in 1-bedroom homes, which means the vast majority of 2+-bedroom homes are likely to be let to households with children. Across SW Herts, 42% of lettings are in homes with 2-bedrooms suggesting a general lack of larger family accommodation.
- 8.64 Those in priority need are often households with children. Based on analysis of Watford's Housing Register, 25% of households in priority need require the largest sized properties (such as 2-bed, 3 person or 3-bed 5 person properties. Providing properties on these sizes also ensures that homes can meet households changing needs, including as additional children are born, and thus avoids growth in overcrowding.
- 8.65 In seeking to provide larger homes within any particular dwelling size, the Councils should be mindful of any impact this may have on viability (i.e. not reducing the overall level of affordable housing able to be delivered). There may also be specific cases where particular sites are more suited to smaller homes and so any policy position should be applied flexibly.

Summary

- 8.66 Analysis of the future mix of housing required takes account of demographic change, including potential changes to the number of family households and the ageing of the population. The proportion of households with dependent children in South West Herts is relatively high with around 34% of all households containing dependent children in 2021 (compared with around 29% regionally and nationally). There are notable differences between different types of household, with married couples (with dependent children) seeing a high level of owner-occupation, whereas lone parents are particularly likely to live in social or private rented accommodation.
- 8.67 There are a range of factors which will influence demand for different sizes of homes, including demographic changes; future growth in real earnings and households' ability to save; economic performance and housing affordability. The analysis linked to future demographic change concludes that the following represents an appropriate mix of affordable and market homes, this takes account of both household changes and the ageing of the population.
- 8.68 In all sectors the analysis points to a particular need for 2- and 3-bedroom accommodation, with varying proportions of 1-bedroom and 4+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 50% to have at least 3-bedrooms (general need housing). Our recommended mix is set out below:

Table 8.27 SW Herts - Recommend Mix

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5%	20%	20%	50%
2-bedrooms	20%	40%	30%	50%
3-bedrooms	45%	30%	35%	
4+-bedrooms	30%	10%	15%	

- 8.69 The strategic conclusions in the affordable sector recognise the role which delivery of larger family homes can play in releasing a supply of smaller properties for other households. Also recognised is the limited flexibility which 1-bedroom properties offer to changing household circumstances, which feed through into higher turnover and management issues. The conclusions also take account of the current mix of housing by tenure and also the size requirements shown on the Housing Register.
- 8.70 The mix identified above could inform strategic policies although a flexible approach should be adopted. For example, in some areas Registered Providers find difficulties selling 1-bedroom affordable home ownership (AHO) homes and therefore the 1-bedroom elements of AHO might be better provided as 2-bedroom accommodation. That said, this report also highlighted potential difficulties in making (larger) AHO genuinely affordable.
- 8.71 Additionally, in applying the mix to individual development sites, regard should be had to the nature of the site and character of the area, and to up-to-date evidence of need as well as the existing mix and turnover of properties at the local level. The Council should also monitor the mix of housing delivered.
- 8.72 Given the nature of the area and the needs identified, the analysis suggests that the majority of units should be houses rather than flats although consideration will also need to be given to site specific circumstances (which may in some cases lend themselves to a particular type of development). There is potentially a demand for bungalows, although realistically significant delivery of this type of accommodation may be unlikely. It is however possible that delivery of some bungalows might be particularly attractive to older person households downsizing and may help to release larger (family-sized) accommodation back into family use.

9. HOUSING FOR OLDER & DISABLED PEOPLE

- 9.1 This section studies the characteristics and housing needs of the older person population and the population with some form of disability. The two groups are analysed within the same section as there is a clear link between age and disability. It responds to the NPPF (Para 63) which identifies the need to assess the need of older people and Planning Practice Guidance on *Housing for Older and Disabled People* published by Government in June 2019. It includes an assessment of the need for specialist accommodation for older people and the potential requirements for housing to be built to M4(2) and M4(3) housing technical standards (accessibility and wheelchair standards).
- 9.2 The PPG on Housing for Older and Disabled People outlines that the need to provide housing for older people is critical, given the growth in the projected older population, and can help to provide older and disabled people with choice, to live safely and independently and to reduce costs to the social care and healthcare systems. It identified that needs assessments should consider the needs for specialist housing and for care homes, and for accessible and adaptable housing, and this can inform plan-making. Plans should set clear policies to address these needs including providing indicative figures or a range for the number of specialist housing units needed over the plan period. It is up to planning authorities whether to allocate sites to meet specialist housing needs, but the PPG advises that doing so can provide greater certainty for developers and encourage provision in suitable locations. The PPG in addition provides guidance on inclusive design.

Understanding the Implications of Demographic Change

- 9.3 At a national level, the population of older persons is increasing, and this will potentially drive a need for housing which is capable of meeting the needs of older persons. Initially below a series of statistics about the older person population of South West Herts are presented.

Current Population of Older People

- 9.4 The table below provides baseline population data about older persons in South West Herts and compares this with other areas. The table shows the study area has a slightly younger structure than seen regionally or nationally with 17% of the population being aged 65 and over. The proportion of people aged 75 and over is also slightly below equivalent figures for other areas.

Table 9.1 Older Persons Population, 2021

	South West Herts	Hertfordshire	East of England	England
Under 65	83.2%	82.9%	80.3%	81.5%
65-74	8.7%	8.9%	10.3%	9.8%
75-84	5.5%	5.7%	6.7%	6.2%
85+	2.5%	2.6%	2.7%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	16.8%	17.1%	19.7%	18.5%
Total 75+	8.1%	8.3%	9.4%	8.7%

Source: ONS

- 9.5 The table below shows the same data for the five local authorities. The analysis points to some variation in the proportion of older people, the most notable finding being the very low proportion in Watford where only 13% of the population is aged 65 and over compared to over 17%-18% in other authorities.

Table 9.2 Older Persons Population, 2021 – by local authority

	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Under 65	82.5%	82.2%	82.7%	81.9%	87.3%
65-74	9.2%	9.1%	8.7%	9.4%	6.8%
75-84	5.7%	6.0%	5.8%	6.0%	4.1%
85+	2.6%	2.8%	2.7%	2.7%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Total 65+	17.5%	17.8%	17.3%	18.1%	12.7%
Total 75+	8.2%	8.7%	8.6%	8.7%	5.9%

Source: Census (2021)

Projected Future Change in the Population of Older People

- 9.6 Population projections can next be used to provide an indication of how the number of older persons might change in the future with the table below showing that South West Herts is projected to see a notable increase in the older person population with a projected increase in the population aged 65+ of around 47% in the 2021-41 period – the population aged Under 65 is in contrast projected to increase by a more modest 13%.
- 9.7 In total population terms, the projections show an increase in the population aged 65 and over of 48,000 people. This is against a backdrop of an overall increase of 115,000 – population growth of people aged 65 and over therefore accounts for around 42% of the total projected population change. The projection shown below is based on the household growth scenario discussed in Section 6.

**Table 9.3 Projected Change in Population of Older Persons, 2021 to 2041
– South West Herts**

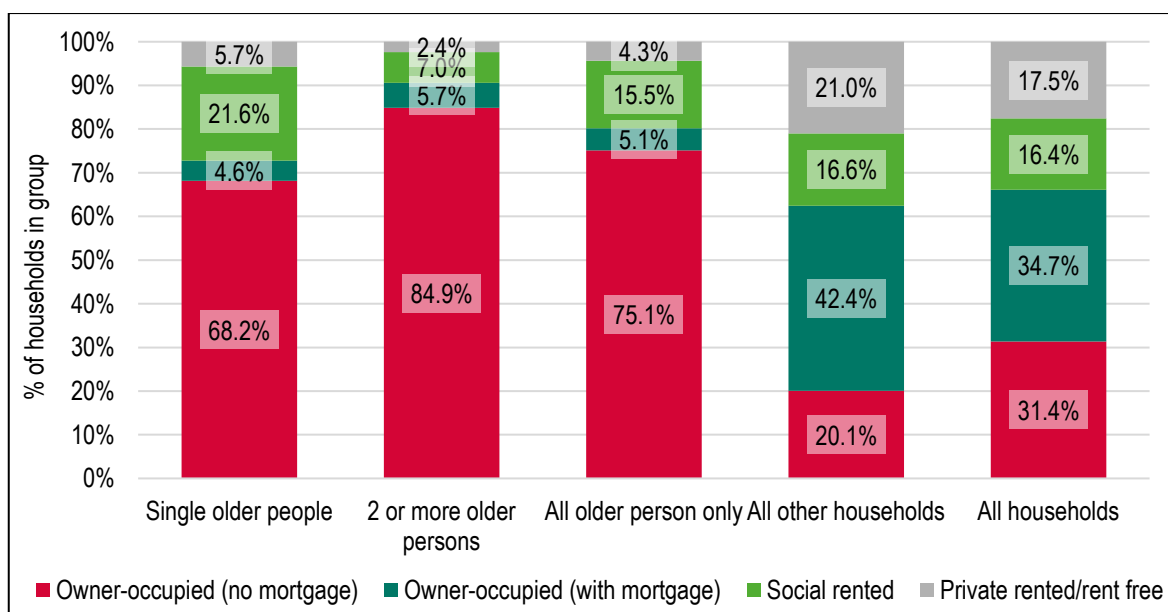
	2021	2041	Change in population	% change
Under 65	506,278	573,270	66,992	13.2%
65-74	52,931	69,856	16,925	32.0%
75-84	33,728	53,602	19,874	58.9%
85+	15,429	26,628	11,199	72.6%
Total	608,366	723,356	114,990	18.9%
Total 65+	102,088	150,086	47,998	47.0%
Total 75+	49,157	80,230	31,073	63.2%

Source: Demographic projections

Characteristics of Older Person Households

- 9.8 The figures below show the tenure of older person households. The data has been split between single older person households and those with two or more older people (which will largely be couples). The data shows that the majority of older persons households are owner occupiers (80% of older person households), and indeed most are owner occupiers with no mortgage and thus may have significant equity which can be put towards the purchase of a new home. Some 16% of older persons households live in the social rented sector and the proportion of older person households living in the private rented sector is relatively low (about 4%).
- 9.9 There are also notable differences for different types of older person households with single older people having a lower level of owner-occupation than larger older person households – this group also has a much higher proportion living in the social rented sector.

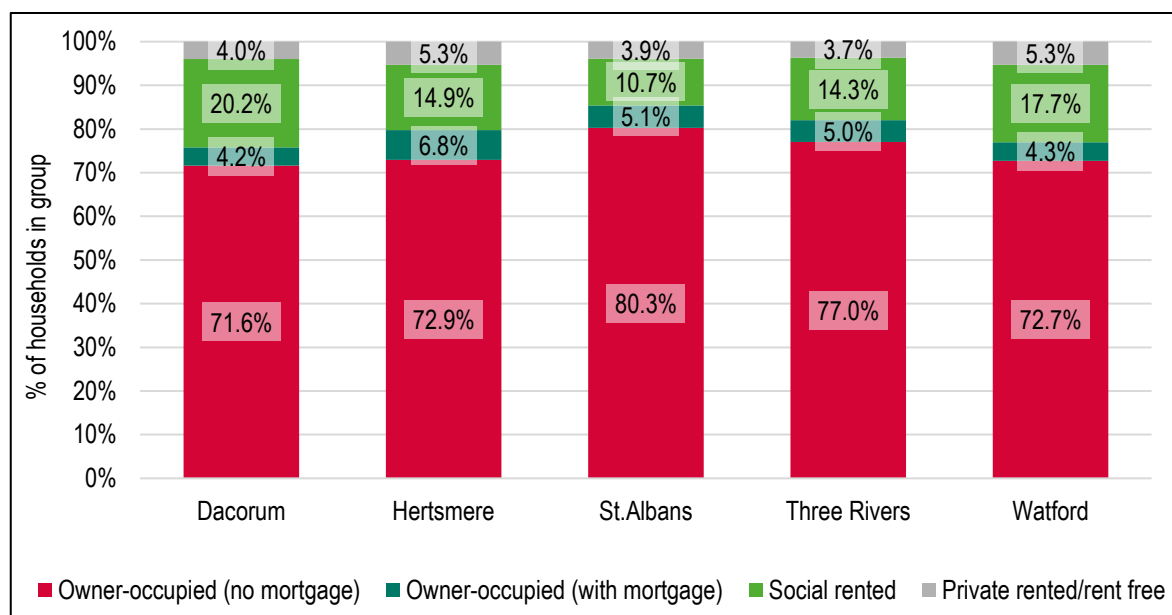
Figure 9.1 Tenure of Older Persons Households in South West Herts, 2021



Source: 2021 Census

- 9.10 The figure below shows the same information for each local authority (data for all older person households). There is some variation between areas, with the proportion of outright owners varying from 72% in Dacorum, up to 80% in St Albans. It is however the case that all areas see the majority of older person households as owner-occupiers.

Figure 9.2 Tenure of Older Persons Households in South West Herts, 2021 – local authorities



Source: 2021 Census

Prevalence of Disabilities

- 9.11 The table below shows the proportion of people who are disabled under the Equality Act drawn from 2021 Census data, and the proportion of households where at least one person has a disability, as defined under the Equality Act 2010 (either physical or mental). The data suggests that some 27% of households in the study area contain someone with a disability. This figure is similar to that seen across Hertfordshire and below the regional and national average. The figures for the population with a disability show a similar pattern when compared with other locations – some 14% of the population having a disability. Not all disabilities will impact on housing needs.

Table 9.4 Households and People with a Disability, 2021

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
South West Herts	65,150	27.0%	83,351	13.7%
Hertfordshire	134,829	27.9%	172,675	14.4%
East of England	811,942	30.9%	1,053,832	16.6%
England	7,507,886	32.0%	9,774,510	17.3%

Source: 2021 Census

- 9.12 The table below shows the same information for local authorities – this shows a higher proportion of population and households in Dacorum with a disability and lower proportions in the St Albans and Watford. Generally there are not substantial differences between areas and all locations see a level of disability below the regional and national average.

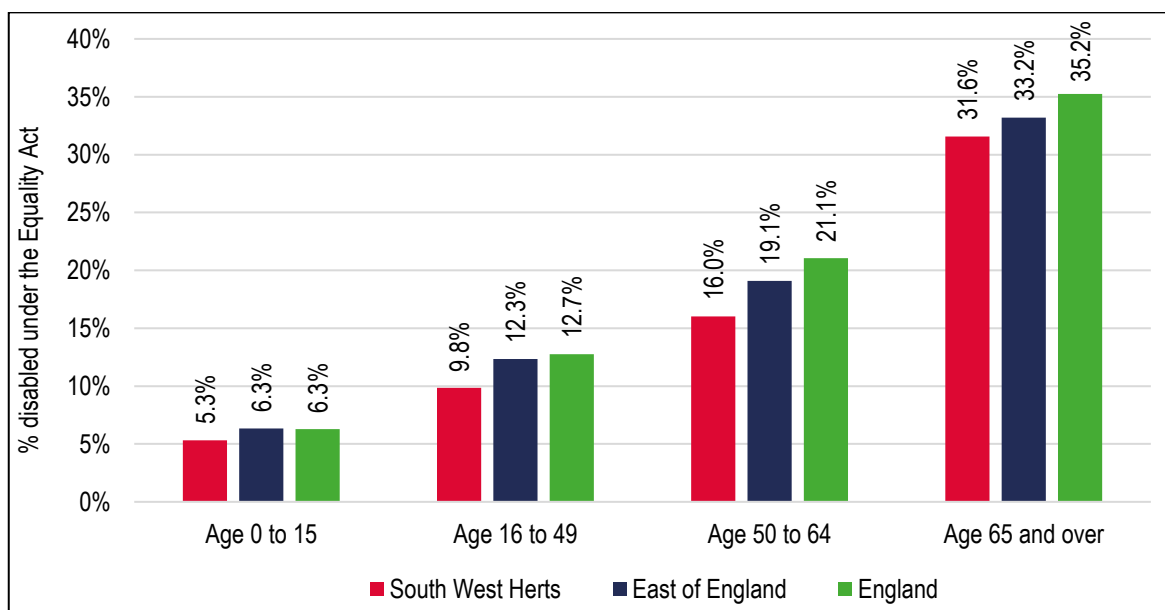
Table 9.5 Households and People with a Disability, 2021 – Local Authorities

	Households Containing Someone with a Disability		Population with a Disability	
	No.	%	No.	%
Dacorum	18,218	28.7%	23,522	15.2%
Hertsmere	11,691	27.4%	15,076	14.0%
St Albans	15,038	25.5%	19,128	12.9%
Three Rivers	10,116	27.4%	12,692	13.5%
Watford	10,087	25.5%	12,933	12.6%
South West Herts	65,150	27.0%	83,351	13.7%

Source: 2021 Census

- 9.13 As noted, it is likely that the age profile will impact upon the numbers of people with a disability, as older people tend to be more likely to have a disability. The figure below shows the age bands of people with a disability. It is clear from this analysis that those people in the oldest age bands are more likely to have a disability. The analysis also typically shows lower levels of disability in each age band within South West Herts when compared with the regional and national position.

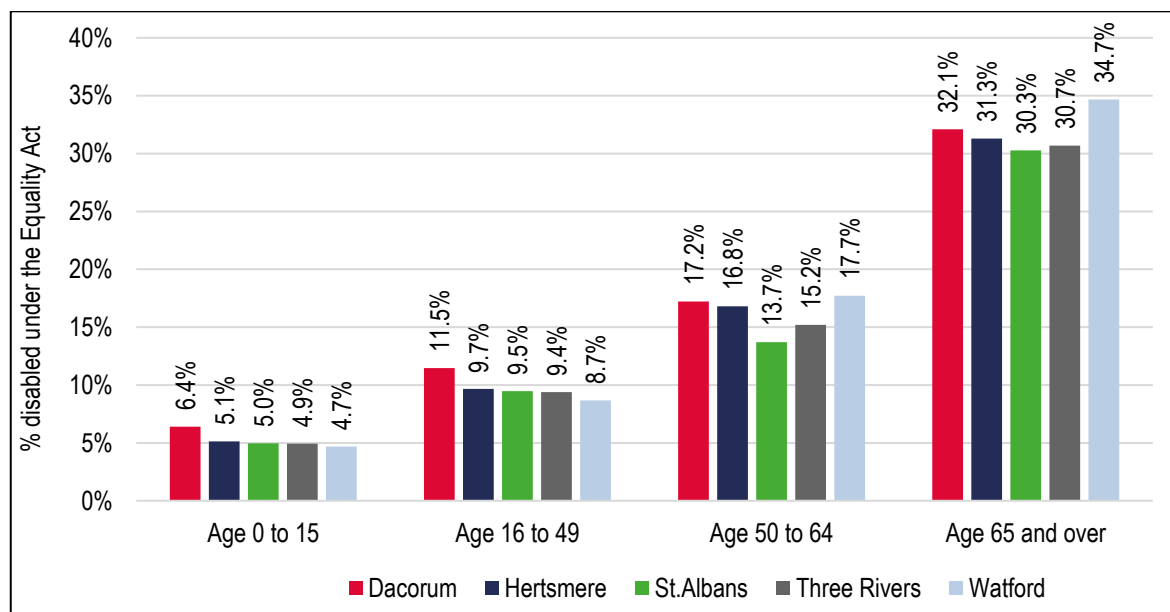
Figure 9.3: Population with Disability by Age



Source: 2021 Census

- 9.14 The figure below shows the same information for local authorities with each showing the same general pattern of higher levels of disability in the older person population. Overall, Dacorum shows some of the highest disability levels in the area, although the proportion of people aged 50 and over with a disability is highest in Watford.

Figure 9.4: Population with Disability by Age – local authorities



Source: 2021 Census

Health Related Population Projections

- 9.15 The incidence of a range of health conditions is an important component in understanding the potential need for care or support for a growing older population. The analysis undertaken covers both younger and older age groups and draws on prevalence rates from the PANSI (Projecting Adult Needs and Service Information) and POPPI (Projecting Older People Population Information) websites. Adjustments have been made to take account of the age specific health/disabilities previously shown.
- 9.16 Of particular note are the large increases in the number of older people with dementia (increasing by 62% from 2021 to 2041 and mobility problems (up 55% over the same period). Changes for younger age groups are smaller, reflecting the fact that projections are expecting older age groups to see the greatest proportional increases in population. When related back to the total projected change to the population, the increase of people aged 65+ with a mobility problem represents around 8% of total projected population growth.

Table 9.6 Projected Changes to Population with a Range of Disabilities – South West Herts

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	6,665	10,822	4,157	62.4%
Mobility problems	65+	17,287	26,808	9,521	55.1%
Autistic Spectrum Disorders	18-64	2,772	3,208	436	15.7%
	65+	843	1,256	413	49.0%
Learning Disabilities	15-64	7,317	8,408	1,091	14.9%
	65+	1,902	2,780	878	46.2%
Impaired mobility	16-64	15,810	18,102	2,292	14.5%

Source: POPPI/PANSI and Demographic Projections

- 9.17 The tables below provide the same information at a local authority level. The most notable finding is the higher projected increases in adult age groups in Watford – this reflects the local authority projections which for this area projected notable increases in the number of people aged under 65.

Table 9.7 Projected Changes to Population with a Range of Disabilities – Dacorum

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,778	2,888	1,110	62.5%
Mobility problems	65+	4,627	7,171	2,544	55.0%
Autistic Spectrum Disorders	18-64	801	911	110	13.8%
	65+	229	339	110	48.2%
Learning Disabilities	15-64	2,090	2,375	285	13.6%
	65+	514	745	232	45.2%
Impaired mobility	16-64	4,595	5,157	562	12.2%

Source: POPPI/PANSI and Demographic Projections

Table 9.8 Projected Changes to Population with a Range of Disabilities – Hertsmere

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,275	2,129	854	67.0%
Mobility problems	65+	3,285	5,223	1,938	59.0%
Autistic Spectrum Disorders	18-64	484	557	74	15.2%
	65+	155	233	78	50.0%
Learning Disabilities	15-64	1,297	1,482	185	14.2%
	65+	356	527	171	48.1%
Impaired mobility	16-64	2,825	3,177	352	12.5%

Source: POPPI/PANSI and Demographic Projections

Table 9.9 Projected Changes to Population with a Range of Disabilities – St Albans

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,644	2,541	898	54.6%
Mobility problems	65+	4,226	6,270	2,044	48.4%
Autistic Spectrum Disorders	18-64	604	691	87	14.3%
	65+	204	290	86	42.1%
Learning Disabilities	15-64	1,606	1,820	214	13.3%
	65+	458	646	187	40.8%
Impaired mobility	16-64	3,554	4,030	476	13.4%

Source: POPPI/PANSI and Demographic Projections

Table 9.10 Projected Changes to Population with a Range of Disabilities – Three Rivers

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	1,064	1,747	683	64.2%
Mobility problems	65+	2,778	4,318	1,540	55.4%
Autistic Spectrum Disorders	18-64	400	462	63	15.6%
	65+	137	207	70	50.9%
Learning Disabilities	15-64	1,061	1,214	153	14.4%
	65+	308	450	142	46.0%
Impaired mobility	16-64	2,378	2,714	336	14.1%

Source: POPPI/PANSI and Demographic Projections

Table 9.11 Projected Changes to Population with a Range of Disabilities – Watford

Disability	Age Range	2021	2041	Change	% Change
Dementia	65+	906	1,517	611	67.5%
Mobility problems	65+	2,370	3,825	1,456	61.4%
Autistic Spectrum Disorders	18-64	483	586	103	21.3%
	65+	118	188	70	59.2%
Learning Disabilities	15-64	1,263	1,517	254	20.1%
	65+	266	412	146	55.0%
Impaired mobility	16-64	2,458	3,024	566	23.0%

Source: POPPI/PANSI and Demographic Projections

- 9.18 Invariably, there will be a combination of those with disabilities and long-term health problems that continue to live at home with family, those who chose to live independently with the possibility of incorporating adaptations into their homes and those who choose to move into supported housing.
- 9.19 The projected change shown in the number of people with disabilities provides clear evidence justifying delivering ‘accessible and adaptable’ homes as defined in Part M4(2) of Building Regulations, subject to viability and site suitability. The Councils should ensure that the viability of doing so is also tested as part of drawing together its evidence base although the cost of meeting

this standard is unlikely to have any significant impact on viability and would potentially provide a greater number of homes that will allow households to remain in the same property for longer.

Need for Specialist Accommodation for Older People

- 9.20 The PPG defines different types of specialist housing, as replicated below:

Definitions of Different Types of Older Persons' Accommodation

Age-restricted general market housing: This type of housing is generally for people aged 55 and over and the active elderly. It may include some shared amenities such as communal gardens, but does not include support or care services.

Retirement living or sheltered housing (housing with support): This usually consists of purpose-built flats or bungalows with limited communal facilities such as a lounge, laundry room and guest room. It does not generally provide care services, but provides some support to enable residents to live independently. This can include 24-hour on-site assistance (alarm) and a warden or house manager.

Extra care housing or housing-with-care (housing with care): This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24-hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses.

Residential care homes and nursing homes (care bedspaces): These have individual rooms within a residential building and provide a high level of care meeting all activities of daily living. They do not usually include support services for independent living. This type of housing can also include dementia care homes.

Source: Planning Practice Guidance [63-010]

- 9.21 The current and future demand for elderly care is influenced by a host of factors including the balance between demand and supply in any given area and social, political, regulatory and financial issues. The need for specialist housing for older persons is typically modelled for planning purposes by applying prevalence rates to current and projected population changes and considering the level of existing supply. There is however no 'standard method' for assessing the housing and care needs of older people.
- 9.22 There are a number of 'models' for considering older persons' needs, but they all essentially work in the same way. The model results are however particularly sensitive to the prevalence rates applied, which are typically calculated as a proportion of people aged over 75 who could be expected to live in different forms of specialist housing. Whilst the population aged 75 and over is used in the modelling, the estimates of need would include people of all ages. The demographic modelling for the population aged 75+ is shown below.

Table 9.12 Projections of Population aged 75+

Projections (+75)	2021	2026	2031	2036	2041	Change
Dacorum	12,798	14,935	16,668	18,823	21,394	8,596
Hertsmere	9,446	11,170	12,329	13,862	15,866	6,420
St Albans	12,710	14,595	15,739	17,210	19,384	6,674
Three Rivers	8,143	9,537	10,412	11,695	13,401	5,258
Watford	6,060	6,977	7,732	8,823	10,185	4,125
SW Herts	49,157	57,213	62,880	70,413	80,230	31,073

Source: JGC/Iceni analysis

- 9.23 Whilst there are no definitive or standard prevalence rates, the PPG [63-004] notes that 'the future need for specialist accommodation for older people broken down by tenure and type (e.g. sheltered housing, extra care) may need to be assessed and can be obtained from a number of online tool kits provided by the sector, for example SHOP@ for Older People Analysis Tool'. The PPG does not specifically mention any other tools and therefore seems to be indicating that SHOP@ would be a good starting point for analysis. Since the PPG was published the Housing Learning and Information Network (Housing LIN) has removed the Shop@ online toolkit although the base rates used for analysis are known.
- 9.24 The SHOP@ tool was originally based on data in a 2008 report (More Choice Greater Voice) and in 2011 an updated set of rates was published (rates which were repeated in a 2012 publication – Housing in Later Life). In 2016, Housing LIN published a review document which noted that the 2008 rates are 'outdated' but also noting that the rates from 2011/12 were 'not substantiated'. The 2016 review document therefore set out a series of proposals for new rates to be taken forward onto the Housing LIN website. Whilst the 2016 review rates do not appear to have ever led to an update of the website, it does appear from reviewing work by Housing LIN over the past couple of years as if it is these rates which typically inform their own analysis (subject to evidence based localised adjustments).
- 9.25 For clarity, the table below shows the base prevalence rates set out in the various documents described above.

Table 9.13 Range of suggested baseline prevalence rates (per 1,000 population aged 75+) from a number of tools and publications

Type/Rate	SHOP@ (2008) ²⁵	Housing in Later Life (2012) ²⁶	2016 Housing LIN Review
Age-restricted general market housing	-	-	25
Retirement living or sheltered housing (housing with support)	125	180	100
Extra care housing or housing-with-care (housing with care)	45	65	30-40 ('proactive range')
Residential care homes	65	(no figure apart from 6 for dementia)	40
Nursing homes (care bedspaces), including dementia	45		45

Source: Housing LIN

9.26 In interpreting the different potential prevalence rates it is clear that:

- The prevalence rates used should be considered and assessed taking account of an authority's strategy for delivering specialist housing for older people. The degree for instance which the strategic approach within the area seeks to grow extra care housing as an alternative to residential care provision would influence the relative balance of need between these two housing types. This is an important element in the approach which is envisaged by those who have developed each 'model';
- The Housing LIN model has been influenced by existing levels of provision and their view on what future level of provision might be reasonable taking account of how the market is developing, funding availability etc. There is a degree to which the model and assumptions within it may not fully capture the growing recent private sector interest and involvement in the sector, extra care in particular is impacted by this. Equally, funding and viability challenges to delivering certain types of schemes, and how the market has moved on in recent years is not fully captured.

²⁵ Based on the More Choice Greater Voice publication of 2008

(https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Reports/MCGVdocument.pdf). It should be noted that although these rates are from 2008, they are the same rates as were being used in the online toolkit when it was taken offline in 2019.

²⁶ https://www.housinglin.org.uk/assets/Resources/Housing/Support_materials/Toolkit/Housing_in_Later_Life_Toolkit.pdf

-
- 9.27 Through the Care Act 2014, Hertfordshire County Council has responsibility for assessing the likely current and future demand for adults with care and support needs; and for ensuring the sustainability and efficient operation of the market. It has a responsibility for helping to shape that market. In these terms, the County Council's strategies for future provision are relevant to strategic planning.
- 9.28 HCC's 10 Year Supported Accommodation Strategy sets out its ambition to give first priority to supporting people at home, but alongside this it recognises the need to develop the choice of accommodation available to provide access to the right accommodation – and in particular expanding the provision of flexicare (extra care) across the County, working with partners, in order to slow growth in residential care bed spaces for long-term patients. Need for nursing care is expected to grow. These ambitions are reiterated in the Adult Care Services Plan.
- 9.29 The Strategy recognises that accommodating older people who need higher levels of support in extra care housing rather than residential care can help to mitigate the financial impacts of a growing older population on social care budgets which are under significant pressure. Households who own property or have more than £23,500 in savings (rising to £100,000 from Oct 2025) self-fund their care provision, however costs can be incurred by the County Council where savings fall below these levels. The nature of housing with care provision can therefore have direct financial impacts for HCC.
- 9.30 Icenis has worked for Hertfordshire County Council in 2022 to develop a model for assessing the needs of specialist housing in the County. The modelling approach used takes into account these factors. It recognises that specifically-designed homes for older people can help older residents to live into their own homes for longer (rather than needing to move into a care/nursing home), are less likely to have a fall or trip, and that specialist housing provision can help address wider social issues such as loneliness. Definitions used within the assessment are set out below.
- 9.31 On this basis, this report sets out two scenarios for specialist older persons housing provision:
- SHOP@ Scenario: which takes the base prevalence rates in the SHOP@ 2008 toolkit and models achieving these levels of provision over the plan period;
 - Extra Care Focus Scenario: which takes a lead from Hertfordshire County Council's Strategy for enhanced delivery of extra care housing as an alternative to residential care, as it is both more cost effective and supports independence. In this scenario we have therefore increased the Housing with Care target figures by 20 per 1000, with a reciprocal reduction in residential care units. For housing with support, the modelling takes the average of the three prevalence rates shown (135 per 1000), supporting slightly higher levels of specialist housing provision with support.

9.32 Prevalence rates define a target rate of provision. It is unrealistic to consider that changes in the model of housing with care and support will occur overnight: instead the prevalence rates represent the strategic ambitions for how provision is expected to develop over time. A progression of the prevalence rate from the current (existing) baseline provision now to the target model rate in 2041 is therefore modelled. The current prevalence rates and the target prevalence rates in 2041 applied in the two scenarios are shown in the tables below.

9.33 The tenure split of need is based on 2021 Census data on the tenure profile of households headed by someone aged over 65. The existing supply position has been identified using data from the Elderly Accommodation Council (EAC).

Table 9.14 Existing Prevalence Rates for Specialist Accommodation (per 1000 population aged 75+) – SW Herts

Existing PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	151	62	16	72	96
	Market	40	45	54	49	80
	Total	191	107	70	121	176
Housing with Care	Affordable	0	14	9	0	11
	Market	0	13	4	3	42
	Total	0	28	13	3	53
Care/Nursing Home Bedspaces	Nursing	22	61	28	40	65
	Residential	52	58	37	39	76
	Total	74	119	66	79	141

Source: EAC Stock Database/ Iceni

Table 9.15 Target Prevalence Rates in 2041 (per 1000 population 75+) – SHOP@ Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	30	25	18	23	29
	Market	95	100	107	103	96
	Total	125	125	125	125	125
Housing with Care	Affordable	11	9	7	8	10
	Market	34	36	38	37	35
	Total	45	45	45	45	45
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	65	65	65	65	65
	Total	110	110	110	110	110

Source: Housing LIN

Table 9.16 Target Prevalence Rates in 2041 (per 1000 population 75+) – Extra Care Focus Scenario

Target PR	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford
Housing With Support	Affordable	33	27	20	24	31
	Market	102	108	115	111	104
	Total	135	135	135	135	135
Housing with Care	Affordable	16	13	9	12	15
	Market	49	52	56	53	50
	Total	65	65	65	65	65
Care/Nursing Home Bedspaces	Nursing	45	45	45	45	45
	Residential	20	20	20	20	20
	Total	65	65	65	65	65

Source: Iceni/HCC

- 9.34 The data on the current supply position is shown below. This was drawn from EAC data in 2022. In addition, pipeline development schemes with planning consent (based on the position in March 2022) are included in the modelling.

Table 9.17 Current Supply of Specialist Housing – SW Herts

Type	Tenure	Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	1929	581	201	583	580	3,874
	Market	518	427	683	399	484	2,511
	Total	2447	1,008	884	982	1064	6,385
Housing with Care	Affordable	0	134	113	0	68	315
	Market	0	126	50	21	253	450
	Total	0	260	163	21	321	765
Care/Nursing Home Bedspaces	Nursing	277	577	361	324	392	1,931
	Residential	665	545	475	320	461	2,466
	Total	942	1,122	836	644	853	4,397

Source: EAC Database

Table 9.18 Pipeline Supply of Specialist Accommodation

Type	Tenure	Dacorum	Herts-mere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	0	0	37	0	0	37
	Market	0	10	133	0	51	194
	Total	0	10	170	0	51	231
Housing with Care	Affordable	0	0	0	0	0	0
	Market	103	0	7	0	303 ²⁷	413
	Total	103	0	7	0	303	413
Care/Nursing Home Bedspaces	Nursing	0	4	0	0	0	4
	Residential Care	-8	206	173	152	0	523
	Total	0	0	37	0	0	37

Source: LPA Monitoring Data

- 9.35 To calculate a net need for additional provision, we calculate a gross need taking account of projected population growth (see Table 9.12) assuming that the prevalence changes from the baseline position to the target position over the period to 2041. The current and pipeline supply position are then subtracted to provide a net need position.
- 9.36 The SHOP@ Scenario shows a need for market housing with support (and some limited affordable provision in St Albans). It shows a need for housing with care in all areas besides Watford, where there is sufficient existing market provision; and overall identifies a need for 2,200 housing with care units to 2041. In addition, a need for around 3,900 residential care and nursing home bedspaces is identified.
- 9.37 For housing with support, the modelling shows a particular surplus of affordable supported housing in Dacorum. This should be regarded as indicative and is influenced in part by applying the existing tenure profile of older residents. The Council is undertaking a Supported Housing Review which can be expected to provide a more specific indication of future needs and provision.

²⁷ Of this the majority comprises 253 units at Riverwell where a C2 residential care community has permission (19/01342/VARM)

Table 9.19 Need Net for Specialist Housing to 2041 – SHOP@ Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-1,282	-178	116	-281	-287	-1,913
	Market	1,509	1,144	1,253	975	445	5,326
	Total	227	965	1,369	693	158	3,413
Housing with Care	Affordable	233	11	14	109	37	404
	Market	413	443	688	473	-203	1,814
	Total	646	454	702	582	-166	2,218
Care/ Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	734	280	612	399	201	2,226
	Total	1,420	413	1,123	678	267	3,901

Source: Icení Modelling

- 9.38 The Enhanced Extra Care Scenario seeks to more strongly develop the provision of specialist housing in line with the County Council's strategic ambitions. This sees a higher market need for housing with support in all areas, but in particular results in a larger housing with care need for 3,800 housing with care units to 2041 focused towards market provision. If this enhanced extra care provision is achieved, the result is of no net additional need for residential care bedspaces (as households can be accommodated in extra care schemes); albeit that this does not mean that some modern schemes could be delivered whilst some smaller and older, outdated care homes are lost/redeveloped. A consistent need for nursing home bedspaces is shown.

Table 9.20 Need Net for Specialist Housing to 2041 – Enhanced Extra Care Scenario

Net Need to 2041		Dacorum	Hertsmere	St Albans	Three Rivers	Watford	SW Herts
Housing With Support	Affordable	-874	-146	144	-257	-264	-1,397
	Market	1,671	1,270	1,419	1,084	524	5,968
	Total	797	1,124	1,563	827	260	4,571
Housing with Care	Affordable	337	75	71	157	84	724
	Market	737	696	1,019	693	-46	3,099
	Total	1,074	771	1,090	850	38	3,823
Care/Nursing Home Bedspaces	Nursing	686	133	511	279	66	1,675
	Residential	-229	-434	-260	-204	-257	-1,384
	Total	457	-301	251	75	-191	291

Source: Icení Modelling

- 9.39 A negative need in the modelling does not necessarily imply that there is no need for new-build provision, given that there may be some existing stock which has become outdated and requires replacement or remodelling (such as studio or 1-bed sheltered units, and residential care bedspaces without en-suite facilities). Equally it is important to understand that a reduction in need for residential care bedspaces in the Enhanced Extra Care Scenario will only occur if new extra care housing schemes are brought forward to the extent envisaged. Reductions in residential care

needs will principally be felt in older properties which do not meet accessibility standards and provide en suite facilities; or offer sufficient economies of scale to operate in a cost-effective way.

- 9.40 The provision of a choice of attractive housing options to older households is a component of achieving a good housing mix. The availability of such housing options for the growing older population may enable some older households to downsize from homes which no longer meet their housing needs or are expensive to run. The availability of housing options which are accessible to older people will also provide the opportunity for older households to 'rightsize' which can help improve their quality of life and could in turn release some larger family sized homes into the market.
- 9.41 However, as the PPG set out, the need for specific types of homes and of particular groups can in some instances exceed or be proportionally high relative to the overall housing need figure calculated by the standard method as it uses the whole population as a baseline (as opposed to the net new households). The PPG recognises that planning authorities will need to consider the extent to which these needs can be addressed having regard to issues including the overall need for housing; the extent to which this can be translated into a housing requirement; and anticipated deliverability of different forms of provision having regard to viability.²⁸ Thus land supply and strategic constraints to development and viability issues can influence the ability to meet needs in individual local planning authorities.
- 9.42 In respect of housing with support, there is also some potential that the need shown could be influenced by other policies- such as the degree to which homes are delivered to M4(2) and M4(3) standards.
- 9.43 It should also be noted that within any category of need there may be a range of products. For example, many recent market extra-care schemes have tended to be focused towards the 'top-end' of the market and may have significant service charges (due to the level and quality of facilities and services). Such homes may therefore only be affordable to a small proportion of the potential market, and it will be important for the Councils to seek a range of products that will be accessible to a wider number of households if needs are to be met.

²⁸ PPG Para ID: 67-001-20190722

Older Persons' Housing, Planning Use Classes and Affordable Housing Policies

- 9.44 The issue of use classes and affordable housing generally arises in respect of extra care/ assisted living development schemes. PPG (paragraph 010) defines extra care housing or housing with care as follows:

"This usually consists of purpose-built or adapted flats or bungalows with a medium to high level of care available if required, through an onsite care agency registered through the Care Quality Commission (CQC). Residents are able to live independently with 24 hour access to support services and staff, and meals are also available. There are often extensive communal areas, such as space to socialise or a wellbeing centre. In some cases, these developments are known as retirement communities or villages - the intention is for residents to benefit from varying levels of care as time progresses".

- 9.45 There is a degree to which different terms can be used for this type of development interchangeably, with reference sometimes made to extra care, assisted living, continuing care retirement communities, or retirement villages. Accommodation units typically include sleeping and living accommodation, bathrooms and kitchens; and have their own front door. Properties having their own front doors is not however determinative of use.
- 9.46 The distinguishing features of housing with care is the provision of personal care through an agency registered with the Care Quality Commission, and the inclusion of extensive facilities and communal space within these forms of development, which distinguish them from blocks of retirement flats.

Use Classes

- 9.47 Use classes are defined in the Town and Country Planning (Use Classes) Order 1987 (as amended). Use Class C2: Residential Institutions is defined as *"use for the provision of residential accommodation and care to people in need of care (other than a use within class C3 (dwelling houses))."* C3 (dwelling houses) are defined as *"use as a dwelling house (whether or not as a sole or main residence) a) by a single person or by people living together as a family; or b) by no more than 6 residents living together as a single household (including a household where care is provided for residents)."*
- 9.48 Care is defined in the Use Class Order as meaning "personal care for people in need of such care by reason of old age, disablement, past or present dependence on alcohol or drugs or past or present mental disorder, and in class C2 also includes the personal care or children and medical care and treatment."

9.49 Personal care has been defined in Regulations²⁹ as “the provision of personal care for persons who, by reasons of old age, illness or disability are unable to provide it for themselves, and which is provided in a place where those persons are living at the time the care is provided.”

9.50 The Government released the PPG on *Housing for Older and Disabled People* in June 2019. In respect of Use Classes, Para 63-014 therein states that:

“It is for a local planning authority to consider into which use class a particular development may fall. When determining whether a development for specialist housing for older people falls within C2 (Residential Institutions) or C3 (Dwelling house) of the Use Classes Order, consideration could, for example, be given to the level of care and scale of communal facilities provided.”

9.51 The relevant factors identified herein are the level of care which is provided, and the scale of communal facilities. This is consistent with the Use Classes Order, where **it is the ongoing provision of care which is the distinguishing feature within the C2 definition**. In a C2 use, the provision of care is an essential and ongoing characteristic of the development and would normally be secured as such through the S106 Agreement.

9.52 A range of appeal decisions have addressed issues relating to how to define the use class of a development. These are fact specific, and there is a need to consider the particular nature of the scheme. What arises from this, is that schemes which have been accepted as a C2 use commonly demonstrate the following characteristics:

- Occupation restricted to people (at least one within a household) in need of personal care, with an obligation for such residents to subscribe to a minimum care package. Whilst there has been debate about the minimum level of care to which residents must sign-up to, it is considered that this should not be determinative given that a) residents’ care needs would typically change over time, and in most cases increase; and b) for those without a care need the relative costs associated with the care package would be off-putting.
- Provision of access to a range of communal areas and facilities, typically beyond that of simply a communal lounge, with the access to these facilities typically reflected in the service charge.

NPPF Policies on Affordable Housing

9.53 For the purposes of developing planning policies in a new Local Plan, use class on its own need not be determinative on whether affordable housing provision could be applied to specialist housing. In all cases we are dealing with residential accommodation. But nor is there a clear policy

²⁹ Schedule 1 of the Health and Social Care Act 2008 (Regulated Activities) Regulations 2010.

basis for seeking affordable housing provision or contributions from a C2 use in the absence of a development plan policy which seeks to do so.

- 9.54 The NPPF sets out in paragraph 34 that Plans should set out the contributions expected from development, including levels of affordable housing. Such policies should not undermine the deliverability of the Plan. Paragraph 63 states that where a need for affordable housing is identified, planning policies should specify the type of affordable housing required and expect it to be met on-site unless off-site provision or a financial contribution can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 9.55 Paragraph 65 sets out that specialist accommodation for a group of people with specific needs (such as purpose-built accommodation for the elderly or students) are exempt from the requirement for 10% of homes (as part of the affordable housing contribution) to be for affordable home ownership. But this does not set out that certain types of specialist accommodation for older persons are exempt from affordable housing contributions.
- 9.56 The implications are that:
- The ability to seek affordable housing contributions from a C2 use at the current time is influenced by how its current development plan policies were constructed and evidenced; and
 - If policies in a new development plan are appropriately crafted and supported by the necessary evidence on need and viability, affordable housing contributions could be sought from a C2 use through policies in a new Local Plan.
- 9.57 Through the preparation of local plans, it would be possible for policies to seek affordable housing on extra care housing schemes from both C2 and C3 use classes. It should be noted that in July 2020 the High Court rejected claims that ‘extra care’ housing should not contribute affordable homes because it falls outside C3 use (CO/4682/2019³⁰). The Rectory Homes Judgement confirms that the use class need not necessarily be determinative of whether affordable housing policies might be applicable to an extra care development (noting that the policy in that case did not refer specifically to different use classes but to dwellings, and specifically referenced specialist older persons housing. It noted that extra care housing can have the physical characteristics of dwellings (whilst falling in a C2 use)). Fundamentally it emphasises that the interpretation of a development plan policy must depend on the language used within the policy and the plan.

³⁰ <https://www.judiciary.uk/wp-content/uploads/2020/07/Rectory-Homes-v-SSHCLG-final-judgment-31-07-2020.pdf>

-
- 9.58 It is however important to recognise that the viability of extra care housing will differ from general mixed tenure development schemes, and there are practical issues associated with how mixed tenure schemes may operate.

Viability

- 9.59 There are a number of features of a typical extra care housing scheme which can result in substantively different viability characteristics relative to general housing. In particular:
- Schemes typically include a significant level of communal space and on-site facilities, such that the floorspace of individual units might equate to 65% of the total floorspace, compared to 100% for a scheme of houses and perhaps 85% for typical flatted development. There is a significant proportion of space from which value is not generated through sales (although individual units may be smaller);
 - Higher construction and fit out-costs as schemes need to achieve higher accessibility requirements and often include lifts, specially adapted bathrooms, treatment rooms etc. In many instances, developers need to employ third party building contractors are also not able to secure the same economies of scale as the larger volume housebuilders;
 - Sales rates are also typically slower for extra care schemes, not least as older residents are less likely to buy 'off plan.' The combination of this and the limited ability to phase flatted schemes to sales rates can result in higher finance costs for a development.
- 9.60 Set against this, some leasehold specialist housing schemes are focused towards the higher end of the market and command strong sales values. The GDV for some schemes can also be influenced by 'event fees' which in some instances can be significant.
- 9.61 There are a number of implications arising from this. Firstly, there is a need for viability evidence to specifically test and consider what level of affordable housing could be applied to different forms of older persons accommodation, potentially making a distinction between general market housing; retirement living/sheltered housing; and extra care/housing with care. It may well be that a differential and lower affordable housing policy is justified for housing with care. This should be tested through viability evidence. If standard affordable housing policies are applicable to extra care, the risk is that it disincentives delivery – contrary to the County Council's strategic aims; and this is why it is important that viability (and the potential for differentiated policies) is considered as part of the plan-making process.
- 9.62 Secondly, developers of extra care schemes can struggle to secure land when competing against mainstream housebuilders or strategic land promoters. One way of dealing with this is to allocate sites specifically for specialist older persons housing and/or to specifically require certain levels of provision for specialist accommodation on strategic sites, and this may be something that the

Councils wish to consider through local plan preparation. There could be benefits of doing this through achieving relatively high-density development of land at accessible locations, and in doing so, releasing larger family housing elsewhere as residents move out.

Practical Issues

- 9.63 In considering policies for affordable housing provision on housing with care schemes, there is one further factor which warrants consideration relating to the practicalities of mixed-tenure schemes. The market for extra care development schemes is currently focused particularly on providers at the affordable and higher ends of the market, with limited providers currently delivering within the 'mid-market.' At the higher ends of the market, the level of facilities and services/support available can be significant, and the management model is often to recharge this through service charges.
- 9.64 Whilst recognising the benefits associated with mixed income/tenure development, in considering whether mixed tenure schemes can work it is important to consider the degree to which service charges will be affordable to those on lower incomes and whether Registered Providers will want or be able to support access to the range of services/facilities on site. In a range of instances, this has meant that authorities have accepted off-site contributions to affordable housing provision.

Counting C2 Completions

- 9.65 As Para 63-016a in the PPG sets out, units of housing provided for older people can be counted against the housing requirement in monitoring housing delivery. For residential institutions (C2 use), the contribution counted should be based on the amount of accommodation released into the market based on the average number of adults living in households shown by the Census data.
- 9.66 At the current time, this calculation is based on specific data commission from the ONS; and we note that the 2022 Housing Deliver Test Results were prepared on this basis using a figure of 1.8 adults per household.

Accessible and Adaptable Homes

- 9.67 The PPG sets out that delivery of accessible and adaptable homes have an important role to play in enabling people to live independently. Planning policies for accessible and adaptable homes (Class M4(2)) and wheelchair-user dwellings (Class M4(3)) need to be based on evidence of need and viability; and policy application needs to take account of site-specific factors such as topography and the potential for level access.
- 9.68 In respect of accessible and adaptable homes, the analysis earlier in this section has pointed to a very substantial increase in those with mobility problems and impaired mobility, which supports policies seeking provision of new homes which meet Class M4(2) standards – these are properties

which can be adapted to meet households changing needs in situ, such as by providing for level access, minimum corridor and doorway widths and living area at entrance level.

9.69 The analysis below draws on secondary data sources to estimate the number of current and future wheelchair users and to estimate the number of wheelchair accessible/adaptable dwellings that might be required in the future. Estimates of need produced in this report draw on data from the English Housing Survey (EHS) – mainly 2018/19 data. The EHS data used includes the age structure of wheelchair users, information about work needed to homes to make them ‘visitable’ for wheelchair users and data about wheelchair users by tenure.

9.70 The table below shows at a national level the proportion of wheelchair user households by the age of household reference person. Nationally, around 3.4% of households contain a wheelchair user – with around 1% using a wheelchair indoors. There is a clear correlation between the age of household reference person and the likelihood of there being a wheelchair user in the household.

Table 9.21 Proportion of wheelchair user households by age of household reference person – England

Age of household reference person	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
24 and under	99.4%	0.3%	0.0%	0.3%	100.0%
25-34	99.3%	0.3%	0.1%	0.2%	100.0%
35-49	98.2%	0.5%	0.1%	1.2%	100.0%
50-64	96.9%	0.7%	0.4%	2.0%	100.0%
65 and over	93.1%	0.9%	0.4%	5.6%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

9.71 The prevalence rate data can be brought together with information about the household age structure in SW Herts and how this is likely to change moving forward. The data estimates a total of 6,100 wheelchair user households in 2021, and that this will rise to 8,300 by 2041.

Table 9.22 Estimated number of wheelchair user households (2021-41) – South West Herts

	Prevalence rate (% of households)	Households 2021	Households 2041	Wheelchair user households (2021)	Wheelchair user households (2041)
24 and under	0.8%	3,331	3,999	27	32
25-34	0.6%	28,388	34,600	162	197
35-49	1.1%	72,557	79,189	810	886
50-64	2.0%	71,961	83,898	1,421	1,660
65 and over	5.6%	65,745	98,117	3,667	5,484
All households	-	241,983	299,803	6,086	8,258

Source: English Housing Survey; 2021 Census and demographic projections

- 9.72 The finding of an estimated current number of wheelchair user households does not indicate how many homes might be needed for this group – some households will be living in a home that is suitable for wheelchair use, whilst others may need improvements to accommodation, or a move to an alternative home. We therefore need to consider what proportion of homes might not be suitable for wheelchair users, or cannot be adequately adapted. Data from the EHS (2014-15) shows that of the 814,000 wheelchair user households, some 200,000 live in a home that would either be problematic or not feasible to make fully 'visitable' – this is around 25% of wheelchair user households.
- 9.73 Applying this to the current number of wheelchair user households and adding the additional number projected forward suggests a need for around 3,700 additional wheelchair user homes in the 2021-41 period. If the projected need is also discounted to 25% of the total (on the basis that many additional wheelchair user households will already be in accommodation), this leads to a need estimate of 2,100 homes. These figures equate to a need for 103-185 dwellings per annum. These figures and for individual local authorities are shown in the tables below.

Table 9.23 Estimated need for wheelchair user homes, 2021-41

		Current need	Projected need (2021-41)	Total current and future need
Dacorum	Total	429	580	1,009
	@ 25% of projection	429	145	574
Hertsmere	Total	296	422	718
	@ 25% of projection	296	106	402
St Albans	Total	321	416	737
	@ 25% of projection	321	104	425
Three Rivers	Total	235	349	584
	@ 25% of projection	235	87	322
Watford	Total	241	404	645
	@ 25% of projection	241	101	342
South West Herts	Total	1,522	2,172	3,694
	@ 25% of projection	1,522	543	2,065

Source: English Housing Survey; 2021 Census and demographic projections

- 9.74 Furthermore, information in the EHS (for 2018/19) also provides national data about wheelchair users by tenure. This showed that, at that time, around 7.1% of social tenants were wheelchair users (including 2.2% using a wheelchair indoors), compared with 3.1% of owner-occupiers (0.7% indoors). These proportions can be expected to increase with an ageing population but do highlight the likely need for a greater proportion of social (affordable) homes to be for wheelchair users.

Table 9.24 Proportion of wheelchair user households by tenure of household reference person – England

Tenure	No household members use a wheelchair	Uses wheelchair all the time	Uses wheelchair indoors only	Uses wheelchair outdoors only	TOTAL
Owners	96.9%	0.5%	0.2%	2.4%	100.0%
Social sector	92.9%	1.6%	0.6%	4.8%	100.0%
Private renters	98.8%	0.1%	0.1%	0.9%	100.0%
All households	96.6%	0.6%	0.3%	2.5%	100.0%

Source: English Housing Survey (2018/19)

- 9.75 To meet the identified need, the Councils could seek a proportion (maybe up to 5%) of all new market homes to be M4(3) compliant and potentially a higher figure in the affordable sector (say 10%). These figures reflect that not all sites would be able to deliver homes of this type. In the market sector these homes would be M4(3)A (adaptable) and M4(3)B (accessible) for affordable housing.

-
- 9.76 As with M4(2) homes it may not be possible for some schemes to be built to these higher standards due to built-form, topography, flooding etc. Furthermore, provision of this type of property may in some cases challenge the viability of delivery given the reasonably high build out costs (see table below).
- 9.77 It is worth noting that the Government has reported on a consultation on changes to the way the needs of people with disabilities and wheelchair users are planned for as a result of concerns that in the drive to achieve housing numbers, the delivery of housing that suits the needs of the households (in particular those with disabilities) is being compromised on viability grounds³¹.
- 9.78 The key outcome is: 'Government is committed to raising accessibility standards for new homes. We have listened carefully to the feedback on the options set out in the consultation and the government response sets out our plans to mandate the current M4(2) requirement in Building Regulations as a minimum standard for all new homes'. This change is due to shortly be implemented through a change to building regulations, with M4(1) homes being permitted only where achieving M4(2) standards is impractical and unachievable.
- 9.79 The consultation outcome still requires a need for M4(3) dwellings to be evidenced, stating 'M4(3) (Category 3: Wheelchair user dwellings) would continue as now where there is a local planning policy in place in which a need has been identified and evidenced. Local authorities will need to continue to tailor the supply of wheelchair user dwellings to local demand'.
- 9.80 As well as evidence of need, the viability challenge is particularly relevant for M4(3)(B) standards. These make properties accessible from the moment they are built and involve high additional costs that could in some cases challenge the feasibility of delivering all or any of a policy target.
- 9.81 It will be for viability evidence to consider specifically the costs of delivering homes at M4(2) and M4(3) standards. Our experience is however that the costs of meeting M4(3) standard can be notably higher than those for M4(2).
- 9.82 It should be noted that local authorities only have the right to request M4(3)(B) accessible compliance from homes for which they have nomination rights. They can, however, request M4(3)(A) adaptable compliance from the wider (market) housing stock.
- 9.83 A further option for the Councils would be to consider seeking a higher contribution, where it is viable to do so, from those homes to which they have nomination rights. This would address any under delivery from other schemes (including schemes due to their size e.g. less than 10 units or

³¹ <https://www.gov.uk/government/consultations/raising-accessibility-standards-for-new-homes>

1,000 square metres) but also recognise the fact that there is a higher prevalence for wheelchair use within social rent tenures. This should be considered when setting policy.

10. SPECIALIST MARKET SEGMENTS

Self- and Custom-Build Housing

- 10.1 The Self-Build and Custom Housebuilding Act 2015 (as amended by the Housing and Planning Act 2016) ("the 2015 Act") provides a legal definition of 'self-build and custom housebuilding' which are where individuals or associations of individuals (or persons working with or for individuals or associations of individuals) build houses to be occupied as homes for those individuals.
- 10.2 Self-build and Custom-build dwellings differ in the way the construction is managed. The National Custom & Self Build Association (NaCSBA) defines self-build as 'projects where someone directly organises the design and construction of their new home'. Custom-build dwellings are less intensive, in that a developer does much of the construction work with input from the would-be homeowner.
- 10.3 The Government has long had a clear agenda for supporting and promoting the self-build and custom-building sector; and sees that its growth can help support increased product diversity and housing delivery. Local authorities are required by the 2015 Act to maintain and publicise a self-build and custom housebuilding register which records those seeking to acquire serviced plots of land to build their own self-build and custom homes.
- 10.4 The Housing and Planning Act 2016 ("the 2016 Act"), which received Royal Assent on 12th May 2016, formally introduced the 'Right to Build'. It has placed a legal duty on the relevant authority to grant enough planning permissions to meet the demand for self-build housing as identified through its register in each base period (commencing on 31st October 2016). The fundamental intention is to increase the supply of land for those considering self and custom-build.
- 10.5 These provisions are explained in the Planning Practice Guidance on *Self-Build and Custom Housebuilding* which explains that provision of this form of housing helps to diversify the housing market and increase consumer choice. The PPG provides guidance on how registers can be managed; and the duties on local authorities to grant consents to meet the needs identified on them.
- 10.6 The Levelling Up and Regeneration Act (LURA) 2023 tightened up the definitions regarding what can be considered appropriate supply for self and custom housebuilding. The Act means that local authorities can only count planning permissions as part of self-build supply if they are specifically for self-build development. This means relevant permissions need to be secured for this purpose, such as through either through a condition attached to the planning permission or a legal agreement between the applicant and the council.

- 10.7 The SW Herts authorities each introduced a Self-Build and Custom Housebuilding Register in the year to October 2016, and have been monitoring the numbers joining the Register since.
- 10.8 Of the five authorities, only Three Rivers has introduced a requirement for evidence of a local connection (thus splitting the Register in two parts, showing local and general demand) as well as a registration fee. Three Rivers is thus only required by the legislation to grant sufficient consents for those on Part 1 of the Register; although it must have regard to the entries on Part 2 in carrying out its planning, housing, land disposal and regeneration functions. For the purposes of this assessment, we have included entries on both Parts 1 and 2. As at September 2023, we understand that there are 11 entries on the Part 1 Register and 68 entries on Part 2.
- 10.9 The table below provides a base period breakdown of plot demand from individuals (or associations as appropriate) who have joined the relevant registers. The strongest relative demand shown by the Registers, in absolute terms, is in St Albans District accounting for nearly two thirds of the total. There is the potential however that this partly reflects the relative awareness of the Registers in different areas, together with the perceived attractiveness of different authorities. We note that the St Albans Register does not include any specific eligibility criteria or a local connection test.

Table 10.1 Serviced Plot Demand in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (16 August 2015 to 30th October 2016)	2	17	13	9	108	149
Base Period 2 (31st October 2016 to 30th October 2017)	2	42	30	4	141	219
Base Period 3 (31st October 2017 to 30th October 2018)	3	20	17	23	104	167
Base Period 4 (31st October 2018 to 30th October 2019)	3	25	4	12	87	131
Base Period 5 (31st October 2019 to 30th October 2020)	3	44	7	4	76	134
Base Period 6 (31st October 2020 to 30th October 2021)	7	42	5	19	132	205
Base Period 7 (31st October 2021 to 30th October 2022)	11	13	2	7	87	120
Total	31	203	78	78	735	1125

Source: LA Register data

- 10.10 At the end of each base period, Councils have 3 years in which to grant permissions for an equivalent number of plots of land which are suitable for self-build or custom housebuilding as

there are entries for that base period (so as at October 2022, the Councils needed to have granted sufficient consents to meet the needs shown in base periods 1-4). The Levelling Up and Regeneration Act 2023 ('LURA') confirms that the demand calculation should include any need from previous years which has not been met.

- 10.11 Data on the permissions granted for self-build, based on information provided by the Councils, is shown in the table below. The LURA includes provision for the Secretary of State to set out regulations (in due course) regarding what planning permissions should be counted, which could have a downward impact on the supply position.

Table 10.2 Permissions Granted for Self- and Custom-Build Development in SW Herts

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Base Period 1 (Aug 15-Oct 16)	5	15	15	15	0	50
Base Period 2 (Oct 16 - Oct 17)	4	27	20	25	17	93
Base Period 3 (Oct 17 - Oct 18)	2	42	15	13	14	86
Base Period 4 (Oct 18 - Oct 19)	6	39	14	19	23	101
Base Period 5 (Oct 19 - Oct 20)	5	30	22	39	23	119
Base Period 6 (Oct 20 - Oct 21)	1	58	14	31	15	119
Base Period 7 (Oct 21 - Oct 22)	4	21	13	23	58	119
Total	27	232	113	165	150	687

Source: AMRs/ LA-supplied data

- 10.12 The table below compares the numbers who had joined the Register in the 1st four base periods to the permissions granted to Oct 2022 (i.e. three years thereafter). The level of permissions granted in Dacorum, Hertsmere, Three Rivers and Watford is above the minimum required based on the Councils' monitoring of supply; but there is a shortfall in permissions granted in St Albans. Given the development constraints in the sub-region, a range of the permissions relate to houses built on individual plots including the delivery of replacement dwellings.

Table 10.3 Comparing Self-Build Permissions to Need to Oct 2019

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Need to Oct 2019 (Base Period 1-4)	10	104	64	48	440	666
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	17	128	49	117	-290	21

Source: LA Register data/ AMRs

- 10.13 In addition it is sensible to consider the level of permissions granted to date relative to the numbers joining each authority's register. This points to a modest shortfall in delivery in Watford; and in particular a very sizeable shortfall in St Albans of 585 homes, which reflects the much larger relative size of St Albans' Register.

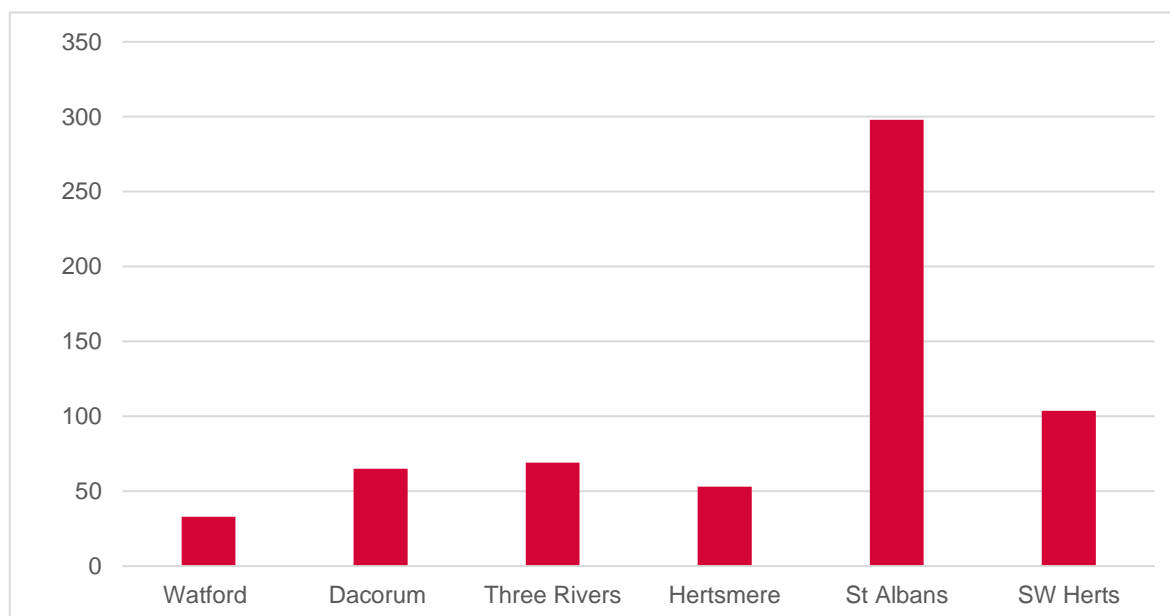
Table 10.4 Comparing Self-Build Permissions with Need to Oct 2022

	Watford	Dacorum	Three Rivers	Hertsmere	St Albans	SW Herts
Need to Oct 2022	31	203	78	78	735	1125
Supply to Oct 2022	27	232	113	165	150	687
Shortfall/Surplus	-4	29	35	87	-585	-438

Source: LA Register data/ AMRs

- 10.14 In order to supplement the data from the Council registers, we have additionally looked to secondary sources as recommended by the PPG, which is data from the National Custom and Self Build Association (NaCSBA).
- 10.15 NaCSBA published a series of maps with commentary titled "Mapping the Right to Build" which allows us to better understand the demand for serviced plots as a proportion of total population relative to all other local authorities across England. We have replicated this below; which again highlights the stronger relative need in and popularity of St Albans in particular.

Figure 10.1 Self-Build Need per 100,000 Population



Source: NACSBA Research

- 10.16 A review of the Register data indicates that there is a balance of people seeking properties in suburban locations in the towns and in more rural settlements; with 3- and 4-bed properties the most sought after (where information on the mix of homes sought is available). Associations of

individuals, where they exist, generally seek land for between 2-4 homes. Many households will consider multiple locations when seeking to find a plot; and there is some potential that households can register with multiple Councils. Of the development seen, the evidence tends to suggest that this relates to individual plots including replacement dwellings – this may well reflect strategic land supply constraints within the area, including Green Belt.

- 10.17 The Self-Build and Custom Housebuilding PPG sets out how authorities can increase the number of planning permissions which are suitable for self-build and custom housebuilding and support the sector. The PPG³² is clear that authorities should consider how local planning policies may address identified requirements for self and custom housebuilding to ensure enough serviced plots with suitable permission come forward and can focus on playing a key role in facilitating relationships to bring land forward.
- 10.18 There are a number of measures which can be used to do this, including but not limited to:
- supporting Neighbourhood Planning groups where they choose to include self-build and custom build housing policies in their plans;
 - working with Homes England to unlock land and sites in wider public ownership to deliver self-build and custom build housing;
 - when engaging with developers and landowners who own sites that are suitable for housing, encouraging them to consider self-build and custom housebuilding, and facilitating access to those on the register where the landowner is interested; and
 - working with local partners, such as Housing Associations and third sector groups, to custom build affordable housing for veterans and other groups in acute housing need.
- 10.19 Generally adopted local plans in the sub-region do not include specific policies seeking provision of self and custom-build housing, besides the Watford Local Plan where Policy HO3.7 seeks provision of self-build plots on non-flatted schemes of over 50 market units. The policies in emerging plans are however seeking to support self-build housing (for instance St Albans' emerging Plan seeks 3% self- and custom-build housing on the main broad locations for growth and encourages self- and custom-build development on other large sites).
- 10.20 Government policy and legislation is generally seeking to encourage and support self-build development and it is appropriate for this to be reflected in local plan policies. Indeed an increasing number of local planning authorities have adopted *specific* self-build and custom housebuilding

³² Paragraph: 025 Reference ID: 57-025-20210508

policies to encourage delivery, promote and boost housing supply. There are also a number of appeal decisions in the context of decision-taking which have found that paragraph 11(d) of the Framework is engaged in the absence of specific policy on self-build housing when this is the focus of a planning application. Inclusion of such a policy is therefore advisable in local plans.

- 10.21 A specific policy would typically express support for self-build and custom housebuilding and require that a minimum proportion of plots within development schemes (often over a certain size) are offered to self-builders or as custom-build plots and/or allocation of sites solely for the use. Other local plans have required a proportion of plots on larger development schemes to be provided as self- and custom-build development (e.g. 2% or 5% provision on strategic or greenfield sites of over 100 homes).

Student Housing

- 10.22 The NPPF requires that the housing needs of students are assessed and reflected in planning policies. This section examines the need for student housing in SW Herts and in particular Purpose Built Student Accommodation (PBSA).
- 10.23 Nationally, there are challenges around the amount of student housing that is available, with some reports suggesting that the situation is reaching a crisis point. In some cases this has resulted in students queuing overnight to get first access to Purpose Built Student Accommodation, living in accommodation quite some distance from their place of study, or effectively becoming homeless. This provides a context for considering appropriate provision of PBSA alongside student population growth.

Higher and Further Education Institutions in the Sub-Region

- 10.24 **There are no higher or further education institutions in the SW Herts Sub-Region specifically.** More widely, taking the country as a whole, Hertfordshire has two higher education ("HE") establishments: the University of Hertfordshire and Royal Veterinary College.
- 10.25 The University of Hertfordshire provides for 32,000 students across three campuses: College Lane, Hatfield; de Havilland, Hatfield; and Bayfordbury (which is near Hertford). Accommodation is provided at both of the Hatfield campuses; and the University guarantees accommodation for first year students. It has a partnership scheme with landlords enabling access to privately rented accommodation in Welwyn Hatfield Borough.
- 10.26 The Royal Veterinary College Hertfordshire Campus is located in Hatfield, and students attend this campus for their final three years of training (the first two being spent at the College's London campus). It currently has 1,700 students on its Veterinary medicine and nursery courses. This comprises 1,500 on the medicine course, of which it is assumed 600 are based in London (first 2

years of this course are spent in the London campus; the nursing students are based in the Hertfordshire campus).

- 10.27 There are also further FE education establishments namely Oaklands College and West Herts College. Students attending these establishments do not normally require dedicated term-time accommodation, although we note that Oaklands College provides student accommodation at its campus in St Albans. Oaklands College has three campuses located in St Albans, Welwyn Garden City and Borehamwood, and caters overall for 7,500 students. The student accommodation is located at St Albans Campus.
- 10.28 West Herts College has campuses in Watford, Hemel Hempstead and Luton, with Watford being the main campus; and Hemel being the home to its Construction and Engineering Centre. In 2021/22 the College had around 6,000 young people on study programmes; as well as 450 apprenticeships and 2,700 adults.³³

Student Numbers

- 10.29 The 2021 Census indicated that there were around 15,000 adults (i.e. persons aged 18+) in full-time education in SW Herts, with numbers spread relatively evenly across the authorities. Of these two thirds (66%) were living with parents; around a third living in the wider housing market (c. 5,000 persons) and a modest 150 living in communal accommodation. This will include students in both further and higher education.
- 10.30 For comparison purposes, the data for Welwyn Hatfield is shown: it has a much larger student population with almost 40% living in communal accommodation (i.e. PBSA).

³³ Source: Ofsted Inspection Report

Table 10.5 Living Arrangements for Full-time Students aged 18+

	Daco- rum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts Total	Welwyn Hatfield
All Adults in FT Education	3,119	3,431	3,301	2,186	3,208	15,245	10,992
Living with parents	2,067	1,985	2,383	1,662	1,973	10,070	1,778
%	66.3%	57.9%	72.2%	76.0%	61.5%	66.1%	16.2%
Living in a communal establishment	80	12	29	18	11	150	4,271
%	2.6%	0.3%	0.9%	0.8%	0.3%	1.0%	38.9%
Living in wider housing market	972	1,434	889	506	1,224	5,025	4,943
%	31.2%	41.8%	26.9%	23.1%	38.2%	33.0%	45.0%
Of which							
Living in an all student household	160	600	118	70	285	1,233	3,296
Living alone	97	113	122	49	131	512	272
Living in another household type	715	721	649	387	808	3,280	1,375

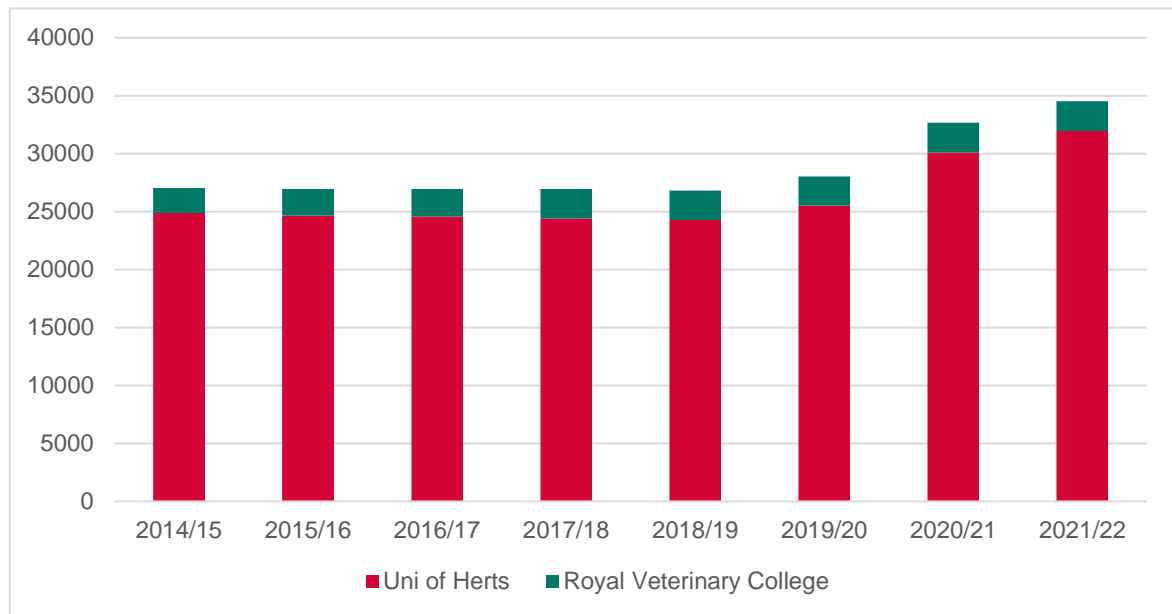
Source: 2021 Census

10.31 The evidence points to modest numbers of full-time students living in the wider housing market in most areas; ranging from just over 500 people in Three Rivers to c. 1,400 in Hertsmere. These modest levels of students mean that the market for purpose-built student accommodation is likely to be relatively weak.

10.32 Where the growth in student numbers at the University of Hertfordshire or the Royal Veterinary College to grow much faster than the supply of accommodation locally, it is possible that some students could look for accommodation in SW Hertfordshire. We have therefore explored trends in student numbers at these establishments.

10.33 Drawing on data from the Higher Education Statistics Agency ("HESA"), the figure below sets out the pattern of growth over the last eight years from 2014/15 to 2021/22. The latest data shows that the two Universities had a combined total of 34,530 students in 2021/22. This includes those that are distance learning as well as those at campuses outside of the County (namely those associated with the Royal Veterinary College's London Campus).

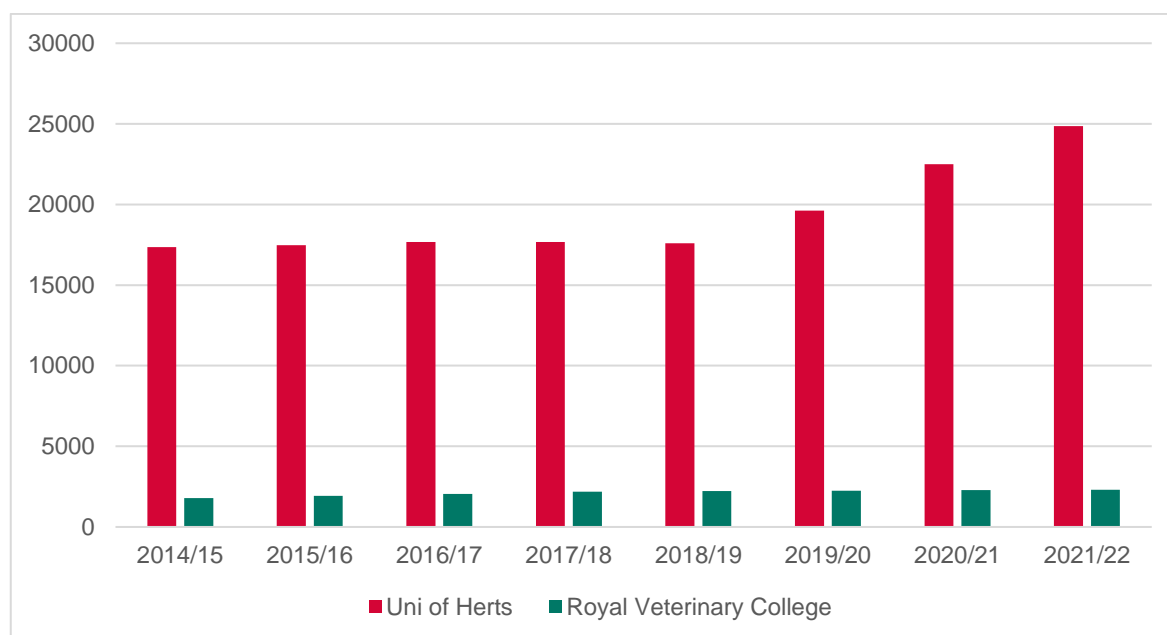
Figure 10.2 Students at Universities in Hertfordshire (2014-2022)



Source: HESA 2023

- 10.34 The number of students has grown by around 7,500 from 27,025 in 2014/15. This largely comprises a growth in students at the University of Hertfordshire which jumped from around 25,000 in 2019/2020 to c. 32,000 in 2021/22. The Royal Veterinary College, which has a much smaller intake, has remained steady at 2,500 – 2,600 students. The recent growth in student numbers may reflect short-term Covid-related impacts; and it will be important to monitor longer-term trends.
- 10.35 Housing needs for dedicated term-term accommodation arise principally from full-time students (with those studying part time typically also living and working locally already or living with parents). As of 2021/22, there were 27,185 full-time students at the Universities. This equates to around 79% of all students although this varies from 77% at University of Hertfordshire and 89% at Royal Veterinary College. The rise in full time students since 2014/15 is commensurate with the overall increase in student numbers across both institutions.

Figure 10.3 Full-Time Students at Universities in Hertfordshire (2014-2022)



Source: HESA 2023

- 10.36 HESA also provide information on student accommodation for Full-Time students for each University. This is broken down by eight different typologies and also based on self-completion, so there may be a level of inaccuracy within it. For example 'Own residence' includes a student's permanent residence, which may be owned or rented by them. However, some respondents might believe this to mean any accommodation in which they live. There is also some confusion resulting from students being placed by the Universities in private halls they have nomination rights to. Other categories include university-maintained accommodation (or Halls of Residence), private sector accommodation (or PBSA). 'Other rented accommodation' refers to a more temporary arrangement, such as a yearly house shares. Not in attendance at the provider includes those on as industrial placement or language year abroad.

Table 10.6 Accommodation of Full-Time Students by Institution

	Provider maintained property	Private-sector halls	Parental/guardian home	Own residence	Other rented accommodation	Other	Not in attendance at the provider	Not known	Total
University of Hertfordshire	5,100	165	6,965	4,665	6,840	1,000	125	5	24,870
	20%	1%	28%	19%	27%	4%	1%	0%	100%
Royal Veterinary College	335	275	315	560	780	50	0	0	2,315
	14%	12%	14%	24%	34%	2%	0%	0%	100%
Total	5,435	440	7,280	5,225	7,620	1,050	125	5	27,185
	20%	2%	27%	19%	28%	4%	0%	0%	100%

Source: HESA, 2023

-
- 10.37 If we combine those living with parents or guardians, living in their own residence or not in attendance then 46% of the full-time student population already have accommodation. This means that 54% of FT students or 14,680 students require accommodation. If we assume that a proportion of the Royal Veterinary College students are located in London (those on the first 2 of the 5 years of the medicine course (c. 500 of F/T students) then the need would reduce down to 14,180. This is effectively the overall quantum of student accommodation that currently needs to be provided to meet the needs of the universities.

Delivery of Student Accommodation

- 10.38 The University of Hertfordshire has 4,908 bedspaces, comprised of:
- 3,000 rooms at College Lane Campus;
 - 1,600 rooms at de Havilland Campus.
 - 308 bedspaces at Luna (private halls of residences).
- 10.39 The Royal Veterinary College Hertfordshire Campus provides for 299 bedspaces across three student accommodation blocks:
- College Close: 13 self-sufficient houses that accommodate 6 people each. 78 bedspaces in total.
 - Student Village: 191 bedspaces
 - Odiham Hall: 30 bedspaces.
- 10.40 Removing the total supply (5,207) from the 14,180 FT students that require accommodation results in a residual need for 8,973 bedspaces. This group would require accommodation in the general housing market (particularly the private rented sector). However the Census and other evidence shows that need relates primarily to Welwyn Hatfield.
- 10.41 Monitoring data provided by the Councils indicates that the only recent delivery of PBSA has been a scheme for 92 bedspaces at Oaklands College in St Albans (completed in 2021/22) which it uses to provide accommodation for students on specialist courses. Across the five authorities there has been no other recent delivery of student accommodation; and there is no further development in the pipeline.

Implications

- 10.42 The modest scale of students living in SW Herts, and the lack of HE institution campuses within the sub-region, means that we would consider the need for purpose-built student accommodation to be limited: there is essentially limited critical mass of students from which to draw on or to whom to

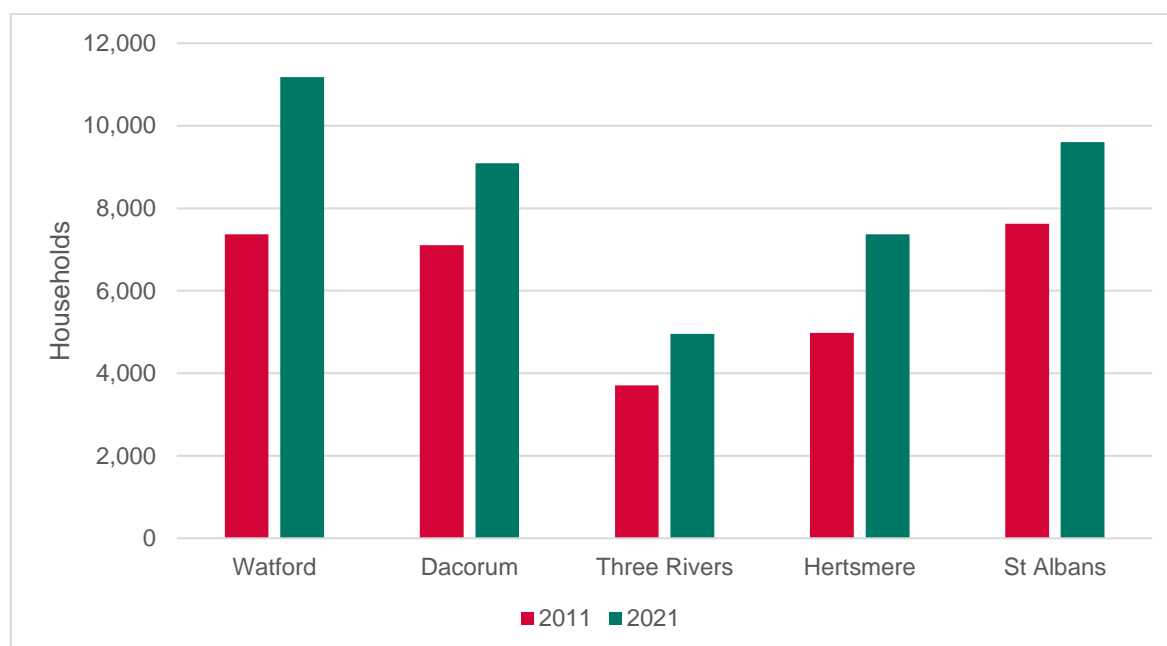
market student bedspaces. The evidence does not therefore currently support the allocation of sites for purpose-build student accommodation.

- 10.43 There is some potential for the situation to however evolve over time: for instance if growth in student numbers were to exceed accommodation supply in Welwyn Hatfield, some students might look further away for housing. However typically students prefer to live close to their place of Study and fundamentally the lack of HE provision within the sub-region is likely to limit the need for delivery of purpose-build student accommodation.

Build-to-Rent and Co-Living

- 10.44 Build to Rent is defined in the NPPF as *“purpose built housing that is typically 100% rented out. It can form part of a wider multi-tenure development comprising either flats or houses, but should be on the same site and/or contiguous with the main development. Schemes will usually offer longer tenancy agreements of three years or more, and will typically be professionally managed stock in single ownership and management control.”*
- 10.45 The Planning Practice Guidance on Build to Rent (BtR) sets out that it is a distinctive asset class in the Private Rented Sector and outlines that assessments such as this should consider the need for Build to Rent development. Where a need is identified, plans should set out in policies their approach to promoting and accommodating build to rent development. The PPG also provides guidance on affordable housing provision (which has been considered in this report in Section 7), scheme management and space standards. The expectation in the PPG is that BtR schemes are expected to offer longer tenancies (3+ years); and that the application of space standards may not always be appropriate (for instance taking account of access to communal space).
- 10.46 As the analysis in Section 3 has shown, the Private Rented sector now accommodates 18% of households across SW Herts and is a sector which has been growing strongly. Over the 2011-21 period, the Private Rented Sector grew in size by 72% with 11,400 more households living in the Sector over this period.
- 10.47 Influenced in part by the relative size/population of different authorities, the absolute volume of households in the Private Rented Sector is highest in Watford (11,200) followed by St Albans (9,600) and Dacorum (9,100). These authorities include larger economic centres as well as strong rail connectivity with Central London.

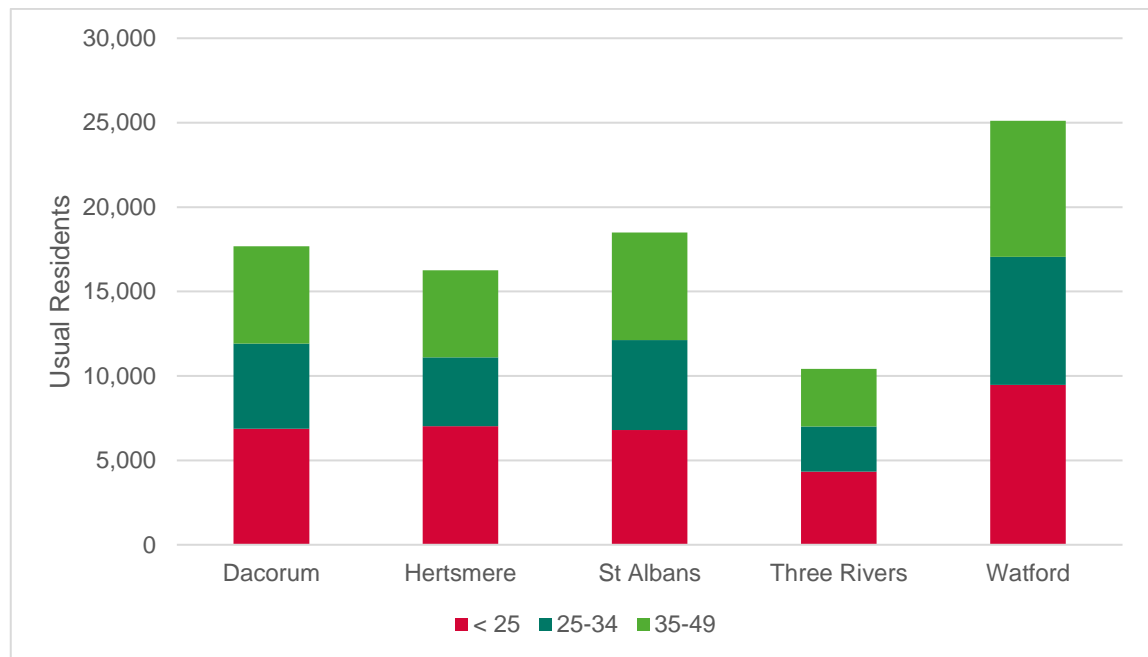
Figure 10.4 Households living in the Private Rented Sector



Source: 2021 Census

- 10.48 The Build-to-Rent (BtR) sector has emerged in the context of growth in private renting, increasing house prices and a shortfall in overall housing delivery. Nationally, Government has sought to support its growth, with the 2017 Housing White Paper supportive of investment in Build-to-Rent in recognition of the role which this could play in helping to drive up overall housing supply and increase choice and housing standards for those living in private rented homes; as well as providing more stable rented accommodation for families.
- 10.49 The Government's '*A Build to Rent Guide for Local Authorities*' identifies the benefits of BtR development which include helping to meet demand from private rented housing whilst increasing tenants' choice; retaining tenants for longer (as schemes often include longer-term tenancies); and helping to increase overall housing supply.
- 10.50 Evidence, such as the British Property Federation's *Who lives in Built to Rent*, note that the profile of tenants is focused on those aged under 44 (with the 25-34 age group the most prevalent) and includes single people, couples, sharers and families. The most common income bracket nationally was (based on the 2021 position) those earning between £32,000 - £48,000.
- 10.51 If the core market comprises those in younger age groups, the chart below shows the number of households headed by someone aged under 50 living in private rented accommodation. The largest market in SW Herts is in Watford, with the smallest in Three Rivers.

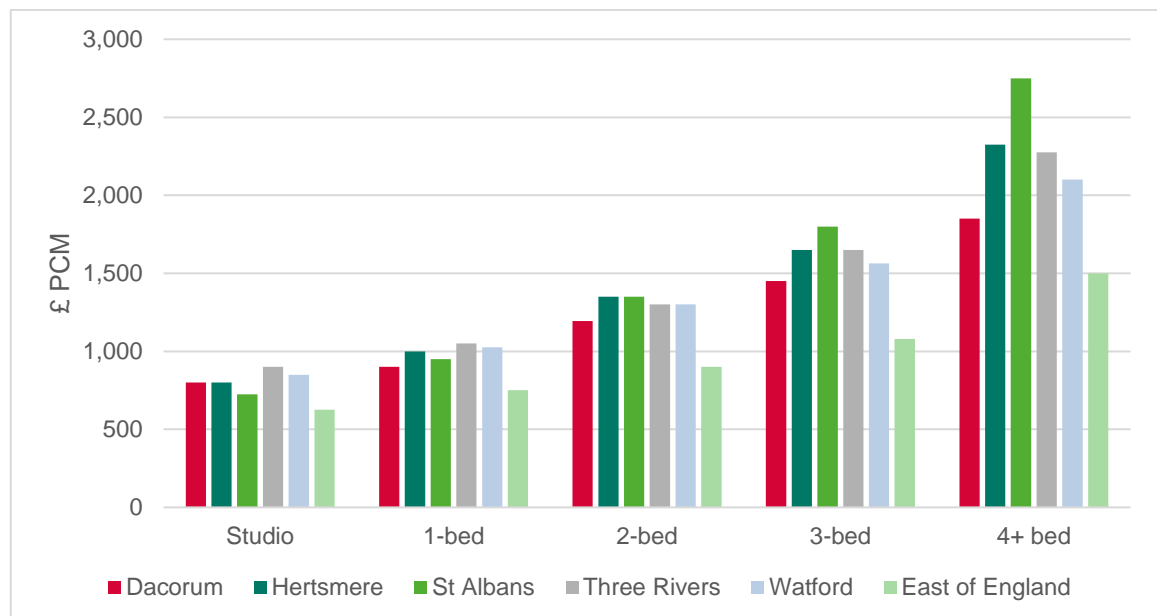
Figure 10.5 Persons aged under 50 in PRS, SW Herts



Source: 2021 Census

- 10.52 The chart below shows rents across the sub-region. Average rents are above the regional average, as might be expected given the proximity to London, with notably higher rents in St Albans for larger properties. Rents for 2-bed units are around £1,300 - £1,350 per month.

Figure 10.6 Current Rental Values, Year to March 2023



Source: ONS Private Rental Market Statistics

- 10.53 The ONS data points to upper quartile rents, which is akin to high quality product, varying between £995 – £1,215 per month for 1-bed properties; £1,295 - £1550 for 2-bed properties; and up to £2,100 per month for 3-bed properties. St Albans again commands some of the highest rents – particularly for larger properties.

-
- 10.54 Turning to consider supply, the Savills Build to Rent Market Update (July 2023) highlights the growth which has been seen in the BTR sector, with built supply now reaching 88,000 homes completed nationally with a further 53,500 under construction and over 100,000 units being promoted or in planning. This points to a growing investor appetite in the sector and in larger urban centres, including London, BTR is becoming an increasingly important component of overall housing delivery.
- 10.55 In SW Herts, the market is less well established but recent years have started to see schemes coming forward in town centre/ central locations, with existing schemes comprising:
- Bryanston Court, Selden Hill, Hemel Hempstead: 109 units completed in 2020/21; and
 - Ascot Road, Watford: first 81 units completed in 2021/22 with further phases to deliver.
- 10.56 Further pipeline schemes at the time of writing include further phases of the Ascot Road scheme (315 units) together with elements of the St Albans Road Retail Park redevelopment (249 units), both in Watford.
- 10.57 The Ascot Road scheme in Watford developed by Cortland Cassiobury is advertising properties at a significant premium to the ONS data on current private rents (£1,250 PCM for studios, £1480 for 1-bed, £2080 for 2-beds and £2735 for 3-bed units). Whilst rents are therefore potentially towards the higher end of the spectrum, it includes a range of amenities on site including a fitness centre, cinema and business suite; and at the time of writing is offering incentives for key workers (1 month rent free).
- 10.58 In contrast, our discussions with one of the agents for Bryanston Court in Hemel indicates that the rents for this scheme are a little cheaper than average for similar sized properties (£1000 PCM for 1-beds and £1200 - £1300 for 2-beds).
- 10.59 The concentration of investment in Central Watford to date is consistent with the evidence of its large private rented sector; but we would expect interest in central locations in the other towns in SW Herts, particularly close to transport hubs. We would envisage market interest in sites in St Albans, Borehamwood and Hemel Hempstead, including interest in schemes proposing the repurposing of office floorspace.
- 10.60 There is also the potential for other markets to emerge, including a suburban build to rent model (sometimes called 'Single Family Housing') which sees family homes built to rent on more suburban sites. There are a number of institutional investors who are entering this market, including Legal & General, Aviva and Blackstone. We understand there is developer interest in this at Beaumont Manor/ Spencers Park, on the edge of Hemel Hempstead; and as the market

develops this could also be expected on other larger strategic development sites. On such sites it can contribute to the pace of build out/ delivery.

- 10.61 It is appropriate, therefore, for Councils to include policies related to build-to-rent development within local plans which address their expectation for such development, such as common management of private rent and affordable products, provision for longer-term tenancies of 3+ years, policies regarding affordable housing provision and clawback provisions in the event of scheme disposal.
- 10.62 The NPPF Glossary expects schemes to include conditions requiring operators to offer tenancies of 3 or more years, but with options for tenants to break their tenancy (without a fee) after 6 months with a 1 month notice period.
- 10.63 In respect of affordable housing, the economics of build-to-rent development are different to standard 'for sale' or mixed tenure residential schemes. The net-to-gross ratio for BTR flatted schemes is different, with often more communal space which is not revenue generating. The emphasis is on creating a longer-term investment with returns phased over a longer period of time (patient capital). This means that finance costs may be higher, and viability will be sensitive to changes in interest rates.
- 10.64 Government is keen to secure growth in the sector and in this context, the PPG proposes 20% affordable housing as a 'suitable benchmark' for affordable private rent within BTR developments. Affordable housing on BTR schemes is expected to come forward as affordable private rent, and be brought forward with common ownership and management to the market housing provision. A minimum rent discount relative to local market rents is expected to be set out in policy, with a 20% discount proffered. Councils can set higher discounts, and there may be a case to consider this to ensure a supply of 'genuinely affordable homes' however this needs to be balanced against the effects on viability and the growth of the sector, which is currently not particularly well established in the SW Herts area. Affordable housing policies need therefore to be informed by detailed viability testing which specifically addresses the BTR sector. Section 7 has included further advice on affordable housing provision in BtR Schemes.

Co-Living

- 10.65 In its current form, modern co-living in the UK tends to be urban-focused and integrate accommodation and amenities into a single building or development. As a market segment it is most developed in London and offers private bedrooms with shared common spaces and community events, at an all-inclusive rent. Its target market is mainly those in their 20s and 30s, particularly those in professional roles. Schemes provide high spec serviced accommodation typically in central locations which are close to amenities. A difference from standard BTR is that

unit sizes are smaller, with greater shared communal areas, and schemes can offer shorter-term rents such as for those new to an area or only working there part of the time.

10.66 Within a SW Herts context, co-living is likely to be most appropriate in the larger urban centres with a concentration of population in their 20s and early 30s. Unit sizes are typically small, and it should be seen as an alternative to living within Houses in Multiple Occupation (HMOs) or with parents.

10.67 As the chart below shows, Watford in particular, followed by Dacorum and Hertsmere, have larger populations of young adults. As above, these authorities and St Albans have high proportions of younger households living in Private Rented Accommodation.

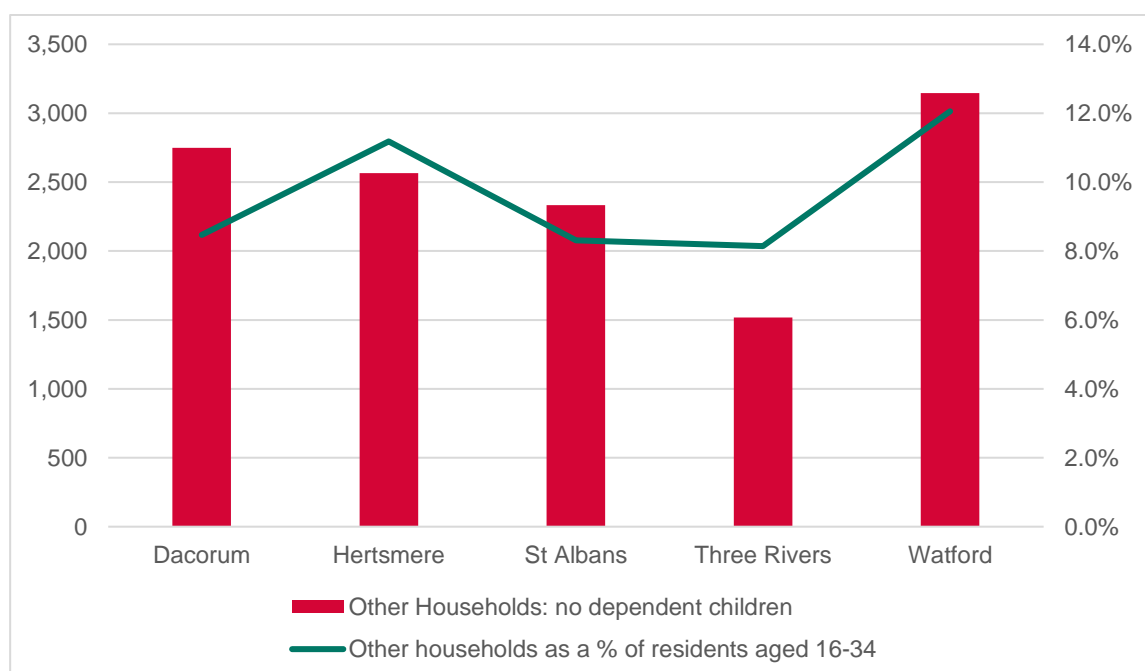
Table 10.7 Target Market - Population in Younger Age Groups

	Daco- rum	Herts- mere	St Albans	Three Rivers	Watford	SW Herts
Aged 20-24	7,106	5,444	5,943	4,418	5,335	28,246
Aged 25-29	9,114	6,159	7,431	4,827	7,697	35,228
Aged 30-34	10,865	6,754	8,670	5,463	8,819	40,571
Total: Younger Age Groups	27,085	18,357	22,044	14,708	21,851	104,045
% District Population	17.5%	17.0%	14.9%	15.7%	21.4%	17.1%

Source: Census 2021

10.68 We have also sought to consider the household composition of younger households. The analysis shows that for people aged 16-34, there is a concentration of live in family households but there are also notable numbers in other households which will include shared housing (including HMOs).

Figure 10.7 Population aged 16-34 in Other Households



Source: 2021 Census

- 10.69 Overall the analysis points to the greatest potential co-living market being in Watford; but with the potential that it may also develop in other towns within the sub-region. Iceni understands that at the current time there are no current co-living schemes in SW Herts, but that there has been market interest from providers to deliver co-living development in Watford.
- 10.70 Co-living to some degree is a purpose-build alternative for younger households to living either at home with parents, or in HMOs. It can provide modern, good quality accommodation and shared amenities for those who cannot afford the costs of 1-bed properties in the wider rental market. In providing a competitor product, there is some potential for it to help to drive up standards within the HMO sector, or to release supply for other households (including those on lower incomes in receipt of LHA).
- 10.71 Where schemes come forward, the room sizes are smaller than for other new-build developments but should be considered in this light: that they offer new high quality supply as an alternative to those who might otherwise be living at home or in poorer quality HMO accommodation. Savills report that recent schemes in London for instance have rooms of between 20-25 sq.m. Schemes should ensure that longer-term tenancies are available for those that seek it.
- 10.72 Co-living schemes will generally provide a lower cost housing option than other new-build development. The considerations in terms of affordable housing provision will be similar to Build-to-Rent: any on-site provision would need to be under common management with the remainder of the scheme, with an agreed process for nominations, and policy requirements informed by viability analysis specific to this market segment. We would note that the London Plan seeks contributions in lieu of affordable housing provision.

Children's Homes

- 10.73 A Written Ministerial Statement by the Minister of State for Housing and Planning on 23rd May 2023³⁴ has made clear that LPAs should determine whether it is appropriate for studies such as this to consider the accommodation needs of children in need of social services care (children in care). It advises that LPAs should give due weight to and be supportive of applications for accommodation for looked after children in their area that reflect local needs; and that unitary and upper tier authorities should work with commissioners to assess local need.
- 10.74 The 'sufficiency duty' under the Children's Act (1989) requires local authorities to take steps to secure, as far as reasonably practical, sufficient accommodation within the Authority's area
-

³⁴ <https://questions-statements.parliament.uk/written-statements/detail/2023-05-23/hcws795>

boundaries to meet the needs of children that the local authority is looking after and whose circumstances are such that it would be consistent with their welfare for them to be provided with accommodation that is in the local authority's area. The authority in these terms is Hertfordshire County Council (HCC).

- 10.75 Hertfordshire's Plan for Children and Young People 2021-26 identifies that the pandemic has been disruptive, but sets out the County Council's vision to support children and young people to be happy, loved and thrive in their family and the community. It seeks to provide sufficient placements for looked after children in the County³⁵, by increasing both in-house foster carers (through HCC's Fostering Strategy³⁶) and residential homes which can support a range of complex needs. It seeks to improve the availability of placements in Hertfordshire in a context where around 25% of looked after children are currently placed more than 20 miles from home; and a third out of the County (albeit that this has been falling).
- 10.76 A Sufficiency Statement, prepared by HCC in 2022,³⁷ provides more up-to-date information. It outlines that in assessing sufficiency, the County Council consider the condition of the market, development capacity of local providers and importantly the current resource and budget priorities of the Council. The Sufficiency Statement outlines:
- As at March 2022, there were 1,030 children looked after and 111 unaccompanied asylum seeker children (totalling 1,131 children), equating to 38 per 10,000 population aged under 18. The rate of children looked after is below the regional and national averages (49 and 67 per 10,000). These figures include those in foster care;
 - Of these total children, 25% are aged under 10, with the majority (75%) aged between 10-17;
 - As at March 2022, there were 383 children and young people placed outside of Hertfordshire, of which 134 were placed 'at a distance.' However the majority of these relate to those accommodated in foster care. There were 52 children in Children's Homes outside of the County;
 - There are evident challenges around placement location, availability and choice, common with all local authorities, influenced by a national shortage of people wanting to foster complex children. Independent placements are very expensive for HCC, costing over £5,000 per week.

³⁵ Reducing the % placed outside of the local authority boundary and more than 20 miles from home

³⁶ <https://www.hertfordshire.gov.uk/media-library/documents/childrens-services/fostering/hertfordshires-fostering-strategy-2020-2022.pdf>

³⁷ <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/sufficiency-summary-2022.pdf>

-
- 10.77 HCC's Strategy is to create an additional 31 residential beds by 2024. Of these 10 beds have been created (by end of 2021/22 monitoring year), a mix of both in-house and independently managed services. The homes are intended to be a blend of short term/ emergency accommodation and medium-to-long-term placements. The intention is to achieve this principally through the refurbishment of buildings within Hertfordshire CC's existing property portfolio.
- 10.78 Phase II will see 18 beds created through refurbishment of Hertfordshire properties and the creation of new in-house and independent provider-run provision. Phase III, post 2023, will create 3 or more bedrooms through either refurbishment or new-build. The current position is of a shortfall of 4 beds against the Strategy's target for 31 residential beds in total.
- 10.79 Supply is managed on a Hertfordshire-wide basis. The existing supply position on a County wide basis appears to be of 28 HCC in-house places, with 62 places in independent residential children's homes. Based on discussions with HCC Commissioners in Sept 2023, it is appropriate to assume that 90% of the 52 children accommodated outside of Hertfordshire now would be better served by places more local to their previous address. On this basis, an overall indicative level of provision sought would be 137 spaces now; with an existing county-wide shortfall of around 47 places. Indicatively with 53% of the County's 11-17 population living in SW Herts, the current shortfall is of around 25 children's home places. Children's homes are generally registered for those aged 11/12 – 18, as younger children in care are likely to be placed with foster carers.
- 10.80 Based on the County wide position, around 80 per 10,000 children aged 11-17 are in care; of which currently 11% are accommodated in existing children's homes in Hertfordshire and 6% in homes outside of the County; and 83% in Foster Care.
- 10.81 However based on our discussions with HCC Commissioners, there are clear benefits from being able to accommodate most children in communities they know and which are close to their families, in particular to support family reunification. It is therefore appropriate to seek to accommodate future growth at a more local level, and to broaden the locations within Hertfordshire where children's homes places are available, which includes developing provision in SW Herts. To reduce the out-of-county placements it is appropriate therefore to assume 16% of the current need should be accommodated in children's homes.

Equally the availability of foster homes has however been reducing and is expected to continue to do so for the foreseeable future, which will add to the demand for children's home bedspaces. Taking this into account, we have assumed that 20% of those aged 11-17 who are typically accommodated in foster homes now could require children's home places by 2041. This means that the proportion of children in care accommodated in children's homes is expected to rise from 16% to 33% over the period from 2021 to 2041.

Table 10.8 Basis of Modelling Assumptions for Children's Homes Needs

	Hertfordshire
Looked after children under 18 across Herts	1131
Estimate of those aged 11-17 @ 75%	848
Usual residents aged 11-17, Hertfordshire	105,985
Prevalence of Children aged 11-17 in Care (per 10,000)	80
Children 11-17 accommodated in existing Children's Homes	90
% Children in Care aged 11-17	11%
Children 11-17 accommodated in Children's Homes out of County	52
% Children in Care aged 11-17	6%
Children 11-17 in Foster Care	706
% Children in Care aged 11-17	83%
% Children 11-17 need to be accommodated in Children's Homes now	16%
% Children 11-17 need to be accommodated in Children's Homes in the Future	33%

Source: Iceni

- 10.82 We have assumed that future provision should be made in accordance with this. Other children are accommodated with foster families, with family/friends, adopted or live in special schools.
- 10.83 An analysis of existing supply indicates that within the County this is particularly focused towards Stevenage, Welwyn Garden City and Baldock. Existing supply managed by the County Council includes the Meadow View scheme in Watford. This is the only HCC managed scheme in SW Herts. We do not however have comprehensive data on existing provision managed by others in SW Herts. We have therefore modelled the gross needs position from which existing supply (for instance at the time of a planning application) can be subtracted.
- 10.84 The tables below model future need on this basis. We take first the projections for the population aged 11-17 from the demographic projections (Table 10.10). An estimate is then made of the current number and future growth in children in care by applying the prevalence rate of 80 per 10,000 population within this age range (Table 10.11). We then model children's homes needs assuming that the proportion of those in care should be 16% in 2021 but could rise to 33% by 2041.
- 10.85 The analysis shows a gross need for at least 72 bedspaces now; with a current shortage likely to be evident in all areas; which rises to 155 spaces by 2041.

Table 10.9 Population aged 11-17, SW Herts

	2021	2,041	Change in Population aged 11- 17
Dacorum	13,384	14,387	1,003
Hertsmere	9,841	10,437	596
St Albans	14,897	14,666	-231
Three Rivers	8,821	9,234	413
Watford	8,975	9,904	929
SW Herts	55,918	58,628	2,710

Source: JGC Demographic Projections

Table 10.10 Projections of Current and Future Children aged 11-17 in Care, SW Herts

	Est Children in Care, 2021	Estimate Children in Care, 2041	Change, 2021-41
Dacorum	107	115	8
Hertsmere	79	83	5
St Albans	119	117	-2
Three Rivers	71	74	3
Watford	72	79	7
SW Herts	447	469	22

Source: JGC Demographic Projections; Icenii

Table 10.11 Current and Projected Gross Need for Childrens' Home Spaces to 2041, SW Herts

	Estimated Current Need (Gross) at 16%	Estimated Need (Gross) at 33%, 2041
Dacorum	17	38
Hertsmere	13	28
St Albans	19	39
Three Rivers	11	24
Watford	11	26
SW Herts	72	155

- 10.86 The need shown represents the potential 'gross need' and does not take account of existing supply which needs to be taken into account at the point of a planning application to assess whether there is a need for additional provision. The County Council manage Meadow View in Watford which provides spaces for 4 young people; but wider supply in SW Herts is run by other providers.
- 10.87 Children's homes are not typically large, with normally between 1-4 children in a home as well as provision for staff to sleep and a number of communal rooms. They should include outdoor space within a garden and ideally provision for staff parking. Houses on through roads in suburban environments are thus particularly suitable. Additional provision does not necessarily need to be new-build but could include conversion of existing C3 properties or other buildings in public sector ownership. Children's homes would typically fall within a C2 use class. It should be noted that

homes will need to include both bedrooms for children and for carers (so that for instance a 4-bed house could be for 3 children). There is a need for homes of varying sizes.

- 10.88 To address the need identified, it is appropriate for Hertfordshire County Council to be engaged in the planning process for strategic sites and for appropriate consideration to be given to the need for children's homes and how this might be accommodated. The WMS makes clear that in two tier authorities as here, it expects local planning authorities to support these vital developments where appropriate, to ensure that children in need of accommodation are provided for in their communities.

This page is intentionally left blank

Appendix 2 - Housing Mix and Type Policy

2.1 In addition to providing a significant increase in the quantum of new housing delivered, to meet future housing needs in Three Rivers it is important that new housing provides for a range of housing types and sizes. Providing a balance of housing will help meet the varied needs of the community and contribute to sustainability objectives.

2.2 Sustainable communities contain a mix of dwelling types, sizes and tenures as well as jobs and local services that make a neighbourhood successful and it is important that new housing is provided across all sectors of the housing market to meet a wide variety of household needs and add to the choice of housing available. New homes therefore need to comprise a mix of tenures and prices, sizes and types.

2.3 There is also an ageing population in the District, and it is important that new development includes specific forms of housing for older people, as well as specialist accommodation to meet needs.

Housing Mix and Type	
(1)	All new homes (both market and affordable and whether general needs or specialised) should contribute to the creation of balanced and sustainable communities by meeting identified local and District housing needs in terms of mix, size, tenure and type to cater for the full range of different households.
(2)	<p>In determining an appropriate housing mix, the Council will require proposals to take into account:</p> <ul style="list-style-type: none">a) The range of housing need in terms of the size and type of dwellings as identified by the Local Housing Needs Assessment (LHNA) and subsequent updates;b) Detailed local housing market assessments (where relevant);c) Current and future demographic profiles and population;d) The characteristics of the site which may influence its ability to accommodate a mix of housing, including its size, location and constraints and opportunities for development;e) Evidence of local market signals, trends and circumstances;f) Information on past housing delivery; andg) For affordable housing the Council's Housing Register.
(3)	All large-scale major housing proposals delivering 100 dwellings or more (gross) should be accompanied by a strategy to ensure a diversity of housing on the site including differing types, sizes, styles, design and tenure mix as well as housing to meet the requirements of different groups (specialist and supported housing).
Specialised and Supported Accommodation	
(4)	<p>The provision of well-designed specialist and/or supported accommodation will be supported in accordance with other policies in the Local Plan where:</p> <ul style="list-style-type: none">a) The type of specialised accommodation proposed would meet an identified need and contribute to maintaining a balance of housing stock;

- b) The proposal is in a location with good access to services and facilities, including public transport, enabling residents to live independently as part of the community;
 - c) The design of the proposal, including any individual units of accommodation, is capable of meeting the specialised accommodation support and care needs of occupiers; and
 - d) Arrangements are in place to ensure the delivery of appropriate care and support packages where appropriate.
- (5) Specialist and support housing developments of 50 dwellings or more, should adhere to the design principles adopted in the Hertfordshire County Council's Adult Care Service (ACS).
- (6) Existing specialised or supporting housing should be retained where a need exists (and/or is projected to exist over the plan period) unless it is adequately replaced either on or off site by an equivalent quality and quantity of accommodation.

Accessible and Adaptable Dwellings

- (7) All housing should be designed and built to encourage sustainable and flexible living, and should be built to be accessible and adaptable to meet changing occupier circumstances over the lifetime of the development.
- a. All new dwellings should be comply with M4(2) standards of the Building Regulations as a minimum.
 - b. For major developments of 10 or more dwellings, the following proportions of dwellings should be built to be wheelchair adaptable and comply with M4(3) standards of the Building Regulations where:
 - i. 5% of market dwellings should be built to M4(3a) standards; and
 - ii. 10% of affordable dwellings for social rent should be built to M4(3b) standards

Self-Build and Custom House Building

- (8) Proposals for self-build and custom housebuilding will be supported where development would have no adverse effect on the local character. Strategic sites of at least 500 dwellings will be expected to provide 2% of serviced plots for self-build and custom build where possible.
- (9) Schemes including self-build plots should consider the sizes of plots identified as required on the Self Build register and should be made available and priced and marketed appropriately as self-build or custom build plots for at least 12 months.

Houses in Multiple Occupation

- (10) Proposals for Houses in Multiple Occupation (HMOs) that require planning permission will be supported where the balance of housing types and character of the immediate locality would not be adversely affected; where suitable living conditions would be created; and where there would be sufficient provision of amenity space.

Reasoned Justification

2.4 The Local Housing Needs Assessment Update (LHNA) (2024) provides information on the current and future housing needs of the District and found that:

- Population projections (2016 based) indicate a projected population growth in Three Rivers of 9,459 people 2020 – 2036, a 9.9% increase. However, the 2018 projections show a very small increase in population, less than 1%.
- When linked to the standard methodology housing OAN, the Three Rivers population is projected to increase by 18,294 people 2020 – 2036, a 19.3% increase and therefore some net in-migration would be expected.
- The largest growth in population is expected from people aged 65 and over, with this group expected to increase by 4.6% in the period 2020 – 2036 based on 2018 population projections.
- There is a need to increase the supply of accessible and adaptable housing and wheelchair user dwellings as well as specific housing for older people.

2.5 The LHNA reveals different profiles in the size mix across the different tenures, with social and affordable rented housing being more heavily skewed towards smaller homes, market housing being more heavily skewed towards larger homes, and affordable home ownership housing sitting between the two.

2.6 While the LHNA provides estimated housing requirements, paragraph 6.16 of the LHNA recognises there are a range of factors that need to be taken into account in setting policies for provision. The LHNA's housing mix is based on a trend based analysis and does not take into account deficiencies in existing stock. The Council has therefore taken into consideration the housing completions over the period from 2005 until 2025 against the housing mix set out in the Core Strategy (2011). This shows a significant under delivery of smaller homes and a significant over delivery of larger homes. As such the housing mix in the LHNA has been adjusted to take this into consideration.

2.7 Other factors such as the need for homes older persons to downsize to and extensions that have led to properties moving up a level in the mix have also been factored into these adjustments. The Social/Affordable Rented housing mix has not been adjusted as the LHNA mix is considered to meet the District's needs for affordable housing.

2.8 The following table sets the Council's recommended strategic mix of housing provision which will be sought until any subsequent revision to the LHNA and Council's evidence and should form the basis for the housing mix of development proposals and provision across the District.

	1-bedroom	2-bedroom	3-bedroom	4+-bedroom
Market Housing	15%	35%	40%	10%
Affordable Home Ownership	20%	40%	30%	10%
Social/Affordable Rented Housing	20%	40%	35%	5%

2.9 However, it is recognised that the mix may need to be adjusted for specific schemes to take account of market information, housing needs and preferences, the Council's Housing Register, households whom the Council owe the full housing duty and specific site factors. Where adjustment to the proportions is sought, applications should explain how relevant factors have contributed to the mix of housing being proposed.

2.10 With regards to the affordable sector, the LHNA notes that there are typically issues around demand for and turnover of 1-bedroom homes (as well as allocations to older person households) which provide limited flexibility for households and as a result these can see relatively high levels of turnover. Therefore, it may not be appropriate to provide as much 1-bedroom stock as is suggested by the modelling exercise. In addition, the stock of 4-bedroom affordable housing is very limited and tends to have a very low turnover. As a result, whilst the number of households coming forward for 4+-bedroom homes is typically quite small, the ability for these needs to be met is even more limited. The LHNA therefore advises that the proportion of 1-bedroom affordable homes is reduced with a commensurate increase in 4+-bedroom homes.

2.11 Within the strategic housing mix, the Council will support provision of bungalows as an element of the overall supply as it is recognised that these may be particularly attractive to older owner-occupiers (many of whom are equity-rich) and can assist in encouraging households to downsize. However, bungalows are a low-density form of development and as such are land-intensive for the amount of floorspace created. Given the requirement to achieve an uplift in the density of development, the Council does not consider that it is appropriate to set a specific target for these.

Specialist and Supported Accommodation

2.12 To meet specific needs and to offer a real choice of accommodation, there is a need to provide an element of housing as specialist or supported housing. This may be required to address permanent needs, or longer term or shorter term timescales which meet temporary needs. Development should refer to the National Statement of Expectations for Supported Housing (MHCLG, 2020) for further guidance.

2.13 Specialist and supported accommodation may include housing for older people, people with disabilities or ongoing support needs, student housing, self-build and custom build housing, the build to rent sector or hostels and may fall within C2, C3 or Sui Generis planning use classes depending on the nature of the accommodation.

2.14 The LHNA and Paragraph 10 of the PPG set out the different types of specialist housing:

- Age restricted general market housing
- Retirement living or sheltered housing
- Extra care housing or housing-with-care
- Residential care and nursing homes

2.15 Further to this, the LHNA specifies the different types of specialist housing into two main categories of accommodation which are:

- Housing with Support (retirement/sheltered housing)
- Housing with Care (enhanced sheltered/extra-care housing)

2.16 Specialist and supported accommodation may include housing for older people, people with disabilities or ongoing support needs, student housing, self-build and custom build

housing, the build to rent sector or hostels and may fall within C2, C3 or Sui Generis planning use classes depending on the nature of the accommodation.

Housing for Older People and People with Disabilities

2.17 Given the strong link between people's ages and levels of disability, the LHNA considers housing needs from these groups together. In assessing the need for housing for older people the LHNA sets out that there is projected to be a notable increase in the population aged 65 and over and given the ageing population and higher levels of disability and health problems amongst older people the LHNA identifies that there is likely to be an increased requirement for specialist housing options in future.

2.18 For Three Rivers there is projected to be a requirement for 1,275 homes 2024 – 2041 for older people. The LHNA divides this between 'housing with support' which covers retirement living and sheltered housing, and 'housing with care' which covers extra care housing or housing-with-care. The total requirement comprises:

- Housing with support – Affordable: -281 homes
- Housing with support – Market: 975 homes
- Housing with care – Affordable: 109 homes
- Housing with care – Market: 473 homes

2.19 The LHNA also considers the need for older persons accommodation within a C2 Use Class (residential care homes and nursing homes) which also suggests a notable need in future for 678 care beds 2024 – 2041.

2.20 Over 80% of over-65 households in Three Rivers are under-occupying homes. In addition to meeting the housing requirements of people over 65, the provision of smaller properties through the general mix of housing under this policy will allow for downsizing, as well as provision of specific accommodation such as retirement and/or extra care housing will help release under-occupied homes to meet other housing needs in the area.

2.21 The LHNA estimates that there is a need for 430 wheelchair user homes in Three Rivers over the plan period equivalent to approximately 4% of the overall housing requirement. There is also a significant increase projected in the population with a range of disabilities. Requirements for Accessible and Adaptable Dwellings M4(2) and Wheelchair User Dwellings M4(3) are addressed at Preferred Policy Option Residential Design and Layout and Accessible and Adaptable Buildings.

Accessible and Adaptable Dwellings

2.22 Providing a flexible housing stock is an important element of ensuring that a wide range of accommodation needs can be met and that these can respond as needs change over time. As a consequence, all new homes should be designed to be flexible, accessible and adaptable to support the changing needs of individuals and families.

2.23 Given the ageing population in Three Rivers, it is particularly important that there is housing which would be suitable for any occupiers, regardless of whether or not they have a disability at the time of initial occupation

2.24 The LHNA recommendation is that Council's should seek as much M4 (2) (accessible and adaptable dwellings) housing as viably possible and 10% of affordable housing to be M4(3) compliant to meet the identified need for wheelchair users over the plan period.

Self-Build and Custom Building

2.25 Self-build and custom build housing is defined in the Housing and Planning Act 2016 as 'the building or completion by individuals, or persons working with or for individuals or associations of individuals, of houses to be occupied as homes by those individuals... [but] does not include the building of a house on a plot acquired from a person who builds the house wholly or mainly to plans or specifications decided or offered by that person'. This type of housing enables people to choose the design or layout of their home, and in many cases custom build houses can be constructed faster and to a higher quality with less risk to builders as the house has effectively been sold before construction.

2.26 The LHNA states the Council should implement a policy on strategic sites, where justified and the exact level should be determined in reference to the number and capacity of strategic sites and overall local need in consideration with the committed supply and viability. The need for self-build and custom build housing has been based on demand from the Council's Right to Build Register¹.

Houses in Multiple Occupation

2.27 Houses in Multiple Occupation (HMOs) are dwellings lived in by more than one family or groups of individuals who share facilities such as a kitchen or bathroom and can contribute to meeting the housing needs of some of the population, offering a more affordable way to live in the District.

2.28 It is important to get the balance of housing right and conventional residential development is generally considered to be more sustainable as it meets the broadest spectrum of housing need. While planning permission may not always be required to convert a dwelling to an HMO, where permission is required, the balance of housing will be considered as well as living conditions for future occupiers.

¹ <https://www.threerivers.gov.uk/egcl-page/right-to-build>

Appendix 3 - Affordable Housing Policy

3.1 Delivery of affordable housing is a key priority of the Local Plan. Average house prices in Three Rivers are some of the highest in the country outside London. Housing affordability within the District continues to be a major concern for many residents, and many local people have difficulty in accessing housing on the open market. This particularly affects the young and those on lower incomes who are entering the housing market. The South-West Herts Local Housing Needs Assessment Update (LHNA, March 2024) is clear that there is a notable need for affordable housing in Three Rivers and across South-West Hertfordshire. Improving the supply and standard of affordable housing is therefore one of the biggest priorities for the Council to address the needs of our community.

Affordable Housing	
Thresholds and Percentage	
(1)	The Council will seek an overall provision of 40% of all new housing as affordable housing (by net additional unit), incorporating a mix of tenures. All new development resulting in a net gain of one or more dwellings will be expected to contribute to the provision of affordable housing. On specialist housing schemes for older people, these thresholds will apply except in the case of development falling within a C2 use class.
Split	
(2)	70% of affordable housing should be for rent and 30% for affordable home ownership and have regard to the following: <ul style="list-style-type: none"> a) Affordable housing for rent includes Social Rent and affordable rent (and can include affordable private rent). As a guide 70% of affordable housing for rent provision should be Social Rent and 30% should be for affordable rent. b) Affordable home ownership includes First Homes and shared ownership. First Homes and shared ownership products are preferred; however, other types of affordable home ownership products will be considered on a case-by-case basis. As a guide 50% of affordable home ownership provision should be First Homes and 50% should be shared ownership.
(3)	10% of affordable housing should meet the Building Regulations M4(3) standard (wheelchair user dwellings) as per the requirements of Policy X on Accessible and Adaptable dwellings.
(4)	In calculating the percentage of affordable units to be provided as part of a development scheme, the affordable housing requirement will normally be 'rounded up' to the nearest whole number.

- (5) Where development would affect existing affordable dwellings, permission will only be granted where this would not result in a net loss of affordable housing, and where the proposed tenure mix would meet affordable housing needs of the community.

Green Belt

- (6) All major development involving the provision of housing in the Green Belt (i.e. sites for 10 or more homes; or with a site area of 0.5 hectares or more) should provide at least 50% of the total housing provision as affordable housing, unless this would make the development of the site unviable (when tested in accordance with national planning practice guidance on viability). Any development in the Green Belt resulting in a net gain of 1-9 dwellings should provide at least 40% of the total housing provision as affordable housing, as set out in paragraph 1 of this policy.

Rural Exception Sites

- (7) Small-scale proposals delivering 100% affordable housing in perpetuity within and immediately adjacent to the village core areas of Bedmond and Sarratt may be supported within the Green Belt where these are evidenced to provide affordable housing to meet identified local community needs. A minor degree of market housing may be acceptable where it is required to support the delivery of affordable housing on the site.
- (8) Affordable housing should reflect the mix of sizes and types required in the District as identified through Policy X Housing Mix and the most up-to-date Local Housing Need Assessment (LHNA) and subsequent updates, as well as the Council's Housing Register.

Mode of Affordable Housing Provision

- (9) In most cases, affordable housing provision should be made on site, however on small sites delivering between one and nine dwellings, contribution to affordable housing may be made through commuted payments. Such payments will be broadly equivalent in value to on-site provision of affordable housing for rent, but may vary depending on site circumstances and viability. Payments will fund the development of affordable housing on other sites within the District.
- (10) To ensure community cohesion and good design, affordable homes must be fully integrated in the design of the overall scheme, being physically and visually indistinguishable from market units and dispersed across the site in clusters appropriate to the size and scale of the development. Designs resulting in high maintenance or service charges should be avoided.

Delivery

- (11) Affordable housing requirements that have been determined on the basis of viability and site-specific viability information seeking to justify an alternative level or mix of affordable housing will therefore only be accepted in exceptional cases. Viability assessments should be undertaken in accordance with the recommended approach set out in national planning guidance, including standardised inputs, and will be made publicly available.
- (12) Where a reduction in affordable housing is justified, the Council will seek to secure the preferred tenure split as a priority over a potentially higher total percentage of affordable housing which would not be consistent with meeting priority needs. Such proposals will also be subject to detailed review mechanisms throughout the period up to full completion of the development, including an advanced stage review mechanism.
- (13) Where developments would trigger affordable housing requirements, application of the Vacant Building Credit will only be appropriate in demonstrated exceptional circumstances, and where a proposal would meet all of the following criteria:
 - a) It is clearly demonstrated that the site would otherwise not come forward for any form of redevelopment at any point over the medium to long-term;
 - b) All buildings within the site boundary are vacant at the time the application is submitted;
 - c) There are no extant or recently expired permissions on the site for any proposed use class;
 - d) The proposal does not involve the loss of any capacity to meet other development needs from a site allocated for non-housing development; and
 - e) The building has not been made vacant for the sole purpose of redevelopment, evidenced by provision of marketing and vacancy evidence for a continuous period of five years (up to the point of submission of an application).

First Homes

- (14) First Homes are required to be sold at a minimum discount of at least 30% of the market value of homes available for sale locally which are of the same size and type as those proposed. The minimum discount will be secured in perpetuity.
- (15) First homes are to be sold to a person or persons meeting the First Homes eligibility and local connection criteria (see below);

Reasoned Justification

3.2 The NPPF advises that affordable housing should not be sought for residential developments that are not major developments, other than in designated rural areas where policies may set a lower threshold of five units or fewer. However, the local circumstances in

Three Rivers are considered to justify an alternative approach to require all developments resulting in a net gain of housing to contribute to affordable housing provision. This is on the basis of the acute need for affordable housing in the District demonstrated by the LHNA, the Councils “*Evidence Relating to the Application of the Affordable Housing Threshold in Core Strategy Policy CP4: Affordable Housing*” documents¹, and the crucial role that smaller sites delivering fewer than 10 dwellings has played in delivering housing historically which is expected to continue in future. These factors are considered to outweigh the guidance within the NPPF and justify the approach within the Affordable Housing Policy to require all sites resulting in a net gain of dwellings to contribute to affordable housing provision in the District, and this approach has been supported in recent appeal decisions in the District.

3.3 The LHNA demonstrates that the median house price in Three Rivers during in the year to September 2022 was £560,000. This is significantly above the Hertfordshire average of £512, 940 and the East of England average of £328,000 during the same period. Monthly rents across all sizes of accommodation are similarly above Hertfordshire and England averages within Three Rivers.

3.4 Affordability ratios in Three Rivers and across the South West Hertfordshire area have deteriorated significantly since 1997 and lower quartile house prices in the District were 12.85 times higher than lower quartile incomes at February 2022. The affordability of housing therefore remains a critical issue in Three Rivers, and will continue to be so for the foreseeable future.

3.5 The LHNA considered needs for affordable housing within the District and identified an annual net need for affordable housing in Three Rivers over the period 2024-2040 of 527 affordable homes per year. When split between rented affordable need and affordable home ownership need, this overall identified need of 527 affordable homes a year equates to a need of 364 rented affordable homes (including Social Rent and affordable rent) and 163 affordable home ownership dwellings (including First Homes, shared ownership etc).

3.6 Given the substantial need for affordable housing in the District, it is also essential that development does not lead to a reduction in the overall supply of affordable housing, or to changes to the tenure of affordable housing which is provided so that it is less well suited to meet demonstrated local needs. Such proposals would undermine the overall approach to the supply of affordable housing in the District and will be resisted.

Rented Affordable Need

3.7 The LHNA sets out that “there are therefore policy choices to be made by individual authorities around how policies are crafted ... the analysis is however clear that there is need for both social and affordable rented homes”. The LHNA further adds that “decisions should be influenced by individual authorities’ priorities, the results of viability evidence and funding availability”. With regard to the tenure of affordable housing for rent, local evidence suggests that the greatest need in the District is for Social Rented housing, followed by Affordable Rent.

3.8 However, when benefits are taken into account, the LHNA notes that for households claiming Household Benefit, an affordable rent may be appropriate as long as the Housing Benefit is able to cover all of the rent, whilst for households with an income that would allow them to afford an affordable rent it is arguable that a social rent would be more appropriate as the housing costs would be less of a strain on household finances.

¹ <https://www.threerivers.gov.uk/services/planning/planning-applications/latest-appeals-cp4>

3.9 Affordable rent should be genuinely affordable, with rents at around 60% of median market values (including service charges).

3.10 The Council acknowledge that requiring a higher proportion of affordable homes for rent, will impact on the overall level of affordable housing that may be delivered. However, these are the most urgent and pressing needs for housing in the District and the Council will therefore prioritise the delivery of a greater proportion of affordable housing for rent rather than a higher total level of affordable housing delivery through, for example, a higher proportion of affordable home ownership. A tenure mix in accordance with Policy X (Housing Mix) will therefore be sought.

Affordable Home Ownership Need

3.11 The LHNA also indicates that in addition to the requirement for affordable housing for rent, that there is a case for setting out policies in Local Plans which support provision of a range of affordable home ownership products. Such products include First Homes, shared ownership and rent to buy.

3.12 First Homes are a specific type of discounted market sale housing and meets the definition of 'affordable housing' for planning purposes. First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;*
- b) are sold to a person or persons meeting the First Homes eligibility criteria*
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,*
- d) after the discount has been applied, the first sale must be at a price no higher than £250,000*

First Homes Eligibility and Local Connection Criteria

3.13 National standard criteria apply to First Homes including that a purchaser must be a first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

3.14 To demonstrate a local connection, applicants for First Homes that are built in Three Rivers will:

- Be a resident in Three Rivers for at least the past twelve months, or three out of the last five years, where residence has been out of choice; or
- Work in Three Rivers in employment other than of a casual nature as defined by Local Government Association Guidelines. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
- Have family connections in Three Rivers with a member of their household, parents, adult children or siblings who have been residents in Three Rivers District for at least the last 5 years.

3.15 In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces,

the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local connection testing restrictions.

3.16 The Council can exercise flexibility to lower the price cap; increase the discount level and/or reduce the income cap, provided there is local evidence to justify doing so. The LHNA suggests the possibility of raising the discount levels to 40% in Three Rivers, but the case for higher discounts needs to be balanced against scheme viability and the potential knock on effect on other tenure types in the scheme. As such, higher discounts can be considered, where this can be viably achieved.

Rural Exception Sites

3.17 There are fewer opportunities to build new homes in the District's smaller villages surrounded by, or designated as Green Belt due to more restrictive policies on housing in countryside and particularly in the Green Belt. However, an element of new development can help to support these communities. The NPPF recognises this and enables the provision of limited affordable housing for local community needs under policies set out in the development plan, including policies for rural exception sites. Proposals for rural exception sites delivering 100% affordable housing within and immediately adjacent to the village core may be supported (including in the Green Belt) where these are evidenced to provide affordable housing which would meet identified local community needs. The type and size of affordable housing provided on such sites must address identified needs in the individual village or the area it serves which is defined as the village or parish in which it is located.

Specialist Housing

3.18 In relation to specialist housing (such as extra care housing), it is recognised that provision of affordable housing may be particularly difficult to achieve from both a viability and practical perspective), as highlighted within the LHNA. As such, affordable housing provision will not apply in the case of development falling within a C2 use class. In other cases (i.e. where development falls within a C3 use class), a viability assessment will be required to demonstrate if an affordable housing contribution is not viable.

Appendix 4 – First Homes Policy

First Homes
<p data-bbox="284 320 624 353">Minimum Requirements</p> <ul style="list-style-type: none"> <li data-bbox="209 398 1305 499">(1) A minimum of 25% of affordable homes provided either on-site or off-site or as a financial contribution in lieu of on-site provision in line with the Council's adopted affordable housing requirements are required to be First Homes. <li data-bbox="209 539 1353 640">(2) First Homes are required to be sold at a minimum discount of at least 30% of the market value of homes available for sale locally which are of the same size and type as those proposed. The minimum discount will be secured in perpetuity. <li data-bbox="209 674 1334 741">(3) First homes are sold to a person or persons meeting the First Homes eligibility and local connection criteria (see below); <li data-bbox="209 779 1362 925">(4) Where the affordable housing contribution for a proposed development comprises a mixture of homes and financial contributions towards affordable housing, First Homes are required to form 25% of the overall monetary value of affordable housing contributions. <p data-bbox="284 969 671 1003">First Home Exception Sites</p> <ul style="list-style-type: none"> <li data-bbox="209 1010 1366 1200">5) Residential development proposals on qualifying small sites comprising primarily First Homes will be permitted where they are: <ul style="list-style-type: none"> <li data-bbox="284 1126 799 1160">a) adjacent to existing settlements; and <li data-bbox="284 1167 703 1200">b) proportionate in size to them. <li data-bbox="209 1245 1286 1547">6) To ensure the delivery and viability of a First Homes site without grant funding, planning permission on sites with the minimum number of market homes will be granted where: <ul style="list-style-type: none"> <li data-bbox="284 1395 1286 1462">a) an applicant demonstrates that the scheme would be unviable without the inclusion of market housing; <li data-bbox="284 1473 1278 1507">b) inclusion of market housing does not inflate the threshold land value; and <li data-bbox="284 1514 1310 1547">c) any market housing is suitably integrated into the First Homes development <li data-bbox="209 1592 1362 1704">7) Small quantities of other forms of affordable housing may also be permitted on a First Homes exception site where the applicant demonstrates evidence of significant local need for that type of housing.

Reasoned Justification

4.1 First Homes are a specific form of discounted market sale housing which are discounted by a minimum of 30% against the market value and are sold to first-time buyers meeting the eligibility criteria set out in the PPG. On their first sale, First Homes have a restriction registered on the title at HM Land Registry to ensure the discount is passed on at each subsequent title transfer. The initial sale after the discount has been applied must be at a

price no higher than £250,000 (outside Greater London. First Homes are considered to meet the Government's definition of 'affordable housing' for planning purposes.

4.2 The minimum discount for First Homes should help to make home ownership more affordable for a greater number of first-time buyers than other affordable housing products such as Discounted Market Sales (OMS) and shared ownership, which are both required to be sold at a minimum of just 20% below market value.

4.3 The high cost of homes in expensive areas such as Three Rivers means that OMS and shared ownership properties are likely to remain beyond the reach of many residents/prospective buyers with this level of market discount, however the price cap of £250,000 for a First Home will ensure that this tenure of home is likely to be a realistically affordable option for many potential first-time buyers in the District.

4.4 The discount for First Homes is also required to be applied in perpetuity each time a First Home is resold (subject to certain specific exclusions) and should ensure that the discounted cost built into this tenure is retained in the value of the property in perpetuity. This will be secured by means of a planning obligation in line with national guidance.

First Homes Exception Sites

4.5 National planning guidance also makes provision for the development of First Homes 'exception sites' (on land which is not already allocated for housing) adjacent to existing settlements and proportionate in size to them. First Homes Exception Sites are not permitted within the Green Belt or in a designated rural area, where rural exception sites are the only type of exception sites that may be permissible. A small proportion of market housing or other types of affordable housing may be allowed at the local authority's discretion, for example where essential to enable the delivery of First Homes without grant funding.

4.6 To ensure applicants take account of the criteria under paragraph (5) (a) and (b) of the policy, where it is proposed that a scheme requires market housing to be included to make an exception site viable, a development appraisal will be required to be submitted to demonstrate that this is the case.

4.7 In considering the land value, the threshold land value of the site will be limited to no more than ten times the agricultural land value at the time of application submission. Where agreement cannot be reached, external consultants will be appointed at the applicant's cost to provide an independent assessment of the scheme's viability.

4.8 Paragraph (6) of the policy is in line with the PPG, which allows the proportion of affordable housing on a First Homes exception site to be altered to include small quantities of other affordable housing products. The evidence that applicants will be required to provide will need to be in the form of a Local Housing Needs Assessment, local authority Housing Register, or other sufficiently rigorous local evidence.

First Homes Eligibility and Local Connection Criteria

4.9 First Homes Eligibility Criteria First Homes must be prioritised for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

4.10 To demonstrate a local connection (defined in Part VII of the Housing Act 1996), applicants for First Homes that are built in Three Rivers will:

- Be a resident in Three Rivers for six of the last twelve months, or three out of the last five years, where residence has been out of choice; or
- Work in Three Rivers in employment other than of a casual nature as defined by Local Government Association Guidelines. For the purposes of this policy this will be defined as having had permanent work with a minimum of a 16 hour contract per week for the previous 6 months, and without a break in the period of employment for more than three months; or
- Have family connections in Three Rivers with a member of their household, parents, adult children or brothers or sisters who have been residents in Three Rivers District for at least the last 5 years.

4.11 In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local connection testing restrictions.

4.12 The Council can exercise flexibility to lower the price cap; increase the discount level and/or reduce the income cap, provided there is local evidence to justify doing so. The Local Plan Housing Needs Assessment (2023) recommends raising the discount levels to 40% in Three Rivers. Higher discounts to 50% can also be considered, where this can be viably achieved.

This page is intentionally left blank

First Homes – Policy Position Statement

Introduction

This position statement sets out the key information relating to First Homes and how it will relate to the implementation of Policy CP4 Affordable Housing in the adopted Core Strategy (2011).

Background

On 24th May 2021, the Government published a [Written Ministerial Statement](#) (WMS) to set out the Government's plans for the delivery of First Homes defining the product and changes to planning policy. Following publication of the WMS, Planning Practice Guidance (PPG)¹ was updated to reflect the WMS and will now form a material consideration in decision making. These changes came into effect from 28 June 2021. For further details, please refer to the Written Ministerial Statement and Planning Practice Guidance.

First Homes Criteria

From 28 June 2021, First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- a) must be discounted by a minimum of 30% against the market value;
- b) are sold to a person or persons meeting the First Homes eligibility criteria (see below);
- c) on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this;
- d) discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- e) after the discount has been applied, the first sale must be at a price no higher than £250,000.

First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable housing units delivered by developers through planning obligations (i.e. S106 agreements)².

First Homes Eligibility Criteria

First Homes must be prioritised for first-time buyers (as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003 for the purposes of Stamp Duty Relief for first-time buyers) and not be sold to any household with a combined annual income in excess of £80,000.

In recognition of the unique nature of their circumstances, members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces should be exempt from any local connection testing restrictions.

Policy CP4 Affordable Housing

¹ <https://www.gov.uk/guidance/first-homes>

² Planning Practice Guidance Paragraph: 001 Reference ID: 70-001-20210524

This policy, in the adopted Core Strategy, requires a 45% affordable housing contribution on all new development resulting in a net gain of one or more dwellings, that the affordable housing provided reflects the mix of size and type required for future housing (as identified in the Strategic Housing Market Assessment (SHMA) and subsequent updates) and that 70% of the affordable housing provided is social rented and 30% is intermediate. The most recent update to SHMA is the [South West Hertfordshire Local Housing Needs Assessment](#) (2020) (LHNA).

It also states that in assessing affordable housing requirements including the amount, type and tenure mix, the Council will treat each case on its merits, taking into account site circumstances and financial viability. In calculating the percentage of affordable units to be provided as part of a development scheme, the affordable housing requirement will normally be 'rounded up' to the nearest whole number.

Policy CP4 also allows, in relation to small sites delivering between one and nine dwellings, the use of commuted payments towards provision off site. Such payments will be broadly equivalent in value to on-site provision but may vary depending on site circumstances and viability. Further details are available in the [Affordable Housing SPD](#) and [Viability Assessment Guidance](#).

The introduction of the First Homes policy means that 25% of affordable housing provision should be for First Homes, with 75% remaining for other tenures. The WMS and Planning Practice Guidance state that once a minimum of 25% First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the Local Plan.

Therefore, the tenure mix for affordable housing under Policy CP4 of the Core Strategy (2011) will be:

- **25% First Homes**
- **70% social rented, and**
- **5% intermediate.**

However, the National Planning Policy Framework (NPPF) sets a requirement that where major development is proposed, at least 10% of the total number of homes should be available for affordable home ownership.

Planning Practice Guidance therefore advises that "If a planning application for a major housing site in which 25% of the affordable homes are First Homes does not deliver enough First Homes to meet the 10% affordable home ownership expectation in the NPPF, additional affordable home ownership homes may be provided on top of the First Homes provision, in order to meet this expectation"³.

For example, if the expectation for at least 10% of homes on a site to be available for affordable home ownership equates to 8 homes, but the 25% First Homes requirement only results in 6 homes, then an additional 2 affordable home ownership products would be expected: this would mean that the number of affordable homes to be provided as social rent would be reduced by 2 dwellings.

It is expected that where additional affordable home ownership homes are needed to meet the 10% NPPF requirement, applicants provide the additional homes as alternative home ownership products such as 'shared ownership' homes in order to enable those in housing need to access an alternative affordable home ownership model.

³ Paragraph: 023 Reference ID: 70-023-20210524

Worked examples

Example 1: A scheme for 12 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $12 \times 45\%$	6 (5.4 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 2 First Homes 70% = 4 Social Rented 5% = 0 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 12 dwellings	1.2 (2 dwellings rounded up to the nearest whole number)
Conclusion	The 2 First Homes meets the NPPF 10% requirement

Example 2: A scheme for 50 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $50 \times 45\%$	23 (22.5 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 6 First Homes 70% = 16 Social Rented 5% = 1 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 50 dwellings	5 homes
Conclusion	The 6 First Homes meets the NPPF 10% requirement

Example 3: A scheme for 150 dwellings

Method	Result
45% affordable housing requirement through Policy CP4 = $150 \times 45\%$	68 (67.5 affordable homes rounded up to the nearest whole number)
Tenure mix of 25% First Homes, 70% social rented and 5% intermediate	25% = 17 First Homes 70% = 48 Social Rented 5% = 3 Intermediate
The NPPF requires 10% of homes to be for affordable home ownership = 10% of 150 dwellings	15 homes
Conclusion	The 17 First Homes meets the NPPF 10% requirement

This page is intentionally left blank

Three Rivers District Council

Sub Committee Report

12 May 2025

LOCAL PLAN SUB COMMITTEE – 12 MAY 2025

PART I

Updated Draft Sustainability Policies for Regulation 19

(DoF)

1 Summary

- 1.1 This report sets out the issues which the new Local Plan will need to address in relation to sustainability and sets out the policy wording to be contained within the new Local Plan.
- 1.2 There are five separate sustainability policies referenced within this report and are set out within Appendices 1, 2, 3, 4 and 5. Appendix 6 provides background and details of why and how these policies have been produced which is further summarised within this report.

2 Background

- 2.1 Local planning authorities have a legal duty to mitigate climate change (deliver carbon reductions) through the planning process, and government planning policy confirms that these reductions should be in line with the Climate Change Act. The Climate Change Act includes both the 2050 goal for a net zero carbon UK and sharply declining five-yearly carbon budgets between today and 2050. The Council is also committed to becoming a carbon-neutral district by 2045.
- 2.2 Bioregional and Edgars were appointed to provide the Council with an assessment of options available within the local planning system to address climate change in TRDC to inform Local Plan policy.
- 2.3 A meeting was held with TRDC officers on 25th July 2024 to review the policy options and was presented to members on 14th August 2024. Each of the three policy options related to the 2023 Written Ministerial Statement which sought to curtail the use of policy approaches that use energy-based metrics. This is explained in further detail later in this report. The policy options were 'WMS compliant', 'Test the boundaries of the WMS' and 'Industry best practice' (beyond WMS). Following these meetings, TRDC officers outlined that policy option 2, 'Test the boundaries of the WMS' was how they wanted to progress.
- 2.4 Further engagement with TRDC officers took place in March 2025, where comments on the recommended policies were made and matters around future implementation discussed.
- 2.5 This report outlines the result of these discussions and updates through a description and summary of the policies chosen.

3 Details

- 3.1 Net zero carbon local plan policy is needed due to TRDC's carbon reduction commitments. This is to become a carbon neutral district by 2045 and to reduce emissions in the district by 14% annually from 2023 to 2027.
- 3.2 Methods to reach these commitments include encouraging developers to adapt net zero design standards, as well as, requiring BREEAM 'Excellent' minimum

standards in major non-residential developments, implementing a decarbonisation action plan for residential properties and support residents and businesses to reduce their energy use and improve the efficiency of their homes and buildings.

- 3.3 However, there are gaps in national regulation in achieving net zero emissions. Current building regulations do not deliver net zero carbon buildings or low-enough space heat demand (not even the Future Homes Standard). The government's net zero strategy has been found unlawfully insufficient - twice.
- 3.4 The Written Ministerial Statement (WMS) in December 2023 states "Planning policies that propose local energy efficiency standards that go beyond current or planned building regulations should be rejected at examination if they do not have a well-reasoned and robustly costed rationale that ensures:
- Development remains viable and impact on housing supply and affordability is considered in accordance with the NPPF
 - Additional requirement is expressed as a percentage uplift of a dwelling's Target Emissions Rate (TER) calculated using a specified version of the Standard Assessment Procedure (SAP)

Where policies go beyond current/planned building regulations, policies should be applied flexibly.... Where the applicant can demonstrate that meeting higher standards is not technically feasible, in relation to the appropriate local energy infrastructure and access to adequate supply chains."

- 3.5 Inspectors will expect local policy to be consistent with the WMS (as per NPPF tests of soundness). This means that the policies are designed around percentage improvements on buildings regulations metrics and use a percentage improvement on SAP/ SBEM. The Passivhaus Planning Package (PHPP) is also used for those applicants who are using more accurate methods of calculation.
- 3.6 Justification for each of the policies are summarised as follows.

4 Policy X A – Net Zero Operational Carbon in New Residential Development

- 4.1 Operational carbon is an area where policy can ensure the provision of buildings that are fit for the future, both in terms of reduced energy consumption and design decisions that address climate adaptation. It is essential that developers prioritise these metrics and subsequent total energy consumption to best ensure that any on-site renewable energy can feasibly match total regulated energy use in order for the local plan to and TRDC reach its intended carbon neutral targets.
- 4.2 In the context of the 2023 Written Ministerial Statement, this policy is fully compliant with the perceived constraints it poses. The WMS only applies to energy efficiency standards where it states that any standards that exceed Building Regulations must be done so using the TER metric. Policy X A1 is the only policy recommendation that relates to the energy efficiency perceived constraints of the 2023 WMS and remains within its bounds through the use of TER% reduction as the primary metric. The Target Fabric Energy Efficiency (TFEE) is not additional to, but is a step towards, that TER target. The TFEE is the amount of energy demand in kilowatt-hours per m² per year.
- 4.3 In the event that national building regulations exceed the requirements within this policy, the national standards (i.e. the higher standards) will apply.

- 4.4 **Policy X B – Net Zero Operational Carbon in New Build Non-Residential Development**
- 4.5 Similar to Policy X A, planning policies supporting net zero operational carbon in new build non-residential developments can drive significant improvements in energy efficiency and the reduction of regulated operation carbon in new buildings.
- 4.6 This policy also calls for a % improvement on Part L 2021 TER through on-site measures. This percentage varies in terms of non-residential building types and will again be superseded in the event that national building regulations exceed the requirements of the policy.
- 4.7 Energy metrics guidelines also apply to non-residential development but with a larger absolute energy use metric of 65 kWh/m²/year. Applicable methodologies to calculate this include CIBSETM54 as well as the Passive House Planning Package. These methodologies evaluate the operational energy use of buildings.
- 4.8 The sections of the policy related to the use of fossil fuels, on-site renewable energy, energy offsetting, reduced performance gaps, smart energy systems and post-occupancy evaluation all generally reflect the same policies in Policy X A and residential development.
- 4.9 **Policy X C – Climate-adapted Design and Construction**
- 4.10 The need for climate-adapted design and construction for new development is key for current and future occupant comfort and safety, as well as making the built environment more resilient and future-proofed. This policy includes sections on the cooling hierarchy and overheating assessments, which ensure that new developments do not contribute to unacceptable levels of overheating risk.
- 4.11 This policy also recognises the increasing pressure on water resources. For non-residential buildings, water use limits aligned with BREEAM Wat 01 credits promote efficient water consumption. The comprehensive approach to climate change adaption and mitigation set out not only reduces the likelihood of future retrofitting (which can be disruptive and costly) but also promotes future-proofing of new developments, ensuring long-term sustainability and occupant well-being.
- 4.12 **Policy X D – Embodied Carbon and Waste**
- 4.13 As the power grid becomes decarbonised, and buildings become more energy efficient, embodied carbon becomes a greater share of a buildings' total carbon footprint. Unlike operational carbon emissions, embodied carbon has front-loaded impacts as the carbon is released before a building is even first used or occupied. Additionally, once materials are made and installed their emissions are permanent, so it is important to consider embodied carbon at the earliest opportunity.
- 4.14 Whilst there is no explicit reference to embodied carbon in the NPPF, the NPPF references to 'low carbon development' and 'low carbon economy' could readily include embodied carbon as an implicit part of this. The NPPF also sets out that the full range of potential climate change impacts should be taken into account when preparing and assessing planning applications. Additionally, embodied carbon can be considered as a design issue and therefore would fall under the NPPF's instruction that new development should be planned for in ways that help to reduce greenhouse gas emissions, such as through its design.
- 4.15 **Policy X E – Reducing Carbon Emissions in Existing Buildings**

- 4.16 Given that a third of the District's emissions arise from existing buildings, the decarbonisation of existing buildings is crucially important to the Council. Whilst local planning policy has only a limited influence on the carbon and energy performance of existing buildings (as policy can only seek changes to buildings where the building owner is seeking to require a change to the building that requires planning permission), the retrofit of existing buildings can be pursued through providing a permissive and supportive policy approach to energy efficiency and carbon improvements to existing buildings.
- 4.17 The NPPF sets out that local planning authorities should give significant weight to the need to support energy efficiency and low carbon heating improvements to existing buildings, both domestic and non-domestic. It further sets out that where the proposals would affect conservation areas, listed buildings or other relevant designated heritage assets, local planning authorities should also apply the policies set out in the chapter of the framework relevant to conserving and enhancing the historic environment. The policy prioritises retrofitting through and 'retrofitting first' approach while also noting the significant importance in the character and appearance of heritage assets in relation to adapting these buildings to climate change.

5 Policy/Budget Reference and Implications

The recommendations in this report are within the Council's agreed policy and budgets.

Financial, Legal, Equal Opportunities, Staffing, Environmental, Community Safety, Public Health, Customer Services Centre, Communications & Website, Risk Management and Health & Safety Implications

None specific.

6 Recommendation

- 6.1 That the Local Plan Sub Committee notes the contents of this report and recommends to the Policy and Resources Committee the following draft policies:
- X A - Net Zero Operational Carbon in New Residential Development
 - X B - Net Zero Operational Carbon in New Build Non-Residential Development
 - X C - Climate-adapted Design and Construction
 - X D - Embodied Carbon and Waste
 - X E - Reducing Carbon Emissions in Existing Buildings
- 6.2 That the Local Plan Sub Committee recommends to the Policy and Resources Committee that delegated authority be granted to the Head of Planning Policy & Conservation in consultation with the portfolio holder to make minor changes to the draft policy.

Background Papers

- National Planning Policy Framework (2024)

- Appendix 6 – TRDC Carbon policy support, evidence base and policy recommendations, Bioregional
- 2023 Written Ministerial Statement – Planning – Local Energy Efficiency Standards Update

Appendices

Appendix 1 - Policy X A - Net Zero Operational Carbon in New Residential Development

Appendix 2 - Policy X B - Net Zero Operational Carbon in New Build Non-Residential Development

Appendix 3 - Policy X C - Climate-adapted Design and Construction

Appendix 4 - Policy X D - Embodied Carbon and Waste

Appendix 5 - Policy X E - Reducing Carbon Emissions in Existing Buildings

Appendix 6 - TRDC Carbon policy support, evidence base and policy recommendations, Bioregional

Report prepared by: Michael Davey, Planning Officer

This page is intentionally left blank

Appendix 1 - Policy X A – Net Zero Operational Carbon in New Build Residential Development

1.1 Operational carbon is an area where policy can ensure the provision of buildings that are fit for the future, both in terms of reduced energy consumption and holistic integration of design decisions that address climate adaptation. It is essential that housing developers prioritise these metrics and subsequent total energy consumption to best ensure that any on-site renewable energy can feasibly match total regulated energy use. If the energy use of a residential building is not mitigated in the first instance, on site renewable energy generation will likely not be sufficient to deliver a net zero building.

Policy X A - Net Zero Operational Carbon in New Build Residential Development

All new build dwellings (use class C3 and C4) are required to meet the following requirements:

A1.1 - Part L% improvement

- 1) At least a 63% improvement (reduction) on Part L 2021 TER (Target Emissions Rate) from energy efficiency measures.
- 2) Heat pumps are to be calculated as an energy efficiency measure, rather than a renewable energy measure.
- 3) As a measure in aid of this TER target, achieve an improvement (reduction) on Part L 2021 TFEE (Target Fabric Energy Efficiency) as follows:

End terrace: at least a 12% improvement

Mid terrace: at least a 16% improvement

Semi-detached: at least a 15% improvement

Detached: at least a 17% improvement

Bungalow: at least a 19% improvement

Flats/ apartments: at least a 24% (weighted average, whole block) improvement

All of the above should be calculated using SAP10.2 or later version, or the Home Energy Model (HEM, once it has been implemented)

In the event national building regulations exceed the requirements of this policy, the national standards (i.e. the higher standards) would apply.

A1.2 - Energy metrics guidelines

Or –

- 4) Positive weight will be given to development proposals which can demonstrate the following absolute energy metrics are met:
 - Total energy use: 35 kWh/m²/year
 - Space heating demand: 15 kWh/m²/year
- 5) Performance in these targets must be evidenced using a methodology that accurately predicts buildings' operational energy use. Suitable methodologies include the Passive House Planning Package (PHPP). Where a building achieves Passivhaus certification, it will be deemed to have complied with these targets.

A2 - No Fossil Fuels

- 6) The use of fossil fuels and connection to the gas grid will not be considered acceptable.

A3 - On-site renewable energy

- 7) On-site annual renewable energy generation capacity (in kWh) at least equal to the predicted annual total regulated and unregulated energy use (residual energy use in kWh after A1.1 has been achieved, plus unregulated energy use).
- 8) Where an on-site net zero regulated and unregulated energy balance is not possible¹, it should be demonstrated that the amount of on-site renewable energy generation equates to at least 120kWh/m² projected building footprint/year.
- 9) Where a building in a multi-building development cannot individually achieve the requirements of A3 this shortfall is to be made up across other units on-site. Innovative solutions, for example utilising PV canopies on car parks or solar PV on communal buildings should be demonstrated before carbon offsetting A4 is considered.
- 10) Regulated and unregulated energy use can both be calculated with Part L SAP or BREDEM, but a more accurate method such as PHPP is advised. Any other proposed methods are subject to Council confirmation of acceptability.
- 11) The annual renewable energy generation and the annual energy use are whole-building figures, not per-m² figures.
- 12) Renewable energy output should be calculated in line with MCS guidance for the relevant technology (expected to be PV in most cases).

A4 - Energy Offsetting

- 13) Only in exceptional circumstances and as a last resort where it is demonstrably unfeasible to achieve an on-site net zero regulated and unregulated energy balance, should any shortfall in on-site renewable energy generation that does not match energy use be offset via a S106 financial contribution, reflecting the cost of the solar PV that will need to be delivered off-site.
- 14) The energy offset price is set as £2.31/kWh based on cost of solar PV data from the department for Energy Security and Net Zero, and includes inflation and a 10% margin to enable administration of the offset fund to deliver off-site solar PV by the Council or its appointed partners. The price should be revised annually. This is set as a one-off payment, where the annual shortfall in on-site renewable energy generation is multiplied by the energy offset price. This amount does not need to be multiplied by any number of years.

A5 - Reduced Performance Gap

¹ Exceptional circumstances where an on-site net zero energy balance is not achieved may only be found acceptable in some cases, for example with taller flatted buildings (4 storeys or above) or where overshadowing significantly impacts solar PV output.

- 15) An assured performance method must be implemented throughout all phases of construction to ensure operational energy in practice performs to predicted levels at the design stage.

A6 – Smart Energy Systems

- 16) Proposals should demonstrate how they have considered the difference (in scale and time) of renewable energy generation and the on-site energy demand, with a view to maximising on-site consumption of energy generated on site and minimising the need for wider grid infrastructure reinforcement.
- 17) Where the on-site renewable energy generation peak is not expected to coincide with sufficient regulated energy demand, resulting in a need to export or waste significant amounts of energy, proposals should demonstrate how they have explored scope for energy storage and/or smart distribution systems. The purpose being to optimise on-site or local consumption of the renewable energy (or waste energy) that is generated by the site. Where appropriate, proposals should demonstrate that they have integrated these to optimise these carbon and energy saving benefits and minimise the need for grid reinforcements.
- 18) This may include smart local grids, energy sharing, energy storage and demand-side response, and/or solutions that combine elements of the above.

A7 – Post-Occupancy Evaluation

- 19) Large-scale development (100 units or more) is to monitor and report total energy use and renewable energy generation values on an annual basis. An outline plan for the implementation of this should be submitted with the planning application. The monitored in-use data is to be reported to the Local Planning Authority for 5 years upon occupation.

Reasoned Justification

1.2 As set out in the Climate Change Act 2008, national policy is working towards achieving the legally-binding UK target of net zero by 2050 and carbon budgets are subsequently legislated under the aegis of the act. These carbon budgets are linked to the Climate Change Committee's Balanced Pathway to Net Zero report, which is supported by analysis that sets out that all new buildings must be net zero by 2025. The 2050 net zero target is specifically referenced in the NPPF under paragraph 161.

1.3 The Planning and Energy Act 2008 sets out that local standards for energy efficiency in new homes are able to exceed those set in Building Regulations.

1.4 In the context of the 2023 Written Ministerial Statement, these policies are fully compliant with the perceived constraints it poses. The WMS only applies to energy efficiency standards where it states that any standards that exceed Building Regulations must be done so using the TER metric. Policy A1 remains within its bounds through the use of TER% reduction as the primary metric. The TFEE target is not additional to, but is a step towards, that TER target.

1.5 The 63% reduction target on Part L 2021 TER is set to align with national policy in that it is in line with the Future Homes Standard. Correspondingly, the TFEE target is set to align

Appendix 1 - Policy X A – Net Zero Operational Carbon in New Build Residential Development

with the performance of a home that achieves that TER target via the indicative FHS specification set out by the Government in the 2019-21 FHS consultation. This is necessary in order to reduce the space heat demand (which is necessary for the achievement of the UK's carbon budgets. It is also necessary in order to protect the resident from excessive energy bills and potential fuel poverty, as the latest FHS consultation indicated that the FHS carbon target could be achieved just with a heat pump and no fabric improvements, resulting in heating bills approximately double those of a current new build home.

1.6 A2 is aligned to the Government's direction of travel indicated by both the options proposed in the Future Home Standard 2023 consultation, in that no fossil fuel heating systems are proposed. A3 and A4 are not impacted because they address renewable energy, which is out of scope of the 2023 WMS.

1.7 Policy elements A1, A2 and A3 are to be addressed at the design and post-completion stages, to ensure that the development has been built to intended standards. Post-completion resubmission of the original energy statement including energy performance calculations, informed by the relevant tests to systems and fabric, should be required as a condition as part of the planning application process. A5 and A7 compliance should also be demonstrated post-completion through planning condition.

1.8 A1 – A7 are to be demonstrated at the planning application stage through submission of an energy statement, which should include associated output reports from energy modelling software (e.g. SAP, BREDEM, PHPP, or HEM when available for general use).

The Non-Mandatory Energy Targets in Policy A 1.2

1.9 The achievement of the energy efficiency performance levels set out in Policy A1.2 will reduce the amount of solar PV required under A3 for an on-site net zero balance. This can save the applicant costs in renewable energy provision and/or energy offsetting.

1.10 Performance against these non-mandatory targets would need to be calculated using a method that accurately predicts energy use. SAP is not suitable for this due to its poor predictive accuracy in the context of high-performance buildings. PHPP (Passivhaus Planning Package) is a suitable methodology, as it is widely recognised for its precision in predicting energy performance, particularly for low-energy buildings. Unlike SAP, PHPP has a proven track record of providing accurate energy use and heating demand predictions, ensuring that the development can meet its energy efficiency targets and reduce operational energy consumption effectively.

1.11 The Council may subsequently take a view on whether the incoming Home Energy Model (HEM) may be suitable, when HEM's final form is known.

A2 – No Fossil Fuels

1.12 The A2 No fossil fuels policy prohibits the use of fossil fuels within the operational phase of the development, specifically for energy purposes within the buildings, including heating, hot water, and electricity. The intent is to ensure that the development aligns with sustainability goals and supporting the transition to low-carbon energy sources. The restriction on fossil fuels does not apply to their use in construction activities or transport.

Steps to Calculating and Narrating Amount of Renewable Energy Provisions

1.13 Policy A3 should contain the following steps, to be expressed in an energy statement:

- First calculate the total predicted annual energy use in kWh for all proposed new buildings

Appendix 1 - Policy X A – Net Zero Operational Carbon in New Build Residential Development

- This can be modelled using SAP, BREDEM or PHPP. PHPP is the preferred model due to its accuracy, to avoid SAP's inaccuracies at predicting actual energy use in operation. The Council may later take a view on whether the incoming Home Energy Model (HEM) is a suitable method for energy use prediction when the final form of HEM is available.
- Then calculate the annual renewable energy generation for whole site in accordance with the MCS guidance for the relevant renewable energy technology. This does not have to be exclusively on the buildings themselves and can include provision of new standalone renewable energy installations within the site. The figure does not include renewable heat delivered by heat pumps, as that would count instead towards Policy A1.
- Deduct the annual renewable generation from the annual energy use. The result should be zero or less.
- If the result is not zero or less, explore how to provide more on-site renewable energy.
- If it proves unfeasible to increase renewable energy generation on-site to result in an annual balance of energy generation with energy use, then divide the total annual renewable energy generation by the building footprint. If this is impossible, provide evidence as to why this is not possible even with a PV area equivalent to 70% of projected building footprint and reasonably efficient panels available on the market.
- Calculate the residual energy demand (whole building, not per m²) for all proposed new buildings are all measures proposed towards policies A1 and A3, then proceed to use this figure to calculate the required amount of offsetting provision in policy A4.

1.14 If a development cannot generate enough renewable energy on-site to balance the total regulated and unregulated energy use (as calculated after fabric efficiency improvements in Policy A1.1), the policy requires the renewable energy generation to meet a minimum of 120 kWh per square metre of projected building footprint per year.

1.15 Applicants should demonstrate compliance with this fallback target by providing a clear calculation of the renewable energy generated per square metre of the projected building footprint. This can be demonstrated in the Energy Statement by:

- Renewable energy system design, such as PV layouts, system capacities, and expected energy outputs
- Calculation of the renewable energy generated based on these designs, ensuring it meets or exceeds the 120 kWh/m² threshold for the total projected building footprint

1.16 If the 120 kWh/m² target cannot be met, the applicant must provide evidence explaining why, even with renewable energy provision up to the equivalent of 70% of the projected building footprint (including roof overhangs), it is unfeasible to meet this threshold. This should include details on the constraints (e.g., site limitations, technical or financial barriers).

If Applicants Cannot Meet Policies A1.1 and A3

1.17 If the requirements of Policy A1.1 (fabric efficiency) and Policy A3 (on-site renewable energy) cannot be met, applicants must demonstrate compliance through the energy hierarchy:

- Fabric efficiency: The first step is reducing energy demand through fabric efficiency measures (e.g., insulation, airtightness, efficient windows). If these measures can't

Appendix 1 - Policy X A – Net Zero Operational Carbon in New Build Residential Development

be met due to technical or site-specific constraints, applicants should provide clear evidence (e.g., feasibility studies or cost analyses) to justify why.

- Renewable energy: After addressing fabric efficiency, applicants must meet energy needs through on-site renewable energy generation. If fabric efficiency measures cannot be fully met, applicants can look to increase renewable energy provision, but they must still comply with overarching policy objectives.
- Submission requirements: Applicants should submit an energy statement that includes:
 - Predicted energy demand (kWh/year).
 - Proposed renewable energy contributions (e.g., PV output in kWh/year).
 - The percentage of energy demand met by on-site renewables.
 - Evidence of site-specific constraints preventing full compliance.

The Offsetting Calculation

1.18 The offset is a one-off payment, calculated by multiplying the annual shortfall in on-site renewable energy generation (in kWh) by the energy offset price (£/kWh). This represents the upfront cost of installing the equivalent renewable energy capacity that the developer has not provided on-site. Since it's a one-time contribution to cover this capital cost, it only reflects one year's shortfall – there's no need to factor in the building's lifetime or ongoing energy use.

1.19 The offset price (£2.31/kWh) is based on the national cost of solar PV deployment as published by the Department for Energy Security and Net Zero (DESNZ). This price reflects the average cost of delivering solar PV (including installation), adjusted to include inflation and a 10% uplift to support fund administration and delivery of offset projects. The Council may revise the offset price annually to reflect updated DESNZ cost data.

1.20 Flexibility in applying the offsetting requirement may be considered where it is robustly demonstrated that full offsetting would make social or affordable housing unviable due to site-specific costs that exceed assumptions in the Whole Plan Viability Assessment. In these cases, the Council may consider:

- Reducing the scope of energy to be offset, or
- Applying a discounted offset price where the Council is confident it can still deliver the equivalent renewable generation on a case-by-case basis.

Assured Performance Methods

1.21 These are processes to follow throughout design, construction, commissioning and building handover that reduce the energy performance gap (the gap between predicted energy use and actual energy use). These not only help keep the building's actual carbon emissions to a minimum (as opposed to their predicted emissions using inaccurate methods like SAP), but they also help to ensure occupant satisfaction. Suitable methods include (BSRIA Soft Landings, NEF/GHA Assured Performance Process, and Passivhaus certification). Alternative processes proposed by the applicant will be subject to consideration by the Council about their evidence-based merits.

Applicability to Outline Applications

1.22 Compliance with the policies will be conditioned at outline stage and must be confirmed in detailed reserved matters. However, the Council accepts that the degree of detail provided in the outline energy strategy will be less than for full and reserved matters applications. It is also recognised that this means the outline energy calculations may be largely based on

assumptions. The aim should be to demonstrate that options have been identified by which the development could comply with the policy targets, taking into account the broad mix of anticipated floorspace, typologies and site conditions. Statements made about estimated carbon and energy performance based on a high degree of assumptions at outline stage should be reassessed at detailed reserved matters, albeit the reserved matters may diverge in how the required compliant performance will be achieved.

1.23 Where more detail is known, it should be reflected in the outline application; for example if expecting to connect to a site-specific low-carbon energy source. For a further example, if expecting a limited number of repeated home types, then the energy modelling would ideally reflect similar archetypes and identify a specification by which they could meet the policy targets for energy efficiency and renewable energy (taking into account site conditions). The modelled homes could reflect, for example, a sample of a relevant housebuilder's 'products' most likely to be built on site. This exercise benefits the developer in that it gives an early understanding of the degree of amendment needed to their existing regular specifications, allowing them to set up supply chains and economies of scale well in advance of commencing on site, as outline proposals typically are large-scale and take several years from outline application, to detailed design, to commencement.

1.24 Outline applications' estimated offsetting contribution should be stated in the outline Energy Assessment. These will be subject to a Section 106 agreement, but not paid at the time of the outline application. In that case the offset contribution must be recalculated within the subsequent reserved matters application, and paid on or prior to commencement of works on site for the reserved matters scheme. The reason for payment into the offset fund prior to commencement of works is so that the offset fund administrators are able to deliver the offset projects on a timescale not too dissimilar from the timescale for completion and occupation of the development. The aim is to enable, wherever possible, the offsetting project to be producing renewable energy no later than the development's occupants begin to place their demands on the grid.

This page is intentionally left blank

Appendix 2 - Policy X B – Net Zero Operational Carbon in New Build Non-Residential Development

2.1 As per Policy A (residential), planning policies supporting net zero operational carbon in new build non-residential developments can drive significant improvements in energy efficiency and the reduction of regulated operation carbon in new buildings. This is in line with the Council's commitment to becoming a carbon-neutral District by 2045 and national policy targets to the UK as a whole becoming carbon-neutral by 2050.

Policy X B - Net Zero Operational Carbon in New Build Non-Residential Development

All new build non-residential development is required to be net zero carbon in operation (regulated energy) through the following requirements:

B1.1 - Part L% improvement

- 1) % improvement on Part L 2021 TER (or equivalent reduction on future Part L updates) through on-site measures as follows:

Offices: at least 25% improvement

Schools: at least 35% improvement

Industrial buildings: at least 45% improvement

Hotels (C2, C5) and residential institutions (C2, C2a): at least 10% improvement

Other non-residential buildings: at least 35% improvement

In the event national building regulations exceed the requirements of this policy, the national standards (i.e. the higher standards) would apply.

B1.2 - Energy metrics guidelines

- 2) Positive weight will be given to development proposals which can demonstrate the following absolute energy metrics:
 - Total energy use: 65 kWh/m²/year
 - Space heating demand: 15 kWh/m²/year
- 3) Employing absolute energy metrics reduces the amount of solar PV required under B3 for an on-site net zero balance of regulated energy. Applicable methodologies to calculate this include CIBSETM54 and the Passivhaus Planning Package. At present, the Part L calculation method (SBEM) is not considered suitable as it does not provide accurate predictions of a buildings actual energy use.

B2 - No Fossil Fuels

- 4) The use of fossil fuels and connection to the gas grid will not be considered acceptable.

B3 - On-site renewable energy

- 5) On-site annual renewable energy generation capacity to at least equal predicted annual total regulated energy use (residual energy use after B1.1 has been achieved). In buildings subject to Part L's requirement for energy forecasting, that forecasting should be the source of the 'annual total regulated energy' figure.

- 6) Where an on-site net zero regulated energy balance is not possible¹, it should be demonstrated that the amount of on-site renewable energy generation equates to $\geq 120\text{kWh/m}^2$ projected building footprint/year.
- 7) Where a building in a multi-building development cannot individually achieve the requirements of B3, this shortfall is to be made up across other units on-site before carbon offsetting is considered.
- 8) Development should demonstrate that opportunities for on-site renewable energy infrastructure (on-site but not on or attached to individual buildings), such as solar PV canopies on car parks, have been explored.

B4 - Energy Offsetting

- 9) Only in exceptional circumstances and as a last resort where it is demonstrably unfeasible to achieve an on-site net zero regulated energy balance, any shortfall in on-site renewable energy generation that does not match regulated energy use is to be offset via a S106 financial contribution, reflecting the cost of the solar PV that will need to be delivered off-site.
- 10) The energy offset price is set as £2.31/kWh based on cost of solar PV data from the department for Energy Security and Net Zero, and includes inflation and a 10% margin to enable administration of the offset fund to deliver off-site solar PV by the Council or its appointed partners. The price should be revised annually. This is set as a one-off payment, where the shortfall in annual on-site renewable energy generation is multiplied by the energy offset price. This amount does not need to be multiplied by any number of years.

B5 - Reduced Performance Gap

- 11) An assured performance method must be implemented throughout all phases of construction to ensure operational energy in practice performs to predicted levels at the design stage.

B6 – Smart Energy Systems

- 12) Proposals should demonstrate how they have considered the difference (in scale and time) of renewable energy generation and the on-site energy demand, with a view to maximising on-site consumption of energy generated on site and minimising the need for wider grid infrastructure reinforcement.
- 13) Where the on-site renewable energy generation peak is not expected to coincide with peak on-site energy demand, resulting in a need to export or waste significant amounts of energy, proposals should demonstrate how they have explored scope for energy storage and/or smart distribution systems. The purpose being to optimise on-site or local consumption of the renewable energy (or waste energy) that is generated by the site. Where appropriate, proposals should demonstrate that they have integrated these to optimise these carbon and energy saving benefits and minimise the need for grid reinforcements.

¹ Exceptional circumstances where an on-site net zero energy balance is not achieved may only be found acceptable in some cases, for example with taller flatted buildings (4 storeys or above) or where overshadowing significantly impacts solar PV output.

- 14) This may include smart local grids, energy sharing, energy storage and demand-side response, and/or solutions that combine elements of the above.

B7 – Post-Occupancy Evaluation

- 15) Large-scale development (over 5000m² of floorspace) is to monitor and report total energy use and renewable energy generation values on an annual basis. An outline plan for the implementation of this should be submitted with the planning application. The monitored in-use data is to be reported to the Local Planning Authority for 5 years upon occupation.

Reasoned Justification

2.2 As per the Climate Change Act 2008, national policy is working towards achieving the legally binding UK target of net zero by 2050 and carbon budgets are subsequently legislated under the aegis of the act. These carbon budgets are linked to the Climate Change Committee's Balanced Pathway to Net Zero in the Sixth Carbon Budget Report, which sets out that all new buildings should be zero carbon from 2025, with high levels of energy efficiency and low-carbon heat. It is also found that non-residential buildings should phase out high-carbon fossil fuel boilers no later than 2026 and phase out gas boilers in 2030-33. Furthermore, the 2050 net zero target is now specifically referenced in the NPPF under paragraph 161.

2.3 Therefore, new buildings today should not have these, to avoid the need for expensive disruptive retrofit less than 10 years after completion which would also waste embodied carbon. The policy supports these targets by prohibiting fossil fuel connection and improving energy efficiency, which mandate a heating technology similarly efficient to a heat pump.

2.4 The policy remains consistent with the 2023 Written Ministerial Statement's stipulations, given that the metric for B1 is a % reduction on TER (to be calculated with SBEM, which is the non-residential equivalent of SAP).

2.5 B2 is aligned to the Government's direction of travel indicated by both the options proposed in the Future Homes Standard 2023 consultation, in that no fossil fuel heating systems are proposed. B3 and B4 are not impacted because they address renewable energy, which is out of the scope of the 2023 WMS.

2.6 Policy elements B1, B2 and B3 are to be addressed at the design and post-completion stages, to ensure that the development has been built to intended standards. Post-completion resubmission of the original energy statement including energy performance calculations, informed by the relevant tests to systems and fabric, should be required as a condition as part of the planning application process. B5 and B7 compliance should also be demonstrated post-completion through planning conditions.

2.7 B1 to B7 are to be demonstrated at the planning application stage through the submission of an energy statement, alongside associated output reports from energy modelling software (e.g. SBEM).

Compliance with Policy B1.1 TER Reductions

2.8 These %TER reduction targets are not limited to be solely delivered through energy efficiency measures. Therefore, there could be an element of clean energy supply or renewable energy measures included in these. Further renewable energy will be needed to

subsequently meet the requirements of Policy B3, therefore applicants should be advised to pursue energy efficiency measures as far as feasible in the first instance in pursuit of Policy B1.1, so that the subsequent Policy B3 renewable energy requirements are not rendered excessively expensive or unfeasible. Designing to use less energy in the first place reduces the amount of renewable energy needed to match this, and/or the amount of carbon offset payment needed.

2.9 In the current Part L for non-domestic buildings, the type of heating system in the 'notional' building (from which the TER is derived) is the same as the type of heating system in the actual proposed building. Therefore, no TER gains will be made by switching from a gas or oil boiler to a heat pump or other all-electric or otherwise low-carbon heat system. However, TER improvements can be made by selecting a heating system that is more efficient than Part L 2021's notional efficiency for that heating type.

Assured Performance Processes for Energy Performance

2.10 Regarding assured performance processes, in addition to those mentioned in relation to the equivalent residential policy (A5) in residential, there is also one additional method for non-residential: NABERS UK (administered by CIBSE). NABERS is currently only available for offices but intended to extend to other building types in future.

Offsetting

2.11 The requirement for offsetting may be applied flexibly where it is demonstrated that this makes development unviable due to the unique energy use profile of the proposed building and site characteristics, where this results in an offsetting cost uplift significantly higher than assessed in the Whole Plan Viability Assessment. The flexibility could include a reduction in the scope of energy that has to be offset, or a discounted price per kWh if the Local Authority is confident it can still deliver the required offset projects within this price (when pooled into the offsetting fund which will primarily consist of full-price offset contributions). The degree of flexibility will depend on the unique scheme characteristics and evidence submitted to the local authority about what could be viably accommodated. It may also depend on the degree to which the proposed development represents a socially desirable facility that meets unmet community needs (such as for healthcare, education or similar).

2.12 See also the reasoned justification for the equivalent residential policies (A1-A7) regarding:

- Calculating renewable energy provision and offset payments,
- Applicability to outline applications, and
- Assured performance processes

Appendix 3 - Policy X C – Climate-adapted Design and Construction

3.1 Adapting to and mitigating against the effects of climate change is crucial, particularly as climate change impacts worsen with more extreme and variable temperatures and weather. The need for climate-adapted design and construction for new development is key for current and future occupant comfort and safety, as well as making the built environment more resilient and future-proofed.

Policy X C - Climate-adapted Design and Construction

- 1) All new residential and non-residential development should mitigate against climate change and adapt to climate change by employing sustainable design and construction principles.
- 2) Applicants are expected to demonstrate that the following elements have been considered, and evidenced where appropriate by the corresponding assessment methodology, in an Energy Statement.

C1 – BREEAM

- 3) New non-residential developments with over 1000sqm of floorspace should achieve the BREEAM 'Excellent' certification, including full water credits for category Wat 01 (water efficiency).

C2 – Sustainable Construction

- 4) All new developments must minimise their carbon footprint and energy impact through sustainable design and construction practices. Proposals should demonstrate efforts to reduce greenhouse gas emissions by considering factors such as site location, building orientation, design, landscaping, and planting strategies, while prioritising a "fabric-first" approach.
- 5) All new developments should be designed to enhance resilience to the anticipated effects of climate change. Proposals must incorporate measures to adapt to changing climate conditions, including resilience to extreme weather events, rising temperatures, stronger winds, droughts, heavy rainfall, and snow. Water conservation and storage measures should also be integrated into designs, taking into account best practices and future climate projections.
- 6) All development should demonstrate consideration to reducing carbon emissions and waste through construction. Where development impacts existing buildings, proposals should also comply with Policy XE on 'Reducing Carbon Emissions in Existing Buildings'.

C3 – Cooling Hierarchy

- 7) Development proposals should show how designs have optimised the internal and solar heat gains to balance the need to minimise space heating demand with the need to passively maintain comfortable temperatures during hot summers. This

should be shown by demonstrating that overheating risk measures have been incorporated in accordance with the cooling hierarchy which prioritises measures, as follows:

- Minimise internal heat generation through energy-efficient design and equipment selection
- Reduce and manage the amount of heat entering the building in summer using:
 - Building orientation
 - Shading
 - Albedo
 - Fenestration
 - Insulation
- Manage heat within the building through exposed internal thermal mass and high ceilings
- Passive ventilation, including cross ventilation through a building wherever possible. Passive stack and wind-driven ventilation, night purging and designing windows to allow effective and secure ventilation. Single aspect developments are discouraged
- Natural cooling measures including green and blue infrastructure
- Use of mixed-mode cooling such as low-energy mechanical cooling (fan-powered ventilation)
- Mechanical ventilation (which, if it has a heat recovery function, should also have a summer bypass mode)

C4 – Overheating Assessment

- 8) All major residential developments should complete *CIBSE TM59* overheating assessment (or future equivalent assessment methodology) as their route to compliance with Building Regulations Part O. The simplified Part O route will not be considered acceptable.
- 9) All major non-residential developments should complete *CIBSE TM52* overheating assessment (or future equivalent assessment methodology).

C5 – Resilience to Climate Change

- 10) All development should incorporate measures that increase resilience to extreme weather events and a changing climate, including increasing temperatures and frequency and intensity of rainfall. All developments should:
 - Reduce the risk of flooding and conserve water
 - Employ sustainable urban drainage
- 11) Development proposals should reduce the 'heat island' effect through the use of cool materials and green and blue infrastructure within the development.

Reasoned Justification:

3.2 The NPPF requires the planning system to take full account of the long-term implications of climate change including the risk of overheating and the need to mitigate and adapt to climate change. It also sets out that policies should support appropriate measures to ensure the future health and resilience of communities and infrastructure to climate change impacts.

3.3 This policy addresses the critical need to mitigate the risks associated with overheating and climate vulnerability. Without effective design, factors such as building orientation and glazing ratios could increase the risk of overheating. To respond to this, this policy includes sections on the cooling hierarchy and overheating assessments, which ensure that new developments do not contribute to unacceptable levels of overheating risk. The cooling hierarchy prioritises passive design measures reduces the need for air conditioning and other energy-intensive systems, reducing cost, energy reliance and providing improved thermal comfort throughout the year.

3.4 This policy also recognises the increasing pressure on water resources. For non-residential buildings, water use limits aligned with BREEAM Wat 01 credits promote efficient water consumption.

3.5 The comprehensive approach to climate change adaption and mitigation set out in this policy not only reduces the likelihood of future retrofitting (which can be disruptive and costly) but also promotes future-proofing of new developments, ensuring long-term sustainability and occupant well-being. The policy is also linked to other Local Plan policies through the integration of green and blue infrastructure as well as reducing flood risk by employing measures such as sustainable urban drainage.

3.6 To ensure that buildings are not at risk of overheating, applicants are required to demonstrate compliance with additional assessments beyond the standard requirements set by Building Regulations. C4 of the policy mandates that all major residential developments complete a CIBSE TM59 overheating assessment to assess and mitigate overheating risk, in addition to the basic compliance with Building Regulations Part O (or its future equivalent). For major non-residential developments, a CIBSE TM52 overheating assessment must be completed, or the future equivalent. These additional assessments go beyond the standard regulatory checks to ensure that the building design considers factors such as internal heat generation, ventilation, and shading to avoid uncomfortable indoor temperatures during hot summer months.

3.7 The Energy Statement should include the relevant overheating assessment reports, demonstrating that the design of the building effectively addresses overheating risk and includes measures to minimise it.

3.8 For BREEAM, applicants are expected to submit a BREEAM pre-assessment to demonstrate that the relevant BREEAM level has been designed into the scheme, and that more than the minimum WAT 01 credits (for the respective certification level targeted) will be achieved. A condition upon any grant of planning permission is expected to ensure that the development is completed in accordance with the BREEAM pre-assessment and that the BREEAM certification is provided once the building is completed.

3.9 It is accepted that the level of detail provided by applicants may be lower for householder and minor applications, particularly in relation to the cooling hierarchy.

This page is intentionally left blank

Appendix 4 – Policy X D – Embodied Carbon and Waste

4.1 Embodied carbon refers to the emissions associated with materials and construction processes throughout the whole lifecycle of a building or infrastructure. Embodied carbon is an important aspect to consider as it represents the total greenhouse gas emissions from the entire life cycle of a building's materials, ranging from extraction and manufacturing to transport, construction, maintenance and disposal.

4.2 The case for addressing embodied carbon is justified by the increasing proportional importance of these emissions as a share of buildings' total carbon footprint as the power grid is decarbonised and buildings become more energy-efficient. Unlike operational carbon emissions, embodied carbon has front-loaded impacts as the carbon is released before a building is even first used or occupied. Additionally, once materials are made and installed their emissions are permanent, so it is important to consider embodied carbon at the earliest opportunity.

Policy X D - Embodied Carbon and Waste

Residential and non-residential buildings (thresholds given below) must meet the followings requirements:

D1 – Embodied Carbon Reporting

- 1) All major new residential (10 dwellings or more) and non-residential (1000m² of floorspace or more) developments are required to complete a whole-life carbon assessment in accordance with *RICS Whole Life Carbon Assessment* guidance.

D2 – Limiting Embodied Carbon

- 2) All large-scale major development (100 dwellings or more; 5000m² or more of non-residential floorspace) is required to limit embodied carbon (RICS/BS 15978 modules A1-A5) to 600kgCO₂e/m² GIA.

D3 – Building End-of-Life

- 3) All new buildings should be designed to enable easy material re-use and disassembly, subsequently reducing the need for end-of-life demolition.

D4 – Demolition Audits

- 4) All major development that contains existing buildings/structures to carry out a pre-development and/or pre-demolition audit, following a well-established industry best practice method (e.g BRE) in accordance with the policy on 'reducing carbon emissions in existing buildings'.

D5 - Embodied Carbon in Non-Major Development

- 5) Proposals for new development of 1 or more homes or less than 100m² of non-residential floorspace, but below the size thresholds for embodied carbon reporting and targets as noted above, should include proportionate narrative on options

considered (and where possible, decisions made) to minimise embodied carbon of the proposed development.

Reasoned Justification:

4.3 Whilst there is no explicit reference to embodied carbon in the NPPF, the NPPF references to ‘low carbon development’ and ‘low carbon economy’ could readily include embodied carbon as an implicit part of this. The NPPF also sets out that the full range of potential climate change impacts should be taken into account when preparing and assessing planning applications. Additionally, embodied carbon can be considered as a design issue and therefore would fall under the NPPF’s instruction that new development should be planned for in ways that help to reduce greenhouse gas emissions, such as through its design.

4.4 By addressing embodied carbon and promoting sustainable construction practices, this policy could deliver a range of co-benefits that extend beyond carbon reduction, supporting wider economic, environmental, and social goals. This policy seeks to ensure that carbon emissions are limited across the whole life cycle of a building. Without this policy, large amounts of carbon emissions could be missed, given that up to 50% of a building’s lifetime carbon emissions result from upfront embodied carbon¹.

4.5 The requirement for whole-life carbon assessments under D1 ensures that all major developments assess and mitigate the full carbon impact of building materials and construction. By limiting embodied carbon in large-scale developments (e.g., to 600 kgCO₂e/m² GIA), D2 plays an important role in reducing the carbon impact of large-scale major construction.

4.6 By promoting circular economy principles (particularly within D3 and D4) which focus on material reuse and the ease of disassembly at the end of a building’s life, the policy encourages more resource-efficient construction, reducing waste generation and lowering costs of future demolition and disposal. Designing buildings for disassembly and material reuse helps reduce dependency on raw materials and limits costs related to sourcing and transporting new materials. By designing for disassembly and material re-use (D3), new buildings will be more adaptable and future-proofed, capable of being modified, extended, or dismantled with lower environmental impact. This leads to greater building longevity and flexibility, enabling spaces to evolve without the need for significant new construction.

4.7 The requirement for demolition audits under D4 ensures that before any building is demolished, the potential for reusing or recycling materials is thoroughly assessed. This reduces the amount of waste sent to landfill and encourages the repurposing of valuable construction materials.

4.8 The requirement to provide a narrative on embodied carbon for smaller developments (D5) encourages development of all scales to consider sustainable construction methods and communicate their choices to foster greater awareness and engagement with sustainable practices.

¹ <https://www.arup.com/globalassets/downloads/insights/net-zero-buildings-halving-construction-missions-today.pdf>

4.9 Compliance with D1, D2 and D3 are to be demonstrated within an energy statement. If applicable, output reports for D4 should be submitted alongside an energy statement.

4.10 With regards to D3, to ensure buildings can be adapted or dismantled at the end of their life, developers should focus on modular design using dry construction methods (e.g., bolts, screws) to enable easy disassembly. Avoiding permanent adhesives and welds allows materials to be reused or recycled efficiently. Material selection is also important. Low-embodied-carbon materials like timber or recycled steel are preferred for ease of reuse. Designs should prioritise durable, long-lasting materials and incorporate a reuse strategy for managing materials at the building's end of life, including deconstruction and sorting for recycling or reuse.

4.11 With regards to D5, it is recognised that the level of detail required will vary depending on the size and scale of the development. Applicants should provide a proportionate narrative in their energy statement, exploring how embodied carbon has been minimised. While detailed assessments are not required for smaller developments, the following considerations are encouraged:

- Incorporating and repurposing on-site materials or features where possible.
- Designing with a focus on reducing material use, such as through space-efficient layouts or structural design.
- Opting for materials with lower embodied carbon, such as timber, instead of higher-carbon materials like steel, aluminium, or conventional cement.
- Reducing 'product miles' by sourcing materials closer to the site or from manufacturers with demonstrated low-carbon practices.
- Implementing processes that reduce material wastage during construction

4.12 This approach ensures that applicants, even for smaller developments, are considering embodied carbon in a meaningful way, fostering sustainable practices without imposing excessive burdens on projects that do not meet the higher thresholds for formal reporting.

This page is intentionally left blank

Appendix 5 - Policy X E – Reducing Carbon Emissions in Existing Buildings

5.1 Given that a third of the District's emissions arise from existing buildings, the decarbonisation of existing buildings is crucially important to the Council. Whilst local planning policy has only a limited influence on the carbon and energy performance of existing buildings (as policy can only seek changes to buildings where the building owner is seeking to require a change to the building that requires planning permission), the retrofit of existing buildings can be pursued through providing a permissive and supportive policy approach to energy efficiency and carbon improvements to existing buildings.

Policy X E - Reducing Carbon Emissions in Existing Buildings

- 1) Development which would result in considerable improvements to the energy efficiency, carbon emissions and the general suitability and longevity of an existing building will generally be supported, with significant weight attributed to those benefits.

E1 – Prioritise Retrofit- First Principles

- 2) Development should adopt a retrofit-first approach, where options for retrofitting and retention of existing buildings are considered before demolition.
- 3) Development involving existing buildings should demonstrate that a whole building approach and the following hierarchy has been considered:
 - a) Refurbishment and upgrading of existing building fabric including wall, roof and floor insulation, windows, doors and thermal bridging
 - b) Installation of low or zero-carbon heating and hot water systems, and the installation of renewable energy generation on-site
 - c) Connection to an existing or planned low carbon heat network
- 4) Where substantial or total demolition is proposed, a feasibility assessment should be submitted. The feasibility assessment should demonstrate:
 - a) The whole life carbon of a new building(s) would be less or similar to a suitably comparable retrofit option (as detailed in a-c above)
 - b) The proposed development would deliver public benefits which would not be delivered by a suitably comparable retrofit option
 - c) The feasible reasons retrofit cannot be considered, including operational or structural requirements
- 5) Demolition of existing buildings will only be permitted where applicants can demonstrate that alternative development options have been comprehensively explored and following assessment by the Local Planning Authority, on balance, the whole life carbon of a new building(s) would be less or similar to a suitably comparable retrofit option, the proposed demolition of an existing building(s) secures benefits over and above retention, refurbishing and retrofitting an existing building(s) or is not feasible as set out in the feasibility assessment.

E2 – Embodied Carbon

- 6) For major developments involving substantial or total demolition of an existing building(s), applicants should submit a Whole Life Carbon Assessment in accordance with Policy D1.

E3 – Adapting Heritage Assets to Climate Change

- 7) Development which would result in considerable improvements to the energy efficiency, carbon emissions, resilience and longevity of designated (including within Conservation Areas) or non-designated heritage assets will be supported, providing that the significance of the asset is preserved.
- 8) A whole-house approach should guide interventions to upgrade historic buildings, and direct interventions, where they limit the impact to the significance of the historic buildings or their setting.
- 9) The sensitive retrofitting of energy efficiency measures and the appropriate use of micro-renewables in designated and non-designated heritage assets will be encouraged, providing that the significance, character and appearance of the asset is preserved in a manner appropriate for their significance.

Reasoned Justification:

5.2 The Climate Change Committee (an independent, statutory body in the UK that advises the government on climate change targets and progress in reducing emissions) has shown that in order for the UK to meet its legally binding carbon reduction goals, it is vital that the existing building stock must be decarbonised¹. Therefore, Local Plan policy which supports improving the efficiency of existing buildings, reducing the energy demand and carbon emissions of existing buildings aligns with local and national carbon targets (including the UK's legally mandated Carbon Budget).

5.3 The NPPF sets out that local planning authorities should give significant weight to the need to support energy efficiency and low carbon heating improvements to existing buildings, both domestic and non-domestic. It further sets out that where the proposals would affect conservation areas, listed buildings or other relevant designated heritage assets, local planning authorities should also apply the policies set out in the chapter of the framework relevant to conserving and enhancing the historic environment.

5.4 The hierarchical approach to retrofitting prioritises fabric upgrades and energy efficiency improvements before incorporating low- or zero-carbon heating, hot water systems, and renewable energy generation, aligns with Policy XA, offering potential benefits including reduced energy bills and longevity of buildings. This policy also closely correlates to Policy XD with regards to reducing embodied carbon and promoting circular economy principles.

5.5 This policy aims to ensure that retrofitting of historic buildings and heritage assets are undertaken in a sensitive manner, balancing the important notions of conserving and enhancing the historic environment and decarbonising existing buildings, leading to a more sustainable and resilient historic built environment.

¹ [Sector-summary-Buildings.pdf](#)

5.6 Compliance with E1 should be demonstrated within the energy statement. It is accepted that the level of detail provided may be lower for householder and minor applications. However, where substantial or total demolition is proposed, applicants would still be expected to assess the embodied carbon of alternatives to demonstrate why this level of demolition would be acceptable. It is recommended that applicants engage with the Council early in the development process regarding feasibility assessments and alternative options. Additionally, with regards to applicants demonstrating that a whole building approach are recommended to utilise a nationally recommended recognised assurance scheme such as BSI PAS 2035.

5.7 If applicable, output reports for E2 should be submitted alongside an energy statement.

5.8 To support applicants in retrofitting existing buildings, various guidance is available including: [LETI Climate Emergency Retrofit Guide \(LETI, 2021\)](#), [Net Zero Carbon Toolkit \(Etude, Elementa, Passivhaus, Levitt Bernstein, 2021\)](#), and [Passivhaus Trust's Retrofit Primer \(2022\)](#).

5.9 In respect of historic buildings and heritage assets, guidance is available at [Historic England's Energy Efficiency and Retrofit Guidance](#).

This page is intentionally left blank

Three Rivers District Council:

Carbon policy support

Evidence base and policy
recommendations

Updated 11th April 2025



Contents

Glossary of terms and acronyms	5
Introduction.....	7
Executive Summary of Literature Review	8
Why must the local plan act on climate change?	8
Legal duty to mitigate climate change through the plan.....	8
What degree of mitigation is justifiable?	8
Legislation that defines powers that the local plan may use for carbon reduction	9
Planning & Energy Act 2008	9
National Planning Policy Framework	9
Written Ministerial Statement 23 rd December 2023 (WMS2023)	9
National Planning Policy Guidance (NPPG)	10
Balance of power between legislation, NPPF and Ministerial Statements	10
To what extent is the necessary mitigation being delivered by national regulation or the wider industry, thus negating the need for local plan policies?	11
Operational energy and carbon: Building Regulations Part L (and the Future Homes Standard).....	11
Two main types of approach to net zero carbon buildings policy – and their variations, strengths and weaknesses	12
Existing Buildings	12
TRDC’s current carbon emissions and trajectory	14
Tyndall Centre local area carbon dioxide budgets (and SCATTER trajectories).....	14
Three Rivers District Council’s Climate Emergency	15
Summary of policy objectives.....	16
Policy recommendations	17
Potential Policy Approach Considered by TRDC	18
Relevant policy themes.....	19
Operational carbon.....	19
Embodied carbon.....	19
Overheating and Sustainable Design	19
Retrofitting Existing Buildings.....	19
Outline of recommended policies	21
A. Net zero operational carbon in new build residential development.....	22
Scope for future improvements.....	25
Alignment with national policy.....	25





Implementation considerations.....	25
Industry capability.....	26
Development Management capability.....	26
Costs and feasibility	26
Value uplift.....	28
Co-Benefits.....	28
B. Net zero (regulated operational carbon) in new build non-domestic development	30
Scope for future improvements.....	31
Alignment with national policy.....	31
Implementation considerations.....	32
Industry capability.....	32
Feasibility.....	32
Estimating costs to test for viability	33
Notes on feasibility and cost of excelling beyond TRDC draft non-domestic policies.....	33
Value uplift.....	34
Co-Benefits.....	34
C. Climate-adapted Design and Construction.....	36
Scope for future improvements.....	37
Alignment with national policy.....	37
Implementation considerations.....	37
Industry capability.....	37
Development Management capability.....	38
Costs and feasibility	38
Co-Benefits.....	38
D. Embodied carbon and waste	39
Scope for future improvements.....	39
Alignment with national policy.....	39
Implementation considerations.....	40
Industry capability.....	40
Development Management capability.....	40
Costs and feasibility	40
Co-Benefits.....	41
E. Reducing carbon emissions in existing buildings	43
Scope for future improvements.....	44





Alignment with national policy.....	44
Implementation considerations.....	44
Industry capability.....	44
Development Management capability.....	45
Costs and feasibility	45
Co-Benefits.....	45
Policy implementation and monitoring.....	46
Policy compliance	46
Monitoring standards.....	46
Mitigating the performance gap.....	47
Third party verification	47
Assured performance	47
References and endnotes.....	48





Glossary of terms and acronyms

BRE	Buildings Research Establishment. The UK’s building science research institution which develops and/or tests various building products, techniques, standards, and qualifications and data. Originally a UK civil service body, but now independent.
BREDEM	Buildings Research Establishment Domestic Energy Model. A methodology for estimate calculations of the energy use and fuel requirements of a home based on its characteristics. BREDEM is the basis for SAP (see elsewhere in this glossary) but BREDEM retains more flexibility by allowing the user to tailor some assumptions made in the calculations to better reflect the project.
B&NES	Bath & North East Somerset [local plan]. Cited as a recent successful precedent example of innovative and highly effective net zero carbon planning policy.
Carbon, or carbon emissions	Short for ‘carbon dioxide emissions’ but can also include several other gases with a climate-changing effect, that are emitted to the atmosphere from human activities (see ‘GHG’, below).
Carbon budget	Amount of greenhouse gas that can be emitted by an individual, organisation or geographic area. Usually set to reflect a ‘fair share’ of the global amount that can be emitted before reaching a level of atmospheric carbon that causes severely harmful climate change.
Carbon intensity/ carbon factors	A measure of how much carbon was emitted to produce and distribute each kWh of grid energy at a certain point in time. For electricity, this has been falling as coal-fired power stations have been phased out over years. It also varies on an hourly basis: at times of high renewable energy generation, the carbon intensity is lower than at points where gas-fired electricity dominates the generation mix.
TRDC	Three Rivers District Council
CIBSE	Chartered Institution of Building Services Engineers.
CO₂	Carbon dioxide. Often shortened to ‘carbon’.
CO₂e	Carbon dioxide equivalent. The sum of a mixture of gases, in terms of their climate-changing impact in a 100-year period expressed as the amount of CO ₂ that would have the same effect. Often shortened to ‘carbon’.
Embodied carbon	Carbon that was emitted during the production, transport and assembly of a building, infrastructure, vehicle or other product, before the product is in use. As opposed to ‘operational carbon’ which is emitted due to energy use when operating the building / infrastructure / vehicle / other product.

EUI	Energy use intensity, a measure of how much energy a building uses per square metre of floor. Expressed in kilowatt-hours per square metre of floor space per year.
GHG	Greenhouse gas (CO ₂ and several other gases: methane, nitrogen dioxide, and fluorinated refrigerant gases). Often collectively referred to as ‘carbon’; see above.
GLA	Greater London Authority. Cited as a well-established example of a planning authority that has developed one type of net zero carbon buildings policy and produced implementation guidance for this.
IAS	International aviation and shipping. One of the sectors into which carbon emissions are often categorised.
kW	Kilowatt. A unit of energy generation capacity.
kWh	A unit of energy, which can be either generation or usage.
kWp	Kilowatt-peak. A measure of energy generation capacity typically used to describe the size of a solar PV array in terms of the maximum amount of energy it can generate under optimum conditions.
LETI	Low Energy Transformation Initiative. A coalition of built environment professionals working to establish and achieve the energy performance needed for net zero.
MVHR	Mechanical Ventilation with Heat Recovery
MW	Megawatt. A unit of energy generation capacity.
NPPF	National Planning Policy Framework. A central government document laying out how the planning system should function, including plan-making and decisions.
Part L	Building regulations section that sets basic legal requirements regarding buildings’ energy and CO ₂ .
Performance gap	The difference between the amount of energy a building is predicted to use during design, versus the actual amount of energy it uses. The gap is due to poor prediction methodologies, errors in construction, and unexpected building user behaviour.
PV	Photovoltaics: solar panels that generate electricity.
PHPP	Passivhaus Planning Package – a tool to accurately predict a building’s energy use. It is used to design buildings that seek Passivhaus certification but can be used without pursuing certification.





Regulated energy or carbon	Carbon emissions associated with energy uses that are ‘regulated’ by Building Regulations Part L. This covers permanent energy uses in the building, (space heating, space cooling hot water, fixed lighting, ventilation, fans, and pumps).
RIBA	Royal Institute of British Architects.
RICS	Royal Institute of Chartered Surveyors.
SAP	Standard Assessment Procedure – the national calculation method for residential buildings’ energy and carbon, used to satisfy building regulations Part L. SAP is based on BREDEM model, but with fixed assumptions and thus less flexibility.
SBEM	Simplified Buildings Energy Model – the national calculation method for non-residential buildings’ energy and carbon, used to satisfy building regulations Part L.
SEA	Strategic Environmental Assessment.
Sequestration	Removal and storage of carbon dioxide (or other GHGs) so that it cannot perform its harmful climate-changing role in the atmosphere. Currently only achieved by trees/plants and soil. May be achieved by technologies in future.
Space heat demand	Amount of energy needed to heat a building to a comfortable temperature. Expressed in in kilowatt-hours per square metre of floor space per year.
TER	Target Emission Rate – a limit set by Part L of building regulations on CO ₂ emissions per square metre of floor, from regulated energy use in the building.

TPER	Target Primary Energy Rate – limit set by Part L of building regulations on ‘primary energy’ use per square metre of floor. Unlike metered energy, ‘primary energy’ takes into account energy lost to inefficiencies during power generation and distribution.
TFEE	Target Fabric Energy Efficiency – limit on space heat energy demand per square metre of floor, set by Part L of building regulations. Based only on fabric; not affected by building services like heating system, lighting, ventilation ⁱ .
TM54	A method to accurately calculate buildings’ energy use. Devised by CIBSE (as above).
UKGBC	UK Green Building Council.
Unregulated energy or carbon	Carbon associated with energy use in a building or development but which is not covered by Building Regulations Part L. Includes plug-in appliances, lifts, escalators, external lighting, and any other use not covered by Part L.
U-value	A measure of how much heat is transmitted through a building element, such as the walls, floor, roof, windows or doors. Lower U-values mean a greater retention of heat within the building.
WMS	Written Ministerial Statement. A formal statement made by a Government minister that can form a relevant statement of national policy that needs to be a material consideration in the creation and examination of local plan policies. In this report, where appended by a year (e.g. ‘WMS15’, ‘WMS2015’, ‘WMS2023’) this denotes a specific written ministerial statement made in that year that has been referred to and explained in a prior paragraph of this report.





Introduction

Bioregional and Edgars are appointed to provide Three Rivers District Council (TRDC) with an assessment of options available within the local planning system to address climate change in TRDC to inform Local Plan policy.

Local planning authorities (LPA) have a legal duty to mitigate climate change (deliver carbon reductions) through the planning process, and government planning policy confirms that these reductions should be in line with the Climate Change Act. The Climate Change Act includes both the 2050 goal for a net zero carbon UK, and sharply declining five-yearly carbon budgets between today and 2050.

Our appointment to support Three Rivers District Council in this effort has comprised the following workstreams:

- **Output 1: Literature review of powers, precedents, existing local carbon and climate strategies – completed**
- **Output 2: Policy Risk Matrix outlining potential policy options and their associated risks, for example to climate change, planning powers, national technical standards and cost – completed**

A meeting was held with TRDC officers on the 25th July 2024 to review the policy options and was presented to members on 14th August 2024. Following these meetings, TRDC officers outlined the policy option they wanted progress. This report represents the recommended policy wording and the evidence base to support the recommended policy to support the formation of policy in TRDC's Local Plan

- **Final report bringing together the above, including policy approach recommendation based on Outputs 1 and 2, with draft recommended wording – this report.**

Further engagement with TRDC officers took place in March 2025, where comments on the recommended policies was made and matters around future implementation of the policies was discussed. This report is a result of these discussions and includes updates to the policies and supporting text according to this feedback. In addition, this report captures updates to national planning policy and any pertinent events occurring between October 2024 when first issued and April 2025. For the avoidance of doubt, Output 1 and Output 2 have not been updated retrospectively.





Executive Summary of Literature Review

Why must the local plan act on climate change?

Legal duty to mitigate climate change through the plan

The local plan is legally obligated to design its policies “to secure that the development and use of land in the local planning authority's area contribute to the mitigation of, and adaptation to, climate change” (Planning & Compulsory Purchase Act, Section 19ⁱⁱ). This duty is further underscored by similar wording in the more recent Levelling Up & Regeneration Act 2023ⁱⁱⁱ in which the obligation is to design the plan, not just the individual policies, to achieve that goal.

The National Planning Policy Framework (NPPF) defines climate change mitigation as:

“Action to reduce the impact of human activity on the climate system, primarily through reducing greenhouse gas emissions”.

Therefore, the local plan’s duty is not simply to minimise the amount of new emissions that new development adds to the district, but rather to ensure that its local plan reduces the overall amount of carbon emissions of the district. This means that the more carbon new development is permitted to emit, the greater the reductions that will be needed in existing buildings, business, industry, transport, energy production, and land use within the council in order to fulfil that duty to deliver an overall mitigation.

Given that the local plan can only ensure change via the granting or refusal of planning permissions (and raising of funds as a condition of permission), it cannot force changes to existing buildings, transport, industrial/business operations, or land use. Its only certain route to climate mitigation, therefore, is in ensuring that proposed developments are designed and located to actively reduce the amount of emissions associated with the District.

Standalone renewable energy can actively mitigate the District’s carbon emissions, as can provision for public transport, walking and cycling. New buildings, however, will only help to actively mitigate the District’s carbon emissions if the new building exports more renewable energy than they consume in grid energy, or if it replaces an existing building that had greater carbon emissions. This is therefore a strong argument that new buildings are only logically compatible with the duty to mitigate climate change if they are, at least, net zero carbon in their own right or are delivered in step with sufficient renewable energy to match or exceed that building’s energy demands.

What degree of mitigation is justifiable?

The NPPF provides detail illustrating the extent to which this mitigation should go. In particular:

- “The planning system should **support the transition to net zero by 2050** and take full account of all climate impacts including overheating, water scarcity, storm and flood risks and coastal change. It should help to: **shape places in ways that contribute to radical reductions in greenhouse gas emissions**, minimise vulnerability and improve resilience; encourage the reuse

of existing resources, including the conversion of existing buildings; and support renewable and low carbon energy and associated infrastructure” (Paragraph 161).

- “Plans should **take a proactive approach to [mitigation]** ... In line with the **objectives and provisions of the Climate Change Act 2008**” (Paragraph 162 and footnote 61).
- “The need to mitigate and adapt to climate change should be considered when preparing and assessing planning applications, **taking into account the full range of potential climate change impacts**” (Paragraph 163).

Logically, therefore, a local plan should aim to proactively ensure the changes necessary to hit the carbon targets set by the Climate Change Act 2008. That Act sets the legally binding net zero target for 2050, and requires fixed carbon budgets for each 5-year period between 2008 and 2050. The Climate Change Act 2008 commits the UK to limit climate change to no more than 2°C above pre-industrial global average temperatures, and to pursue a lower limit of 1.5°C.

The Committee on Climate Change (CCC) identifies a wide range of more fine-grained actions and performance changes that will be needed in order to reach net zero. We here summarise a few of the most relevant to the sphere of influence of the local plan (note that all of these are taken from the Sixth Carbon Budget^{iv} unless signified by a different endnote reference):

- **New homes built from 2025 onwards to achieve^v:**
 - No more than 15-20kWh space heat demand
 - *[Note: Recent energy modelling^{vi} shows that this would equate to a 69 to 82% reduction on the space heat demand of a building that meets today’s Part L 2021, or a 59 to 78% reduction on that of a home that meets the Future Homes Standard, assuming the fabric standard expressed in the indicative FHS specification released by government in 2021 as opposed to the much weaker fabric standard proposed in the two options from the most recent FHS consultation^{vii}]*
 - Not be connected to the gas grid
 - Have low-carbon heating such as a heat pump, not gas
 - Ideally be net zero carbon in operation^{viii}
 - Reduced whole-life carbon impact including embodied and sequestered carbon.
- **Increased material efficiency, energy efficiency and material substitution**, to achieve low carbon manufacturing and construction – reducing new buildings’ embodied carbon. The manufacturing & construction sector as a whole will need to hit an interim milestone of 70% emissions reduction by 2035 from a 2018 baseline.^{ix}
- **Dramatically increase the rollout of electrical heat/heat pumps to existing buildings**, so that low carbon heating systems reach 100% of heat system sales from 2033.
- **Transport^x: Decreasing car travel** (6% reduction in car kilometres by 2030 and 17% by 2050) alongside increased acceleration of electric vehicle uptake, further rollout of rail electrification and linear increase in rail passengers and rail freight.

- **Increase in renewable energy generation capacity to reach 60% of total grid electricity generation by 2030 and 80% by 2050**, at the same time as meeting a doubling in the amount of electricity demand (occurring due to the aforementioned necessary switch from fossil fuel to electricity in existing buildings, transport, and many industrial processes), and phasing out unabated gas power stations by 2035.
- **Forest cover to reach 18% by 2050^{xi}**, whereas the 2020 baseline was 13%

Legislation that defines powers that the local plan may use for carbon reduction

Planning & Energy Act 2008

The Planning & Energy Act is the source of the local plan's most important power to influence the energy and carbon performance of development.

It grants the local planning authority the power to set 'reasonable requirements' for:

1. **Energy efficiency standards** higher than those set by building regulations
2. **Renewable or low carbon sources 'in the locality of the development'** to supply a proportion of energy used at the development.

The Act notes that policies made using these powers "must not be inconsistent with relevant national policies for England". This means the NPPF, according to NPPF (2024) Paragraph 1^{xii}.

The Act defines 'energy efficiency standards' as ones that are set out or endorsed by the Secretary of State. This may imply only the methods used to demonstrate compliance with Part L of Building Regulations (SAP or SBEM despite their aforementioned shortcomings, or TM54). As TM54 is one of the methods endorsed by Part L as of 2021, it appears the Act would therefore permit local energy efficiency to account for *total* energy use, not just regulated (see [glossary](#)).

The Act does not define 'energy used at the development'. It therefore appears to empower the local plan to set requirements for renewable energy to meet a proportion of the new building's *total* energy, not just 'regulated' energy (see [glossary](#)). In that case a method would need to be chosen to account for that unregulated energy, ideally in a way that works alongside the calculation for regulated energy. Several methods could be used: TM54 (as above), BREDEM, and SAP Appendix L. PHPP could also be used but may not directly plug into SAP/SBEM.

The Act stipulates that policies set using these powers "must not be inconsistent with the relevant national policies" for energy efficiency or for renewable/low carbon energy as applicable to the type of local plan policy proposed.

The Act does not define 'renewable energy', 'low carbon', or 'in the locality of development'. Presumably therefore the local planning authority is free to define these.

The Act furthermore does not specify whether these powers can be used in *new* or *existing* development. The implication therefore is that these powers could be used to set local plan policy that applies to proposals regarding existing buildings, not only new development. However, this would still be subject to the requirement to be 'reasonable'.

The Act does *not* define 'reasonable requirement'. A logical interpretation could be that the policies should be feasible, effective in fulfilling the climate mitigation duty (and/or other stated objectives set by the plan to fulfil local needs), and specific enough to be viability-tested to ensure they do not prevent the achievement of the Council's stated housing and development targets.

We interpret this to mean that a policy could require renewable energy to supply a 'reasonable proportion' of the *total* energy use of the development, not just the share that is 'regulated' by Part L of building regulations. This could arguably be a 100% proportion, if it can be shown why this requirement is 'reasonable' – for example in its necessity or effectiveness to meet the duty for climate mitigation, with evidence of its technical feasibility and its cost for viability testing.

National Planning Policy Framework

The NPPF (December 2024 edition) reaffirms various ways in which it is appropriate to pursue carbon reduction policies or other undefined sustainability improvements through the local plan. In addition to paragraphs 161, 162 and 163 noted above:

- **Paragraph 164b:** "New development should be planned for in ways that ... help to reduce greenhouse gas emissions, [via] location, orientation and design... local requirements for [buildings] should reflect the Government's policy for national technical standards
- **Paragraph 165a-b:** "Plans should ... provide a positive strategy for energy from [renewable and low carbon] sources ... consider identifying suitable areas for [these] and supporting infrastructure ... [and] identify opportunities for development to draw its energy supply from [these sources]".
- **Paragraph 167:** "to give significant weight... to energy efficiency and low carbon heating improvements to existing buildings [domestic and non-domestic]...Where proposals would affect [designated heritage assets] LPA's should apply the policies within Chapter 16 of the NPPF.

Written Ministerial Statement 23rd December 2023 (WMS2023)

On 13th December 2023, Government released a Written Ministerial Statement (WMS).

The new WMS purports to place quite stringent new limitations on the exercise of existing powers held by local planning authorities to require improvements in the energy and carbon performance of proposed new buildings in their area. The WMS does not remove the ability to set improved local standards, but it purports to limit them by stating:

1. **Energy efficiency policy must be expressed as percentage reductions on the Building Regulations Part L TER (Target Emissions Rate)**, using a “specified version of SAP”.
2. Policies that exceed building regulations should be “**applied flexibly ... where the applicant can demonstrate that meeting the higher standards is not technically feasible**”, in relation to ... local energy infrastructure ... and access to ... supply chains.”

The WMS also emphasises that **any such policies must have a “well-reasoned and robustly costed rationale that ensures that development remains viable, and the impact on housing supply and affordability is considered** in accordance with the National Planning Policy Framework”.

National Planning Policy Guidance (NPPG)

The NPPG is a resource of further guidance to help interpret various sources of government policy regarding planning, including written ministerial statements and the NPPF.

The NPPG section on climate change^{xiii} still echoes the now superseded WMS2015 supposed limit on energy/carbon reduction policies (i.e. no more stringent than Code for Sustainable Homes Level 4).

However, that limit is now obsolete and should be considered irrelevant. We note that section of the NPPG has not been updated since 2019 and is thus outdated. This is further evidenced in that it refers to the “national target to reduce the UK’s greenhouse gas emissions by at least 80% ... by 2050” – this is now incorrect as the target is now a 100% reduction, as established by the 2019 update to the Climate Change Act.

In contrast to its obsolete advice on housing energy standards, the NPPG section on climate change confirms that local plans “are not restricted or limited in setting energy performance standards above the building regulations for *non-housing* developments” (emphasis added).

It also emphasises that where local plan standards for buildings’ sustainability or carbon are set, they must be “based on robust and credible evidence and pay careful attention to viability.”

Regarding energy improvements to *existing* buildings, the NPPG does not clarify how local policy should approach these, but notes that the planning authority “should ensure any advice to developers is co-ordinated to ensure consistency between energy, design and heritage matters”, and notes that many energy improvements may not need planning permission.

Balance of power between legislation, NPPF and Ministerial Statements

Legislation, and the powers granted or duties imposed by it, cannot legally be undone by national policy.

The NPPF forms the overarching set of principles by which the Inspector will conduct the Examination in Public of the submitted local plan, to see if the plan can be considered ‘sound’, before it can be adopted.

The role of the WMS2023 in Local Plan formation is as a ‘material consideration’, i.e. one of the relevant considerations that the plan must take to account in order to be found sound and adopted, despite the fact that a WMS can be (and was in this case) made unilaterally without consultation.

However, a WMS is not an inviolable requirement. Open legal advice on this topic notes that it has been established in case law that a WMS “cannot lawfully countermand or frustrate the effective operation of any ... relevant statutory power” (such as the duty to mitigate climate change and the power to require higher local standards) and that “any WMS must lawfully be applied subject to relevant statutory powers, and ... justifiable local exceptions, rather than in a blanket fashion”.

To what extent is the necessary mitigation being delivered by national regulation or the wider industry, thus negating the need for local plan policies?

Operational energy and carbon: Building Regulations Part L (and the Future Homes Standard)

Building Regulations Part L sets the minimum national standard of operational energy and carbon performance of new buildings. It only covers “regulated energy uses”: space heating, hot water, fixed lighting, fans, pumps and ventilation. It does not regulate other energy uses in the building, for example appliances or plug-in lighting. These *unregulated* energy uses can be 50% of a building’s total energy use^{xiv}, or between 23%-54% of a building’s operational carbon^{xv}.

The current version of Part L in place is Part L 2021, which came into force in June 2022. Prior to this, Part L 2013 was in place from 2013-2022. The next update due to Part L is the Future Homes Standard (FHS) (or Future Buildings Standard, FBS, for non-residential) which Government has indicated will be introduced in 2025.

Part L works by modelling an imaginary (‘notional’) building of the same shape and size as the proposed building, with a certain minimum set of building elements applied (such as the amount of insulation, airtightness, the type of heating system, and the amount of solar panels). This sets the target limits for energy use and carbon emissions that the proposed building must meet. This means the targets vary by the shape and size of the building, as shape and size strongly affect how much heat is lost through external walls, roofs and joins. The FHS will update the standards in that ‘notional’ building – for example a heat pump instead of gas. However, the latest consultation^{xvi} shows it might not improve the insulation or airtightness.

Compliance with these targets is established through a calculation method titled ‘SAP’, in homes, or ‘SBEM’ in non-residential buildings ([see glossary](#)). Part L sets the following targets:

- **TER, Target Emission Rate:** A carbon emissions metric. All building types (residential and non-residential) are subject to a TER.
- **TPER, Target Primary Energy Rate:** A measure of energy consumption of the building, taking into account the ‘raw’ energy that was used up in order to generate and transmit the energy used by the building (including the losses in converting one type of energy to another – for example burning gas in power stations to produce electricity – and the losses that occur in transmission of gas or electricity through the grid before it reaches the home). TPER also applies to all building types.
- **TFEE, Target Fabric Energy Efficiency:** A measure of energy demand for *heating and cooling*, based only on the building’s fabric, irrespective of the heating system efficiency.

Additionally, the SAP or SBEM calculation methods can be used to extract other pieces of estimated data for a building, such as space heat demand or total energy use (for example, both of those were estimated using SAP10.2 in the 2023 modelling by the Future Homes Hub). However, these other data points are not part of the compliance metrics that Part L requires.

Unfortunately, even for the regulated energy uses, SAP and SBEM are not accurate predictors of a building’s actual performance. In operation, buildings have been repeatedly documented to use far more energy than the SAP or SBEM methods predicted^{xvii, xviii, xix}. This difference between SAP/SBEM-

predicted energy performance and *actual* performance in use is termed in industry the ‘Energy Performance Gap’. This is not common knowledge for home renters or purchasers, who may rely on the EPC certificate (which reflects the building’s SAP calculation). In particular, space heat demand is dramatically underestimated by SAP^{xx, xxi}. This is a real problem for climate mitigation given the aforementioned importance of the 15-20kWh/m²/year space heat demand within the UK’s route to hit its legislated carbon budgets.

Although SAP also contains an ‘Appendix L’ that tries to calculate unregulated energy use too, this overestimates the unregulated energy use^{xxii} because it is based on outdated data about the efficiency of appliances. That data was collected many years ago and does not reflect the much more efficient typical appliances of today. Still, the overestimation of unregulated energy use does not fully balance out SAP’s underestimation of space heat demand and total energy use.

Government has stated that when the Future Homes Standard is introduced, SAP will be replaced with a new model named HEM. As only an early-stage consultation version of HEM has been released to date, it remains to be seen whether HEM will avoid the inaccuracies of SAP.

The current Part L 2021 and FHS do not deliver the 15-20kWh/m²/year space heat demand limit found to be necessary by the Committee on Climate Change as previously noted. To achieve that limit, improved fabric would be needed. This is true whether calculated with SAP (for example see the Future Homes Hub Ready for Zero report and appendix^{xxiii}) or a more accurate energy prediction method^{xxiv, xxv}. The ‘Ready for Zero’ work shows that a building fabric similar to that of the recent FHS consultation would result in a space heat demand of up to 54kWh depending on home type, even before taking into account SAP’s underestimation of this.

Despite the Committee on Climate Change recommendation for “rapid and forceful pursuit of zero-carbon new-build”^{xxvi}, the current Part L 2021 and the FHS do not make buildings net zero carbon. Government has described the FHS as “zero carbon ready”, but this only means the building will be all-electric (no gas) and thus will eventually get to net zero only when the national electricity grid is entirely zero carbon. Also, the latest FHS consultation^{xxvii} shows that one of the options under consideration would have heating bills twice as high as a current new build home, due to switching from gas to electric heating without improving fabric at all.

Beyond Part L compliance, there are other more accurate methods that are used in the more forward-thinking parts of the buildings industry to better predict the energy performance of a given building design (and to improve it):

- PHPP: Passivhaus Planning Package. Can be used for any building. Does not require the pursuit of Passivhaus certification; can be used as a standalone tool.
- CIBSE TM54 (Technical Memorandum 54 by the Chartered Institute of Building Services Engineers). Intended for use primarily with non-residential buildings.

The use of PHPP outside the cutting-edge of the sector is in the minority, but growing. However, TM54 is recognised in Part L 2021 as a suitable method for the ‘energy forecasting’ that is now legally mandatory for non-residential buildings of 1,000m² or greater size^{xxviii}. This means TM54 can be said to comply with the Planning & Energy Act definition of ‘energy efficiency standards’ as ones that are ‘endorsed or laid out by the Secretary of State’ (paraphrased). However, Part L 2021’s requirement for energy forecasting is not linked to the achievement of the actual *targets* set by Part L (TER, TPER, and TFEE, as previously noted).

Regarding embodied or whole-life carbon of buildings: National Government has continued to neglect this despite opportunities to implement it. For example, a forward-thinking industry coalition in the development sector [drafted and proposed a “Part Z”](#) to building regulations. This was then put forward by a House of Lords member as an amendment to the Levelling Up & Regeneration Act but was never debated and thus never implemented.

In the absence of any action by national government to introduce mandatory standards for whole-life carbon, the industry has acted to develop these. There is a single formal established standard for the accounting of whole-life carbon (BS/EN15978) and this has been translated into a methodology or ‘Whole Life Carbon Assessment’ by RICS. In turn, forward-thinking bodies and coalitions within the industry have developed benchmarks and targets using that RICS methodology, differentiated by building type. The prominent examples are the RIBA and LETI aligned carbon targets^{xxix}. Given that target-setting policy is necessary on embodied carbon in order to fulfil the UK’s carbon budgets, and given the absence of any national government standard with which local policy needs to be consistent, there is a clear role for the local plan to play and no reason why the LETI/RIBA targets could not be adopted if feasible and viable.

Two main types of approach to net zero carbon buildings policy – and their variations, strengths and weaknesses

There are two broad categories of policy that extant and emerging local plans in other local authorities fit into with regards to requiring enhanced energy and carbon performance in new buildings:

- Policy type 1, Using building regulations metrics: Policies that require a % improvement on the Target Emissions Rate that is set by Part L of building regulations (in some cases is a 100% reduction) and/or improvements to be demonstrated in other Part L metrics.
 - Adopted examples: London Plan 2021 policy SI 2; Milton Keynes 2019 policy SC1; Reading 2019 Policy H5, Warwick Net Zero Carbon DPD 2024; many others.
- Policy type 2, ‘True net zero operational carbon’ using energy-based metrics: Policies set fixed energy efficiency targets in terms of ‘space heat demand’ and ‘total energy use intensity’ (EUI), and renewable energy provision to match 100% of the development’s total annual energy use. This follows the recommendations of expert green building coalitions LETI and UKGBC.
 - Adopted examples: Cornwall, Bath & North East Somerset; Central Lincolnshire.

In addition to the operational carbon policy types described above, there is one adopted and several emerging local plans that require reporting and/or specific targets in embodied carbon. That is the carbon emitted in order to construct the building (including material extraction, product manufacturing, transport of materials to site, use of energy during construction). In some cases, the ‘embodied carbon’ can also include the maintenance and eventual demolition/disposal of the building at end of life – in which case the scope is termed ‘whole life embodied carbon’. If the ‘embodied carbon’ scope is only considered up to building completion, that is termed ‘up-front embodied carbon’.

There is no current national building regulation that regulates embodied carbon, nor any nationally described standard for reporting it. However, the industry has developed its own standards for reporting on embodied carbon (the RICS Whole Life Carbon Assessment methodology). The London Plan is the most well-known adopted example that requires whole-life carbon reporting, yet it does not set any targets that must be met. The only precedent plan that we are aware of that sets such a target is Bath & North East Somerset (B&NES) Local Plan Partial Update (adopted 2023).

Existing Buildings

It is not yet known when the Government will phase out the installation of gas boilers in existing buildings, which is currently muted for 2035. The Committee on Climate Change has shown (and Government has recognised) that in order for the UK to meet its legally binding carbon reduction goals, it is vital that the existing building stock must be decarbonised via three main courses of action:

- Upgrades to building fabric and other energy efficiency measures
- Switching from gas or oil boilers to low carbon heating (largely heat pumps; some heat networks; and a small role for hydrogen in some areas in the future)
- Decarbonisation of the electricity grid via increases in wind and solar electricity generation to allow phase-out of fossil fuelled power stations.

In respect of existing buildings, the variety of types, ages, uses and conditions of existing buildings make it impractical to devise universal requirements for their energy and carbon performance that could be reasonably sought through local plan policies. Local plans also have only a very limited influence on the carbon and energy performance of existing buildings, as they can only seek changes to buildings where the building owner is seeking to require a change to the building that requires planning permission. However, Local Plan policies can be used to support retrofitting by providing positive weight to proposals that improve fabric efficiency, energy efficiency and lower carbon emissions in existing buildings, including seeking alternatives to fossil fuel heating.

Local Plan’s in combination with embodied carbon themes can also place greater weight to the retention, reuse and refurbishment of existing buildings in recognition of the embodied carbon they have inbuilt in the structures, and the cause of new emissions in replacing existing buildings.



April 2025 Update: Tendring Colchester Border Garden Community: Development Plan Document

GC Policy 8 Sustainable infrastructure

Further to those adopted policies cited above (Bath & Northeast Somerset etc), Tendring's approach follows absolute energy metrics (policy type 2) and is performance-based and measurable, with numeric targets embedded in policy.

The policy is holistic in scope, emphasising fabric-first design, renewable technologies like solar PV and heat pumps, and long-term smart energy systems such as district heating or local smart grids. If it can be robustly demonstrated that full on-site renewables are technically or economically unfeasible, the policy allows for partial delivery or contribution to an offset fund—but this is framed as a fallback, not the norm. It also encourages high sustainability certification standards: BREEAM 'Excellent' or 'Outstanding' for non-residential buildings, and Passivhaus or equivalent for housing.

Crucially, the DPD also incorporates a requirement to assess embodied carbon using the RICS Whole Life Carbon Assessment methodology, demonstrating that the Councils have taken a lifecycle approach to emissions.

The DPD sets the following clear requirements for all buildings within the Tendring Garden Community:

1. All buildings must achieve net zero carbon performance at **occupation** or within **five years** of occupation, in exceptional circumstances. The operational energy balance must be achieved on-site across the development.
2. **Energy Performance Standards:**
 - **Space Heating Demand (SHD):** Less than 30 kWh/m² per annum.
 - **Energy Use Intensity (EUI):** Less than 40 kWh/m² per annum.
 - **On-site Renewable Generation:** Must match or exceed total energy consumption. If on-site renewable generation is not technically or economically feasible, the policy allows for a **contribution to an offset fund**, but this is considered a secondary option.
3. A fabric-first approach to reducing energy demand, including high insulation levels, airtightness, and optimising solar gain while avoiding overheating and integration of smart energy technologies to control energy use across the development.
4. **Renewable Energy Integration:**
 - All buildings must integrate renewable energy systems such as **solar photovoltaic (PV)** and **heat pumps** (air or ground source) where feasible.
 - Encouragement of **district heating networks** and **smart local energy systems** to ensure long-term viability and management.
5. Proposals must consider **embodied carbon** in the design and construction phases, using the **RICS Whole Life Carbon Assessment** methodology, although no specific targets are set for embodied carbon reductions.

6. The policy encourages the use of high-level sustainability certifications, including **BREEAM 'Excellent' or 'Outstanding'** for non-residential buildings and **Passivhaus** or equivalent for residential buildings.

The Tendring Garden Community DPD underwent examination, and the Inspector's Report was published in April 2025. This confirmed the policy's robustness despite the introduction of the 2023 Written Ministerial Statement (WMS). The Inspector acknowledged the WMS but determined that the planning duty to mitigate climate change under the Planning and Compulsory Purchase Act 2004 and the Planning and Energy Act 2008 provided a strong legal basis for the policy.

The following key outcomes were noted:

- The **policy targets were deemed justifiable** based on the Councils' evidence that they would not compromise the viability or deliverability of the development.
- The **policy's alignment with national and regional climate goals** was affirmed, and the Inspector determined that the development would contribute positively to the UK's carbon reduction targets.
- The **only modification** made to the policy was the introduction of an **extended five-year period** to achieve net zero carbon status, where demonstrably necessary in exceptional cases.

The adoption of this policy sets an important precedent for other local authorities looking to integrate **net zero carbon** requirements into their development plans. It demonstrates that it is feasible to set **specific energy performance targets** and ensure **on-site renewable energy generation** while addressing potential challenges related to technical or economic viability.



TRDC’s current carbon emissions and trajectory

Tyndall Centre local area carbon dioxide budgets (and SCATTER trajectories)

The Tyndall Centre is a climate change research organisation made up of several UK universities working to get climate science evidence into policy. It created a tool that produces municipal-level carbon budgets towards a 2°C global climate pathway that are necessary and fair, taking into account each location’s sectoral base by looking at its historical portion of the country’s emissions.

These trajectories show the UK’s total CO2 budget to 2100 if the UK is to pull its weight towards fulfilling the Paris Agreement (to limit global warming to 2°C, with carbon cuts equitably distributed to each country in proportion to its technological and financial capability, its needs, and its responsibility for historic emissions). This starts with the middle-range global carbon budget likely to limit global climate change to “well below” 2°C, determined by the IPCC. The Tyndall Centre derives the CO2 budget for the UK from this global budget, based on equity principles that account for our existing level of development and sectoral base, and the local budget is derived from the UK one. The resulting totals are split into five-yearly budgets. **The Paris-compliant carbon budgets for TRDC are shown here (Figure 2) and would be used up by the end of 2026 if emissions continue at the 2017 level.**

Page 304

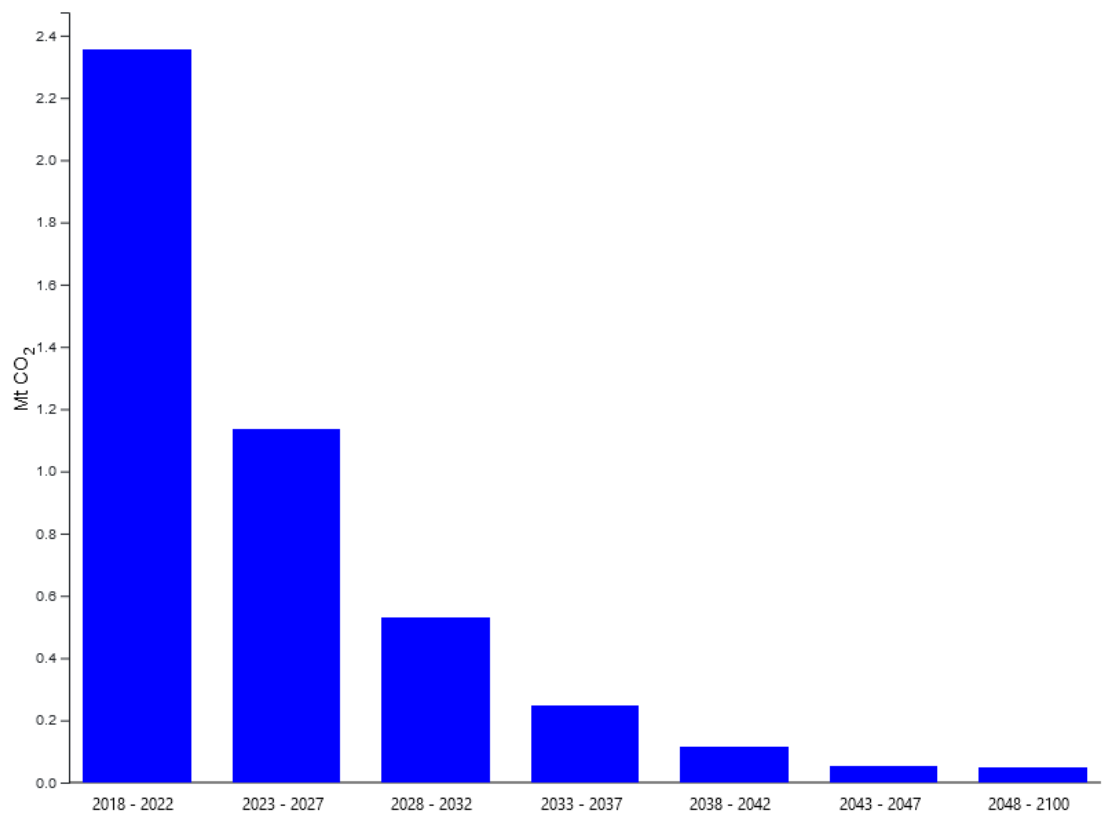


Figure 2: Three Rivers District Council’s carbon budgets to 2100 (energy-only, CO2 only) compliant with the UK’s commitment to the Paris Agreement. Calculated by the Tyndall Centre.[viii]

The Tyndall Centre’s recommended pathways to net zero within TRDC’s carbon budgets are represented in *Figure 3, respectively*. To avoid exceeding the Tyndall carbon budget, TRDC emissions would need to fall sharply starting from the 2018 baseline. This pathway amounts to a required annual 14.1% reduction to energy-related CO₂.

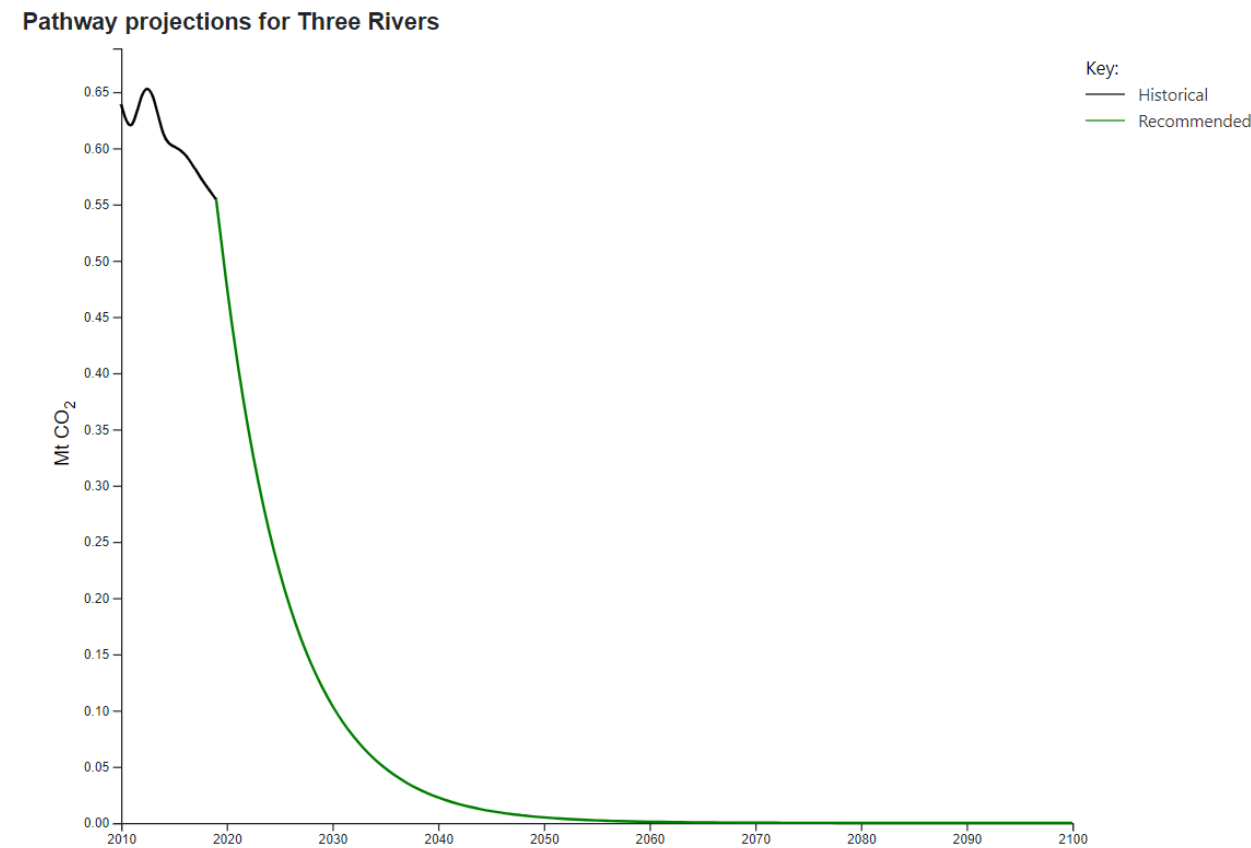


Figure 1: Emissions reduction pathway for energy-only CO2 emissions to fulfil carbon budgets for Three Rivers District Council from 2018 to 2100 compatible with the Paris Agreement. Tyndall Centre (2023).

The challenge of bringing forward net zero carbon new buildings, scaling up retrofit of existing buildings, and decarbonising transport and the wider energy system, will not be possible without the support of the local plan. By shaping what kind of development happens and where, the local plan can help to realise TRDC’s ambitions.

A local plan that achieves dramatic carbon reductions will help to avoid contributing to the risk of TRDC’s residents being impacted by financial and health-related harms that would come with climate change.

Three Rivers District Council's Climate Emergency

In recognition of the urgency to tackle climate change, Three Rivers District Council declared a Climate Emergency in 2019. TRDC have committed to:

- be a carbon-neutral Council by 2030
- **be a carbon-neutral District by 2045**

The Climate Emergency and Sustainability Strategy 2023-2027 outlines interventions relating to sources of emissions, in respect of housing and buildings, the strategy identifies:

- Encourage developers to adopt net zero design standards including the integration of renewable energy and low-carbon heat technologies.
- Require all major developments to submit an adaptation strategy and sustainability statement to demonstrate how the development will mitigate and adapt to climate change over its lifetime.
- For major non-residential developments, proposals should achieve BREEAM 'Excellent' as a minimum with the ambition to achieve "Outstanding."
- Require new development to install flood mitigation measures and facilitate optimum water and wastewater efficiency aiming for water neutrality.
- Refuse development if it is subject to unacceptable flood risk or if it would exacerbate flood risk on site or elsewhere.
- Develop and implement a decarbonisation action plan to reduce emissions from residential properties.
- Encourage a community-led approach to retrofit and sustainability.
- Support residents and businesses to reduce their energy use and improve the efficiency of their homes and buildings.
- Work in partnership to support the development of the local retrofit supply chain to increase skills and capacity for retrofit in the district and wider county.

Consequential to the Council's strategy commitments, TRDC are undertaking the following actions under the **Climate Emergency and Sustainability Action Plan 2024 -2027** to achieve this:

- With an initial overall target of reducing emissions by an annual rate of 14% until 2027, actions are in progress to encourage installation, or retrofit, of renewable energy on buildings within the District. Through the uptake of the Solar Together bulk-buying scheme, TRDC are encouraging installation of solar photovoltaics on residential dwellings. By distributing grants from the UK Shared Prosperity Fund (UKSPF) for renewable energy technologies, energy efficiency improvements, and electric vehicles, TRDC aims to reduce emissions from commercial buildings.
- TRDC is supporting the 'able to pay' sector, through projects such as 'One Stop Shop', and is further investigating innovative sources of funding and financing to support the uptake of domestic retrofit.

- TRDC will continue to manage and deliver grant-funded domestic retrofit schemes, taking relevant grant-funded retrofit opportunities as they arise, and regularly promote funding opportunities for retrofit to residents and businesses through the Climate Change Team Communication Plan and Transitions Street programme.
- Outcomes from the District Council's ongoing annual reporting on the enforcement of the Minimum Energy Efficiency Standards (MEES) regulations will shape targeted interventions throughout the District.
- TRDC is actively engaging with local trades and small-medium enterprises (SMEs) about the market opportunity for retrofit in Three Rivers, and upskilling these to engage with retrofit-related roles.
- TRDC is also in the process of installing community-funded renewable energy technology on a building within the Three Rivers District.
- Dictated by OFGEM guidelines, TRDC endeavours to engage with regional energy strategic planning on the development and implementation of an LAEP (Local Area Energy Plan).

Work undertaken by the **Energy Savings Trust in 2021** acknowledged the opportunity for retrofitting TRDC's existing housing stock, based on the typology of buildings within the district.

At a regional level, strategies within TRDC are supported by regional ambitions to lower carbon and to become a net zero county, including **Hertfordshire County Council (HCC's) 2022 (Revised 2023) Sustainable Hertfordshire Strategy, Hertfordshire Growth Board (HGB's) Vision and Missions and Hertfordshire Climate Change and Sustainability Partnership (HCCSP's) 2023 Strategic Action Plan: Net Zero Across Hertfordshire (draft review).**



Summary of policy objectives

To summarise the key ingredients for a policy that would ensure it thoroughly fulfils the local plan's legal duty to mitigate climate change:

- **New development's energy demand must be minimised** so as to minimise the needed amount of new renewable energy generation and grid reinforcement, given that all other sectors' net zero transition (e.g. transport and industry) will also place high demands on the UK's finite capacity for renewable energy, and other land uses (e.g. afforestation and farming) – considering the **limited land supply** and the embodied carbon of new energy equipment. This energy efficiency is also vital to protect people from excessive energy bills in the ongoing cost of living crisis.
- **New development should not use fossil fuel on site** given that the UK needs to transition its building stock away from gas, not add new gas users to the grid – and also given that heat pump technology exists that is three times as efficient as gas
- **New development should ideally come with enough new renewable energy generation to 'wash its own face'**, so that it does not worsen the existing huge challenge of weaning existing buildings, transport and industry off fossil fuel to electricity – when this condition is met, the building is 'net zero carbon in operation'. Evidence found in other existing and emerging local plan precedents elsewhere (Uttlesford/Essex, Greater Cambridge, South Oxfordshire & Vale of White Horse, Central Lincolnshire, Cornwall, Bath & North East Somerset) showed this is feasible in an array of typical types of building, so long as the building is energy efficient as above.
- **The energy/carbon metrics used in Building Regulations are unsuited to deliver the performance described above** therefore other more accurate methods are needed. As the national carbon budgets are absolute, the performance standards for new buildings should also be absolute limits, not percentage improvements on standard practice.
- **Therefore, the ideal policy for climate purposes would adopt absolute targets** for space heat demand, total energy use intensity per square metre, and 100% renewable energy on site (or payment towards off-site installation), and that all of the above should be demonstrated using an energy modelling approach known to be typically accurate in predicting the building's total energy performance. This approach has been taken in several successfully examined and adopted local plan precedents (Central Lincolnshire, Cornwall, Bath & North East Somerset) albeit these were examined and adopted prior to the Written Ministerial Statement 2023 and most recently in a post WMS2023 environment: Tendering & Colchester Border Community DPD.
- **In light of the Written Ministerial Statement of December 2023, the robustness and thoroughness of evidence on feasibility and viability will be even more vital** in order for any energy efficiency policies to successfully pass examination.

A truly comprehensive plan for buildings' climate mitigation would also include mandatory reporting and targets for embodied carbon. Embodied carbon policies are not affected by the Written

Ministerial Statement 2023. However, the local planning authority will need to exercise its own judgement on what size threshold would be reasonable to require either reporting or targets, using the local authority's insight into the typical size and type of development in the area and the viability headroom to cover the cost of an embodied carbon assessment



Policy recommendations

Three Rivers District Council has been informed on a range of potential broad policy options in light of the 2023 WMS in addition to the range of other material considerations and evidence. The options that have been presented to TRDC are displayed in the diagram overleaf. Upon review of the issued outputs and further liaison between Bioregional/Edgars and TRDC, **Option 2 has been selected by TRDC as the preferred policy approach.**

The following policy recommendations are therefore a more detailed iteration of Option 2. Recommendations expand upon what was presented to TRDC as part of Output 1.

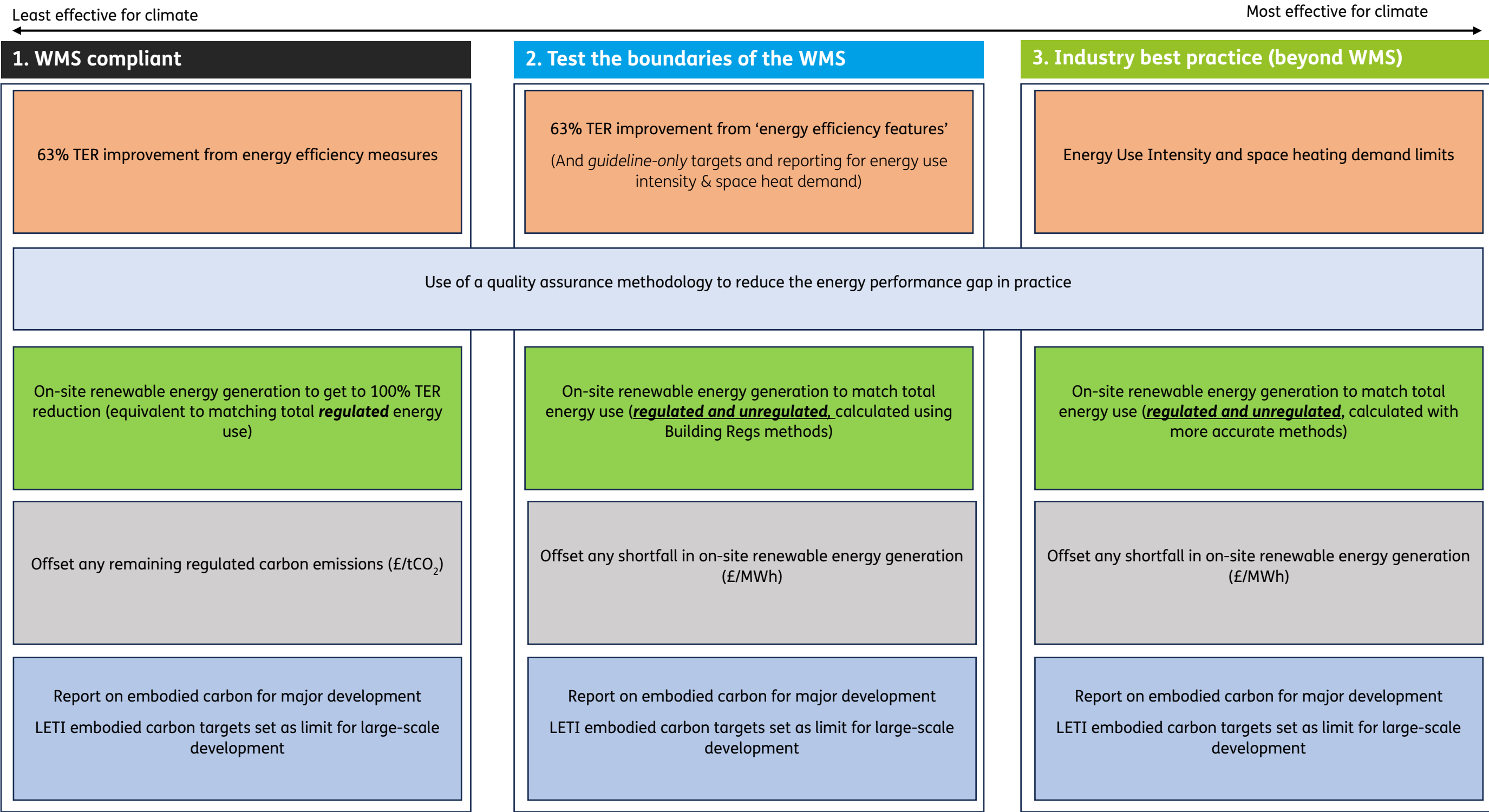
The previous exploration of three different policy approaches addresses the requirement of local plans to explore reasonable alternatives prior to selecting a preferred policy suite. The approaches were assessed by considering risk levels on the following topics:

- **Planning powers**
- **Climate impacts**
- **Cost and future disruption to occupants**
- **Impact on grid capacity/infrastructure**
- **Ability of Development Management to assess policies**
- **Sector readiness**
- **Viability/capital cost**
- **Compatibility with national approach [e.g. policy goals, legislated goals, and technical standards]**

Option 2 was selected by TRDC as a result of balancing risk levels among topics, of which ‘planning powers’ and ‘compatibility with national approach’ were given significant weight in the decision-making process, particularly relating to the 2023 WMS. The significant weight given to the 2023 WMS in selecting a preferred policy approach reveals the negative impact the WMS is having on the appetite of local authorities to pursue best practice policies. The perceived constraints of the 2023 WMS have led TRDC to select a reasonable policy approach – Option 2. Industry consensus is that policies as per Option 3 should still be pursued and are defensible at examination. However, the current planning risks associated with Option 3, as determined by TRDC, deemed Option 3 unsuitable.



Potential Policy Approach Considered by TRDC





Relevant policy themes

Operational carbon

Operational carbon is an area of policy development where the local plan can push boundaries and ensure the provision of buildings that are fit for the future, both in terms of reduced energy consumption and holistic integration of design decisions that address climate adaptation.

As [already explored in this report](#), recent examples have detached from the previously typical CO₂ % reduction approach that had been driven by metrics used for Building Regulations compliance. However, due to newborn constraints posed by the 2023 WMS, TRDC has decided to select a policy approach based on Building Regulations and its metrics.

The key metric utilised for operational carbon is the Target Emissions Rate (TER) used for Building Regulations, which represents the annual carbon emissions from a building. Since the 2023 WMS only applies to local energy efficiency standards, not renewable energy, the policy recommendations below focus on a TER within an energy efficiency focus. The subsequent stage to assessing energy efficiency improvements through the TER is then to require that on-site renewable energy matches total regulated energy use – this effectively achieves a 100% TER reduction. Option 2 goes one step further to require that unregulated energy use is also met by on-site renewable energy generation.

As with any well-designed building, the lower the total energy use, the less on-site renewable generation is needed to reach an on-site net zero energy balance. Generation is most easily achieved via rooftop PV. A key step to maximise energy consumption mitigation is to reduce the space heating demand – closest aligned to the Dwelling Fabric Energy Efficiency (DFEE) rate in SAP – to ensure that the building is demanding as little energy as possible to comfortably heat the building. Space heating demand is agnostic to any technology that requires powering within a building; rather the space heat demand metric is a measure of how many units of heat are required to provide sufficient comfort levels for occupants of the building. Whatever technology is used, whether this is a heat pump or gas boiler, will not change the space heating demand value as it is solely based on the fabric efficiency of the building.

Due to the 2023 WMS constraints, it is not possible to confidently set a space heating demand or a DFEE requirement in policy. However, it remains essential that developers prioritise these metrics and subsequent total energy consumption to best ensure that on-site renewable energy can feasibly match total regulated energy use. If the energy use of the building is not mitigated in the first instance, on-site renewable energy generation will likely not be sufficient to deliver a net zero building.

Embodied carbon

Operational energy policy requirements are gradually becoming more consistently set at levels necessary to align with UK carbon budgets and its eventual 2050 net zero target. However, as operational energy and carbon are reduced, the proportion of embodied carbon becomes larger than ever as a share of the building's lifetime carbon emissions. This means that reductions to embodied carbon will require increased attention going forward.

The definition of net zero is key when considering operational and embodied carbon, since a truly net zero carbon building (over its entire lifetime) would require zero embodied and operational carbon

emissions. The NPPF updated in December 2024 strengthened the duty of plan making and outlined that the planning systems should take full account of all climate change impacts... and contribute to radical reductions in greenhouse gas emissions. The vast majority of nominally 'net zero' buildings today only consider operational emissions. In working towards a wholly net zero carbon building, local plan policy would need to address embodied carbon with equal weight, if not more, than operational energy/carbon policy.

[A number of local authorities have now implemented embodied carbon policies](#) that require reporting for development above a certain threshold, typically only larger development. However, where viability allows, requirements for embodied carbon targets to be hit should be promoted and integrated into local plans.

Overheating and Sustainable Design

Similarly to embodied carbon, the link between overheating and operational energy is becoming ever important and must now be put at the forefront of local plan policy, simultaneously with operational energy and embodied carbon policies.

As climate change impacts worsen, particularly more extreme and more variable temperatures, the need for overheating assessments to be undertaken for new buildings is crucial for current and future occupant comfort. In particular, new buildings that meet ambitious space heating demand requirements (previously described) will be at increased risk of overheating due to the ability of the building to retain heat well. Clearly, throughout winter this is a key comfort benefit, yet during summer this can result in the opposite effect if not otherwise mitigated with measures to enhance ventilation and avoid excess solar gain, in warmer months. It is therefore paramount that overheating risk is sufficiently assessed and integrated into decisions throughout design stages to ensure high fabric efficiency standards are not achieved at the detriment of internal comfort and temperature levels.

In addition to addressing overheating with building-related measures, overheating mitigation measures can also be integrated alongside blue and green infrastructure policies. Benefits here are further intertwined, whereby overheating risks can be mitigated whilst also improving the biodiversity of a site. For example, green roofs, walls and trees are effective at reducing surface temperatures through natural shading and evapotranspiration.

Retrofitting Existing Buildings

The decarbonisation of existing buildings is of immanent importance to TRDC, simply due to the proportion of emissions from existing buildings; a third of the districts' emissions are from existing buildings.

Local plans also have only a very limited influence on the carbon and energy performance of existing buildings, as they can only seek changes to buildings where the building owner is seeking to require a change to the building that requires planning permission, and the variety of types, ages, uses and conditions of existing buildings make it impractical to devise universal requirements for their energy and carbon performance that could be reasonably sought through local plan policies.



A number of measures to improve the efficiency of buildings or the generation of renewable energy can be achieved under permitted development, and local planning policy should support willing owners' actions and investment in existing buildings to reduce the barriers to implementation of measures which would lower carbon emissions. This is supported by the latest version of the NPPF which saw amendments under paragraph 167 which states: *'Local planning authorities should also give significant weight to the need to support energy efficiency and low carbon heating improvements to existing buildings, both domestic and non-domestic (including through installation of heat pumps and solar panels where these do not already benefit from permitted development rights)'*.

The role of local planning policy in supporting retrofit of existing buildings can be pursued through providing a permissive and supportive policy approach to energy efficiency, carbon improvements through non-fossil fuel heat and power. It is important to note that fabric measures should continue to be prioritised before low carbon heat systems (namely heat pumps) are installed to avoid excessive energy use. Lowering the energy demand first in existing buildings remains vital for net zero carbon and will deliver economic and wellbeing-related benefits in the long term if implemented correctly, alongside the deployment of low carbon heat and power.



Outline of recommended policies

The following policy recommendations have been split up according to development type or policy theme. This mix seeks to best ensure the utmost ease of policy implementation, considering the roles of developers/applicants and the Development Management team to respectively demonstrate and assess policy compliance.

This section sets out policy recommendations for:

- A. Net zero (regulated and unregulated operational carbon) new build residential development**
- B. Net zero (regulated and unregulated operational carbon) new build non-residential development**
- C. Overheating in new buildings**
- D. Embodied carbon**
- E. Retrofitting existing buildings**

The recommended policies are organised in ‘modules’ which reflect requirements across the sub-sections of the title policy’s objective. TRDC may choose to redraft or relabel how the modules appear in the Local Plan, for example 1.1 could be expressed as 1a, and we leave this at the Council’s discretion according to how other local plan policies are presented. However, it is noted that the order of the modules are fixed, as to ensure that measures are undertaken sequentially, for example policies A, B and E align with the energy hierarchy.

Beneath each of the above policy recommendations, we provide commentary assessing the following:

- **Scope for future improvements in next local plan review**
- **Alignment with national policy (including 2023 WMS)**
- **Implementation considerations**
- **Development industry capability to deliver policies**
- **Development Management capability to assess policies**
- **Costs and feasibility**
- **Co-benefits**

A. Net zero operational carbon in new build residential development

All new build dwellings (use class C3 and C4) are required to meet the following requirements:

A1.1 Part L % improvement	<p>At least a 63% improvement (reduction) on Part L 2021 TER (Target Emissions Rate), from energy efficiency measures.</p> <p>Heat pumps are to be calculated as an energy efficiency measure, rather than a renewable energy measure.</p> <p>As a measure in aid of this TER target, achieve an improvement (reduction) on Part L 2021 TFEE (Target Fabric Energy Efficiency) as follows:</p> <ol style="list-style-type: none"> 1. End terrace: at least a 12% improvement 2. Mid terrace: at least a 16% improvement 3. Semi-detached: at least a 15% improvement 4. Detached: at least a 17% improvement 5. Bungalow: at least a 9% improvement 6. Flats / apartments: at least a 24% (weighted average, whole block) improvement <p>All of the above should be calculated using SAP10.2 or later version (or the Home Energy Model, HEM, once it has been implemented).</p> <p>In the event national building regulations exceed the requirements of this policy, the national standards (i.e. the higher standards) would apply.</p>
A1.2 Energy metrics guidelines	<p>Or –</p> <p>Positive weight will be given to development proposals which can demonstrate the following absolute energy metrics are met:</p> <ul style="list-style-type: none"> • Total Energy Use: 35 kWh/m²/year • Space heating demand: 15 kWh/m²/year <p>Performance in these targets must be evidenced using a methodology that accurately predicts buildings' operational energy use. Suitable methodologies include the Passivhaus Planning Package (PHPP). Where a building achieves Passivhaus certification, it will be deemed to have complied with these targets.</p>
A2 No fossil fuels	<p>The use of fossil fuels and connection to the gas grid will not be considered acceptable.</p>

¹ Exceptional circumstances where an on-site net zero energy balance is not achieved may only be found acceptable in some cases, for example with taller flatted buildings (4 storeys or above) or where overshadowing significantly impacts solar PV output.

A3 On-site renewable energy	<p>On-site annual renewable energy generation capacity (in kWh) at least equal to the predicted annual total regulated and unregulated energy use (residual energy use in kWh <i>after</i> A1.1 has been achieved, <i>plus</i> unregulated energy use).</p> <p>Where an on-site net zero regulated and unregulated energy balance is not possible¹, it should be demonstrated that the amount of on-site renewable energy generation equates to at least 120 kWh/m²projected building footprint/year.</p> <p>Where a building in a multi-building development cannot individually achieve the requirements of A3, this shortfall is to be made up across other units on-site. Innovative solutions, for example utilising PV canopies on car parks or solar PV on communal buildings should demonstrated before carbon offsetting A4 is considered.</p> <p>Regulated and unregulated energy use can both be calculated with Part L SAP or BREDEM, but a more accurate method such as PHPP is advised. Any other proposed methods are subject to Council confirmation of acceptability.</p> <p>The annual renewable energy generation and the annual energy use are whole-building figures, not per-m² figures.</p> <p>Renewable energy output should be calculated in line with MCS guidance for the relevant technology (expected to be PV in most cases).</p>
A4 Energy offsetting	<p>Only in exceptional circumstances and as a last resort where it is demonstrably unfeasible to achieve an on-site net zero regulated and unregulated energy balance, any shortfall in on-site renewable energy generation that does not match energy use is to be offset via S106 financial contribution, reflecting the cost of the solar PV that will need to be delivered off-site.</p> <p>The energy offset price is set as £2.31/kWh, based on cost of solar PV data from the Department for Energy Security and Net Zero, and includes inflation and a 10% margin to enable administration of the offset fund to deliver off-site solar PV by the Council or its appointed partners. The price should be revised annually. This is set as a one-off payment, where the annual shortfall</p>

	in on-site renewable energy generation is multiplied by the energy offset price. This amount does not need to be multiplied by any number of years.
A5 Reduced performance gap	An assured performance method must be implemented throughout all phases of construction to ensure operational energy in practice performs to predicted levels at the design stage.
A6 Smart energy systems	<p>Proposals should demonstrate how they have considered the difference (in scale and time) of renewable energy generation and the on-site energy demand, with a view to maximising on-site consumption of energy generated on site and minimising the need for wider grid infrastructure reinforcement.</p> <p>Where the on-site renewable energy generation peak is not expected to coincide with sufficient regulated energy demand, resulting in a need to export or waste significant amounts of energy, proposals should demonstrate how they have explored scope for energy storage and/or smart distribution systems. The purpose being to optimise on-site or local consumption of the renewable energy (or waste energy) that is generated by the site. Where appropriate, proposals should demonstrate that they have integrated these to optimise these carbon- and energy-saving benefits and minimise the need for grid reinforcements.</p> <p>This may include smart local grids, energy sharing, energy storage and demand-side response, and/or solutions that combine elements of the above.</p>
A7 Post-occupancy evaluation	Large-scale development (100 units or more) is to monitor and report total energy use and renewable energy generation values on an annual basis. An outline plan for the implementation of this should be submitted with the planning application. The monitored in-use data are to be reported to the local planning authority for 5 years upon occupation.

Supporting text and notes

Policy elements A1, A2 and A3 are to be addressed at the design and post-completion stages, to ensure that the development has been built to intended standards. Post-completion resubmission of the original energy statement including energy performance calculations, informed by the relevant tests to systems and fabric, should be required as a condition as part of the planning application process. A5 and A7 compliance should also be demonstrated post-completion through planning condition.

A1 – A7 are to be demonstrated at the planning application stage through submission of an energy statement, which should include associated output reports from energy modelling software (e.g. SAP, BREDEM, PHPP, or HEM when available for general use).

About the non-mandatory energy targets in Policy A1.2

Achievement of these energy efficiency performance levels will reduce the amount of solar PV required under A3 for an on-site net zero balance. This can save the applicant costs in renewable energy provision and/or energy offsetting.

Performance against these non-mandatory targets would need to be calculated using a method that accurately predicts energy use. SAP is not suitable for this due to its poor predictive accuracy in the context of high-performance buildings. PHPP (Passivhaus Planning Package) is a suitable methodology, as it is widely recognized for its precision in predicting energy performance, particularly for low-energy buildings. Unlike SAP, PHPP has a proven track record of providing accurate energy use and heating demand predictions, ensuring that the development can meet its energy efficiency targets and reduce operational energy consumption effectively.

The Council may subsequently take a view on whether the incoming Home Energy Model (HEM) may be suitable, when HEM's final form is known

A2 No fossil fuels

This policy module prohibits the use of fossil fuels within the operational phase of the development, specifically for energy purposes within the buildings, including heating, hot water, and electricity. The intent is to ensure that the development aligns with sustainability goals, reducing reliance on fossil fuels and supporting the transition to low-carbon energy sources.

The restriction on fossil fuels does not apply to their use in construction activities or transport. These areas may be addressed separately, in line with broader sustainability and carbon reduction strategies.

Steps to calculating and narrating amount of renewable energy provision

Policy A3 should contain the following steps, to be expressed in an energy statement:

- First calculate the total predicted annual energy use in kWh for all proposed new buildings (whole buildings, regulated and unregulated, after all the measures proposed in the application towards compliance with Policy A1).
- This can be modelled using SAP, BREDEM (the methodology on which SAP is based), or PHPP. PHPP is the preferred model due to its accuracy, to avoid SAP's inaccuracies at predicting actual energy use in operation (SAP underestimates space heat demand, overestimates unregulated energy, and may overestimate hot water use). The Council may later take a view on whether the incoming Home Energy Model (HEM) is a suitable method for energy use prediction when the final form of HEM is available.
- Then calculate the annual renewable energy generation for whole site in accordance with the MCS guidance for the relevant renewable energy technology (anticipated to be solar PV in most cases as this is typically the most suitable technology in an urban setting). This does not have to be exclusively on the buildings themselves, and can include provision of new standalone renewable energy installations within the site. The figure does not include renewable heat delivered by heat pumps, as that would count instead towards Policy A1.

- Deduct the annual renewable generation from the annual energy use. The result should be zero or less.
- If the result is not zero or less, explore how to provide more on-site renewable energy (for example through an adjustment to roof orientation, and ensuring PV area provision has been explored up to at least equivalent of 70% of projected building footprint including roof overhangs and with reasonably efficient panels available on the market).
- If it proves unfeasible to increase renewable energy generation on-site to result in an annual balance of energy generation with energy use, then divide the total annual renewable energy generation by the building footprint. This result should be at least 120kWh. If this is impossible, provide evidence as to why this is not possible even with a PV area equivalent to 70% of projected building footprint and reasonably efficient panels available on the market.
- Calculate the residual energy demand (whole building, not per m²) for all proposed new buildings after all measures proposed towards policies A1 and A3, then proceed to use this figure to calculate the required amount of offsetting provision in policy A4.

The 120 kWh/m² figure serves as a fallback requirement for developments that cannot achieve a net-zero energy balance on-site through renewable energy generation. If a development cannot generate enough renewable energy on-site to balance the total regulated and unregulated energy use (as calculated after fabric efficiency improvements in Policy A1.1), the policy requires the renewable energy generation to meet a minimum of 120 kWh per square meter (m²) of projected building footprint per year. This ensures that, even if the ideal net-zero energy generation balance cannot be achieved, a significant portion of energy demand is still met by on-site renewable generation.

Applicants should demonstrate compliance with this fallback target by providing a clear calculation of the renewable energy generated per square meter of the projected building footprint. This can be demonstrated in the Energy Statement by

- Renewable energy system design, such as PV layouts, system capacities, and expected energy outputs.
- Calculation of the renewable energy generated based on these designs, ensuring it meets or exceeds the 120 kWh/m² threshold for the total projected building footprint.

If the 120 kWh/m² target cannot be met, the applicant must provide evidence explaining why, even with renewable energy provision up to the equivalent of 70% of the projected building footprint (including roof overhangs), it is unfeasible to meet this threshold. This should include details on the constraints (e.g., site limitations, technical or financial barriers).

This ensures that, even in cases where an on-site net zero energy balance isn't possible, a robust proportion of energy demand is met through renewable energy, aligning with the broader policy goals.

What Applicants Should Do if They Can't Meet A1.1 and A3:

If applicants are unable to meet the requirements of Policy A1.1 (fabric efficiency) and Policy A3 (on-site renewable energy), they must demonstrate compliance through the energy hierarchy:

1. Fabric efficiency (A1.1 – Be Lean): The first step is reducing energy demand through fabric efficiency measures (e.g., insulation, airtightness, efficient windows). If these measures can't

be met due to technical or site-specific constraints, applicants should provide clear evidence (e.g., feasibility studies or cost analyses) to justify why.

2. Renewable energy (A3 – Be Green): After addressing fabric efficiency, applicants must meet energy needs through on-site renewable energy generation. If fabric efficiency measures cannot be fully met, applicants can look to increase renewable energy provision, but they must still comply with overarching policy objectives.
3. Submission requirements: Applicants should submit an energy statement that includes:
 - Predicted energy demand (kWh/year).
 - Proposed renewable energy contributions (e.g., PV output in kWh/year).
 - The percentage of energy demand met by on-site renewables.
 - Evidence of site-specific constraints preventing full compliance.

About the offsetting calculation

The offset is a one-off payment, calculated by multiplying the annual shortfall in on-site renewable energy generation (in kWh) by the energy offset price (£/kWh). This represents the upfront cost of installing the equivalent renewable energy capacity that the developer has not provided on-site. Since it's a one-time contribution to cover this capital cost, it only reflects one year's shortfall—there's no need to factor in the building's lifetime or ongoing energy use.

The offset price (£2.31/kWh) is based on the national cost of solar PV deployment as published by the Department for Energy Security and Net Zero (DESNZ). This price reflects the average cost of delivering solar PV (including installation), adjusted to include inflation and a 10% uplift to support fund administration and delivery of offset projects. The Council may revise the offset price annually to reflect updated DESNZ cost data.

A supporting spreadsheet calculator can be created if helpful to support future updates.

Flexibility in applying the offsetting requirement may be considered where it is robustly demonstrated that full offsetting would make social or affordable housing unviable due to site-specific costs that exceed assumptions in the Whole Plan Viability Assessment. In these cases, the Council may consider:

- Reducing the scope of energy to be offset, or
- Applying a discounted offset price where the Council is confident it can still deliver the equivalent renewable generation via the offset fund.

This flexibility would apply only to affordable housing. Market housing in mixed-tenure schemes should be expected to meet the full offset cost. Any proposed flexibility must be justified with clear viability evidence and will be assessed on a case-by-case basis.

About assured performance methods

These are processes to follow throughout design, construction, commissioning and building handover that reduce the energy performance gap (the gap between predicted energy use and actual energy use). These not only help keep the building's actual carbon emissions to a minimum (as opposed to their predicted emissions using inaccurate methods like SAP), but they also help to ensure occupant satisfaction. Suitable methods include [BSRIA Soft Landings](#), [NEF/GHA Assured Performance Process](#), and [Passivhaus certification](#). Other processes may be available or become

available during the course of the plan. Alternative processes proposed by the applicant will be subject to consideration by the Council about their evidence-based merits. There are also some additional tools in the industry which are not in themselves an assured performance process but can assist in improving the energy performance of a building in-use, such as [BS40101](#).

Applicability to outline applications

Compliance with the policies will be conditioned at outline stage and must be confirmed in detailed reserved matters. However, the Council accepts that the degree of detail provided in the outline energy strategy will be less than for full and reserved matters applications. It is also recognised that this means the outline energy calculations may be largely based on assumptions. The aim should be to demonstrate that options have been identified by which the development could comply with the policy targets, taking into account the broad mix of anticipated floorspace, typologies and site conditions. Statements made about estimated carbon and energy performance based on a high degree of assumptions at outline stage should be reassessed at detailed reserved matters, albeit the reserved matters may diverge in *how* the required compliant performance will be achieved.

Where more detail is known, it should be reflected in the outline application; for example if expecting to connect to a site-specific low-carbon energy source. For a further example, if expecting a limited number of repeated home types, then the energy modelling would ideally reflect similar archetypes and identify a specification by which they could meet the policy targets for energy efficiency and renewable energy (taking into account site conditions). The modelled homes could reflect, for example, a sample of a relevant housebuilder's 'products' most likely to be built on site. This exercise benefits the developer in that it gives an early understanding of the degree of amendment needed to their existing regular specifications, allowing them to set up supply chains and economies of scale well in advance of commencing on site, as outline proposals typically are large-scale and take several years from outline application, to detailed design, to commencement.

Outline applications' estimated offsetting contribution should be stated in the outline Energy Assessment. These will be subject to a Section 106 agreement, but not paid at the time of the outline application. In that case the offset contribution must be recalculated within the subsequent reserved matters application, and paid on or prior to commencement of works on site for the reserved matters scheme. The reason for payment into the offset fund prior to commencement of works is so that the offset fund administrators are able to deliver the offset projects on a timescale not too dissimilar from the timescale for completion and occupation of the development. The aim is to enable, wherever possible, the offsetting project to be producing renewable energy no later than the development's occupants begin to place their demands on the grid.

Scope for future improvements

Policies A1 and A1.2 could be improved by introducing mandatory target values for Energy Use Intensity and space heating demand, by ensuring that A1.2 became a compulsory requirement of the policy, if found to be feasible and viable in subsequent local plan iterations.

Alignment with national policy

All of the policy modules are aligned with national policy since their implementation works towards achieving the legally-binding UK target of net zero by 2050, as set out in the Climate Change Act 2008,

and carbon budgets subsequently legislated under the aegis of that Act. These associated carbon budgets are linked to the Climate Change Committee's Balanced Pathway to Net Zero report, which in turn is supported by [analysis](#) that sets out that all new buildings must be net zero by 2025. Furthermore, the 2050 net zero target is now specifically referenced in the NPPF under paragraph 161.

The Planning and Energy Act 2008 sets out that local standards for energy efficiency in new homes are able to exceed those set in Building Regulations. Detail on why objections in relation to this local planning authority power are invalid is set out in detail [previously in this report](#).

In the context of the 2023 WMS, explored in detail in a [previous section](#), the A-suite of policies are fully compliant with the perceived constraints it poses. The WMS only applies to energy efficiency standards, where it states that any standards that exceed Building Regulations must be done so using the TER metric. A1 is the only policy recommendation that relates to the energy efficiency perceived constraints of the 2023 WMS and remains within its bounds through the use of TER % reduction as the primary metric. The TFEE target is not additional to, but is a step towards, that TER target.

The 63% reduction target on Part L 2021 TER is set to align with national policy in that it is in line with the Future Homes Standard (as the Government has stated that the FHS TER will be a ~75% reduction on the Part L 2013 TER, and that the Part L 2021 TER is a 31% reduction on the 2013 TER. This ~75% figure has remained constant through both rounds of FHS consultation to date (2019-21 and 2023/24). Correspondingly, the TFEE target is set to align with the performance of a home that achieves that TER target via the indicative FHS specification set out by the Government in the 2019-21 FHS consultation. This is necessary in order to reduce the space heat demand (which is necessary for the achievement of the UK's carbon budgets). It is also necessary in order to protect the resident from excessive energy bills and potential fuel poverty, as the [latest FHS consultation](#) indicated that the FHS carbon target could be achieved just with a heat pump and no fabric improvements, resulting in heating bills approximately double those of a current new build home. See previous citations for FHS consultations throughout this report, and/or see separate summary appendix of evidence sources.

A2 is aligned to the Government's direction of travel indicated by both the options proposed in the Future Home Standard 2023 consultation, in that no fossil fuel heating systems are proposed. A3 and A4 are not impacted because they address renewable energy, which is out of scope of the 2023 WMS.

Implementation considerations

To support these policies, it is vital that supplementary guidance is provided for the benefit of Development Management officers and the development industry. This is particularly important for A1, A1.1, A2, A4 and A5 because specific information for policy compliance must be set such as:

- Examples of assured performance
- Acceptable scenarios where exceptional circumstances are valid for A3 and A4
- Methodologies and assumptions for energy performance calculations (this could explore in more detail the suitable methodologies outlined within the suggested policy text above).

Implementation may also be aided by setting validation criteria/checklist for applications to ensure they are including the right information with their planning application. Examples of SPD's and checklists which are comparable are: [Warwick Net Zero Carbon Buildings SPD and Pro-Forma](#) and [Nottingham & Broxtowe Reduction of Carbon in New Buildings SPD](#) (currently under consultation).

Information on the mechanisms of energy offsetting for A4 will need to be included in a planning document that addresses planning obligations.

For A3, renewable energy installations will need to be accompanied with calculations of expected outputs required under the policy by an MCS certifier, which should be set as a planning condition. This is to ensure renewable energy technology has been correctly installed and operates at the predicted output sufficient to deliver an on-site net zero energy balance.

Industry capability

Assuming TRDC undertakes appropriate engagement with developers operating in the area throughout the local plan process, the local development industry should be well prepared to deliver on these policies. The policies require additional levels of skill to be applied through design and construction phases but do not introduce any new skills not currently known and utilised by developers.

The standard of insulation and glazing typically required to achieve A1 are aligned to those set out in the indicative specification for the Future Homes Standard (FHS). Therefore, the development industry should be well prepared to deliver on these policies, particularly as the FHS is understood to be planned for implementation in 2025, and the TRDC Local Plan planned for adoption in 2026.

The target of 120kWh/m² building footprint/year was selected having regard to several other local plans' energy modelling evidence ([Central Lincolnshire](#), Essex^{Error! Bookmark not defined.}, South Oxfordshire & Vale of White Horse^{Error! Bookmark not defined.}) which has evidenced that a target of 120kWh/m²/year in those locations with a PV area approximately equivalent to 60-70% of the building footprint area using current typical PV panels (and the area required will reduce as PV technology improves in future).

Development Management capability

The capability of Development Management officers to accurately assess these policies is reliant on the degree of training and guidance documents available. It is essential that officers have guidance on hand to assess policies against to ensure that compliance is achieved in accordance with methodologies set out in a subsequent guidance document. Specific upskilling of at least one officer on climate change policies to gain a technical understanding will greatly assist the overall ability of the team to assess policy compliance.

Training for Development Management officers on technical processes involved with net zero carbon development can strengthen internal capabilities to assess whether applications may have submitted over-optimistic building performance values for the sake of policy compliance. These may include:

- Understanding of modelling techniques and tools (e.g. SAP/SBEM)
- Building elements energy performance values (e.g. U-values)
- Low- and zero-carbon heating and ventilation systems/technologies
- Orientation, form factor and design features for solar PV generation

² This is what the Future Homes Hub termed "contender specification 1" or 'CS1'. This is very similar to the "FHS Option 2" specification that Government recently consulted upon in their Future Homes Consultation 2023-2024.

Costs and feasibility

Policies A1 and A2 are aligned with the [Future Homes Standard 2023 consultation](#) Option 2, and with the Future Homes Hub Contender Specification "CS1" and "CS2" detailed in their [Ready for Net Zero report](#) (and associated [Appendix F](#)). The TFE improvements are aligned with the Government's previously indicated FHS specification (released in 2021) as evidenced through the Future Homes Hub report cited above (see scenario 'Ref25' within that report). The 63% TER reduction on Part L 2021 is equivalent to a 75% reduction on Part L 2013 and is proven to be feasible through fabric and energy efficiency standards, and installation of a heat pump – i.e. no solar PV is required to achieve the % TER reduction.

In practice, these requirements have been demonstrably feasible, an example from Warwick see the case study on [Gallows Hill council housing scheme](#) (77-80% reduction on Part L 2013). This development by Vistry Partnership did include some contribution from solar PV, but the Future Homes Hub evidence cited above shows that the same reduction could still be achieved without solar PV given further fabric and energy efficiency improvements.

In the Future Homes Hub Ready for Net Zero report cited above, the following TER reductions on Part L were shown to be feasible with the least ambitious of the specifications tested in that report:

Type of home	% reduction on Part L 2013 TER (Future Homes Hub Fig. 115; p154)	% reduction on Part L 2021 TER (derived from Future Homes Hub appendix F)
End terrace	78%	67%
Mid terrace	77%	66%
Semi-detached	76%	67%
Large detached	75%	66%
Bungalow	76%	58%
Low-rise flat	76%	66%
High-rise flat	76%	69%

All of the above except 'Bungalow' exceed the requirement set by the draft TRDC policy. These reductions were modelled to be achieved by a building with equal or slightly worse fabric than today's Part L 2021, but have an air-source heat pump instead of a gas boiler².

The feasibility of Policies A1 and A2 is further evident through the tested archetype scenarios in the Future Homes Hub Report and the promotion of very similar standards in the 2023 FHS consultation.

However, the draft TRDC policy includes an element of fabric improvements, to ensure that residents are not subject to a doubling of energy costs that the Future Homes Standard consultation has conceded would occur if this %TER reduction is achieved solely through the addition of a heat pump. This is still feasible (as demonstrated through the Future Homes Hub report cited above) but costs will

be different if the %TER reduction were achieved solely through electric heat. Therefore, it is proposed to test cost uplift estimates that include an element of fabric improvement as a step towards the %TER reduction. Using averages of costs estimated in various different sources, the cost uplift over a Part L 2021 baseline for **Policies A1 and A2** for **houses** is estimated to be 0.78% for fabric measures and 1.59% for the heat pump installation, combining together to result in a **2.37% cost uplift** – this aligns with the 2% stated for CS1 in the Ready for Net Zero report. For **flats**, the estimated cost uplift for **Policies A1 and A2** is estimated to be **3.7%**.

Policy A3 is estimated to bring an **additional 2.5% cost uplift** over Part L 2021, for **houses**. This is a minimal cost uplift because the Part L 2021 baseline specification already includes 40% of roof space covered by solar PV (which has been estimated in the evidence base of South Oxfordshire & Vale of White Horse^{xxx} to match approximately 60% of the total energy use of a house that meets the Future Homes Standard version released by Government in 2021, as previously cited). Therefore, only a small additional amount of PV is required in order to fulfil the policy.

For **flats**, the equivalent % uplift for on-site PV will vary by height of the block (more floor space for more storeys equals more energy use, but without increasing the roof space available for PV). This means that the taller the building, the higher the amount of energy use not met by the onsite PV. However: For a 4-storey block of 16 flats of TRDC's average new build flat size, plus circulation space, the PV cost (assuming 70% of footprint area) is estimated to be between 0.9-1.2%, plus a pessimistic³ estimated further 2.5-3.6% for offset payments (the range of figures stated here depends on how the floor space is calculated). Combined cost for **policy A3** in flats is estimated at circa **4.2%**.

The **overall cost uplift** for A-suite policies for houses is therefore reasonably estimated to be **4.87% in houses** or **7.9% in flats**. This could be rounded up to 5% (houses) or 8% (flats) to give headroom to any site-specific constraints that hinder a development's ability to meet the policy requirements. For flats, this figure will vary more as it depends strongly on the height of the building.

Feasibility of Policy A3 is demonstrated by evidence bases cited elsewhere in this report including South Oxfordshire and Vale of White Horse (2023^{xxxii}), Central Lincolnshire (2021^{xxxiii}) and Essex^{xxxiii}. These show that it is possible to match total energy use, including unregulated, on a variety of residential building types up to about 3-4 storeys that meet best practice energy efficiency standards. They also show it is possible to do this in buildings taller than this if optimal energy efficiency is achieved and/or the roof is optimised for PV generation (for example, a monopitch roof facing south). Buildings above this height may struggle to match their own energy use on site and therefore a height over 4 storeys may be considered an acceptable reason for at least partially following the offset route rather than complying entirely on-site.

The feasibility of meeting policy A3 on site will vary by the height of the building. Lower-rise buildings will find it more feasible because they have more roof space (for PV) compared to floor space. Where this becomes a problem, the policy suite offers an alternative route to compliance through Policy A4 (energy offsetting).

³ The pessimistic assumptions were that shared/circulation area has the same energy demand per m² as the dwellings (resulting in a higher-than-realistic energy demand) and a further pessimistic assumption that none of the panels face directly south (resulting in a lower-than-optimal solar PV output, resulting in a need for more offsetting). This resulted in a larger-than-likely offset payment required – which is more expensive per kWh than on-site PV provision, because the offset price includes a 10% margin to allow administration of the fund and implementation of the offsite PV provision. Additionally, it used total energy use estimations published by the

Finally, it is feasible to calculate total energy use. Developers are familiar with providing SAP calculations to legally comply with Part L of building regulations. Part L SAP is mainly focussed on the *regulated* part of energy use, but can also give a figure for *unregulated* energy, albeit SAP overestimates this as it is based on outdated appliance efficiency rates (see [2021 evidence of Cornwall local plan](#)). Therefore, if SAP is used to calculate the unregulated energy, it will overstate the amount of PV needed to meet it. This [may be solved in HEM, the incoming replacement for SAP](#). Meanwhile, other more accurate tools for modelling total energy are available including [PHPP](#).

The full range of total energy consumption calculated using SAP10.2 in the Future Homes Hub Ready for Zero report, for a home that meets the Policy A1 requirements⁴, is 42 to 60kWh/m²/year depending on the type of home. This is not dissimilar to the 69kWh/m²/year EUI estimated for a home meeting the same specification modelled using PHPP in the South Oxfordshire and Vale of White Horse evidence base referenced above. That South Oxfordshire evidence also showed that the home with that 69kWh EUI could meet about 60% of its own energy use with onsite PV of an area equivalent to about 40% of the home's footprint. Translating this up to 100% of energy use would therefore be feasible using an area of PV equivalent to about 69% of the house's footprint. The home can therefore more than meet its own energy demand on-site if the PV provision is equivalent to 70% of building footprint. This equates to an output of only 108 kWh/m² building footprint/year. Houses are therefore not expected to need to match the Policy A3 alternative target of 120kWh/m²/year, as they can already feasibly match their own energy use (becoming net zero operational energy) with a lower proportion of PV.

Due to the 2023 WMS constraints, particularly the discouragement of the use of absolute energy metrics – Energy Use Intensity and space heating demand – the policy recommendations above do not directly limit energy use, which would have assisted developers in designing towards an on-site net zero regulated balance because the amount of solar PV would be matched to the clearly stated energy use limit. However, even in the absence of these effective best-practice metrics, reducing energy use should be the main priority of the developer to best enable feasibility of sufficient solar PV to match regulated energy use. Reducing energy use directly benefits the subsequent building occupant but also the developer, as shown by a comparison of costs below.

To compare the cost differential between prioritising energy use reduction or relying on solar PV to achieve a net zero balance, we look at two scenarios for a semi-detached house:

- On-site net zero building with energy use of **69 kWh/m²/year** (as modelled^{xxxiv} in a semi-detached home that meets the FHS indicative specification released by Government in 2021)
- On-site net zero building with energy use of **32 kWh/m²/year** (as modelled^{xxxiv} to be feasible in a semi-detached home using best-practice fabric and heat pump).

For scenario 1 to achieve on-site net-zero status, it would have to install over double the amount of rooftop solar PV than scenario 2. Scenario 2 achieves its lower energy use through better specification of U-values and improved air tightness of scenario 1. There are higher costs associated with specifying

Future Homes Hub that were modelled in SAP, which overestimates unregulated energy demand because it is based on outdated appliance efficiencies.

⁴ Several different “contender specifications” were modelled in the cited Future Homes Hub ‘Ready for Zero’ report. The one we assume to meet the Policy A1+A2 specifications is “Ref25”, which represents the FHS indicative specification published by Government in 2021, as previously cited.

higher performance fabric values for scenario 2 compared to the inefficient energy use of scenario 1. However, the same argument applies to higher solar PV costs to achieve net zero on-site for scenario 1. Interestingly, the cost uplifts over Part L 2021 for both scenarios are extremely close at 4.8% (scenario 1) or 4.6% (scenario 2). The capital costs of scenarios 1 and 2 are respectively **£161,248 and £160,987**, in the Oxfordshire context, inferred from the South Oxfordshire and Vale of White Horse 2023 costs evidence base^{xxxv}.

It is evident that both scenarios are feasible and effectively equal in cost, although the best practice scenario 2 is in fact less costly. Therefore, developers have a clear incentive to design new buildings to best practice energy standards that maximise all opportunities for energy use reduction. It is the responsibility of the developer to reduce energy use to levels that are known to be feasible to enable a regulated net zero building. This shows that although the TRDC policy is expressed as % TER reduction (so as to appease the WMS2023), developers can instead make smarter choices to achieve the policy's overarching 'net zero' standard by making smarter choices to design according to EUI targets, rather than purely by designing for % TER reductions.

Local authorities, including TRDC, feel constrained to the perceived boundaries of the 2023 WMS and have therefore not decided to select a policy approach that prioritises the use of fixed metrics that would specifically limit energy use to absolute targets (such as EUI and space heat demand). However, above we have demonstrated that reducing energy use to best practice levels can in fact result in a lower cost uplift in achieving a net zero building than if energy use reduction was neglected.

No additional cost uplift is assumed for A5 because the offset price is set as to the exact cost of solar PV that was assumed for the A3 cost uplift. Therefore, no change in cost is evident between installing a sufficient amount of solar PV on-site or off-site.

Value uplift

There is evidence that increased energy efficiency in homes, as sought by policies A1-A2, delivers a value uplift which could be offset against the cost uplift to aid the viability of the scheme. This was evidenced in a [2021 study by Lloyds/Halifax^{xxxvi}](#), which looked at actual home sale value across all regions of England and Wales, not just surveys of willingness to pay. It expressed the sale value uplift in terms of the % difference between EPC bands. The increase is greater between EPC bands at the lower end (for example a 3.8% value increase from EPC G to EPC F) but there is still an uplift between higher bands (an uplift of 2% from EPC C to EPC B, and an uplift of 1.8% from EPC B to EPC A). All of these values are the average across England and Wales; however, the study confirms that the uplift was evident in all regions and therefore should be reasonably applicable to TRDC.

Please note that increased sale value does not necessarily translate proportionally into increased cost of owning and running a home, thanks to the running cost savings on energy bills that can be achieved via the improved energy efficiency (draft policy A1.1 and A1.2) and the on-site solar generation (draft policy A3).

Co-Benefits

As previously outlined, there are benefits to occupants from setting the policy requirement A1 and A2, as to ensure that occupant bills are not excessive from the costs of running a low carbon heat system (e.g. electrified system) by reducing the overall heating demand through an improved fabric efficiency.

Combined with recommended policy C, this suite of policies aims to support new buildings which can support occupant health and well-being by creating more comfortable buildings and greater comfort with less fluctuation in temperatures and reducing financial stress (occupant bills costs). Additionally, improved energy efficiency in homes translates into fewer retrofit needs over time, reducing the future financial burden on homeowners to upgrade their properties to meet evolving energy standards.

The drive for improved fabric efficiency has dual benefits both from a cost perspective, but also from an embodied carbon perspective as materials do not need to be replaced in a relatively short timescale. By ensuring buildings are future-proofed during the construction stage, policies A1 and A3 actively support the objectives of policy D, which aims to minimize the whole-life carbon footprint of new buildings. The policies work in tandem to reduce the environmental impact over the building's lifespan, aligning with broader net zero ambitions. By reducing energy demand these policies can directly address fuel poverty. Lower-income households stand to benefit from reduced energy bills, which can free up income for other essential needs. Tackling fuel poverty is a key social benefit that aligns with TRDC objectives and wider government goals to improve living standards, particularly in vulnerable communities.

Additionally, policy A3 would ease local grid stress by promoting on-site renewable energy generation, thereby matching energy demand more efficiently. In cases where full on-site generation isn't feasible, policy A4 ensures any remaining energy demand is met through district-wide offsetting initiatives. This helps local authorities meet net zero goals while minimising reliance on external energy sources.

The benefits extend further when combined with policy A6, which promotes the use of smart energy systems. These systems enable buildings to store and use energy during optimal periods, reducing grid demand during peak times. For example, smart systems could manage the timing of electric vehicle (EV) charging or coordinate the use of high-energy appliances (e.g., washing machines or dishwashers) to coincide with periods of lower energy demand or higher renewable energy generation.

While upgrades to local electricity infrastructure may be required to accommodate the increased demand from electric vehicles and electrified heating systems, such upgrades are already anticipated as part of broader infrastructure planning. These improvements would largely replace the need for investments in outdated gas infrastructure. As a result, costs associated with these upgrades are not considered additional burdens but rather necessary steps in the transition away from fossil fuels. By promoting on-site renewable energy generation and energy storage systems, homes reduce dependence on external energy sources, which can be subject to price volatility and supply disruptions. This enhances the resilience of households to energy price hikes or shortages, offering greater energy security.

Furthermore, the policy suite reduces reliance and use of fossil fuels, especially natural gas for heating and cooking, leading to fewer emissions of pollutants like nitrogen oxides (NOx) and particulate matter (PM). This improvement in local air quality can have significant public health benefits, reducing respiratory issues such as asthma and cardiovascular diseases among residents. In key AQMA areas this can also help TRDC meet air quality targets.

Lastly, the requirement for homes to comply with this suite of policies helps stimulate the development of local skills and supply chains, contributing to growth in the green economy. By fostering demand for expertise in low-carbon construction techniques, renewable energy installation, and smart home technologies, the policies create new job opportunities and support local economic



resilience. This approach aligns with the UK's wider economic goals for a just transition to a net zero economy, ensuring that the move towards sustainability also delivers social and economic benefits to communities.



B. Net zero (regulated operational carbon) in new build non-domestic development

All new build non-domestic development is required to be net zero carbon in operation (regulated energy) through the following requirements:

B1.1. Part L % improvement	<p>% improvement on Part L 2021TER (or equivalent reduction on future Part L updates), through on-site measures as follows:</p> <ul style="list-style-type: none">• Offices: at least 25% improvement• Schools: at least 35% improvement• Industrial buildings: at least 45% improvement• Hotels (C2, C5) and residential institutions (C2, C2a): at least 10% improvement• Other non-residential buildings: at least 35% improvement <p>In the event national building regulations exceed the requirements of this policy, the national standards (i.e. the higher standards) would apply.</p>
B1.2 Energy metrics guidelines	<p>Positive weight will be given to applicants who can demonstrate the following absolute energy metrics:</p> <ul style="list-style-type: none">• Total Energy Use: 65 kWh/m²/year• Space heating demand: 15 kWh/m²/year <p>Employing absolute energy metrics reduces the amount of solar PV required under B3 for an on-site net zero balance of regulated energy. Applicable methodologies to calculate this include CIBSETM54 and the Passivhaus Planning Package (PHPP). At present, the Part L calculation method (SBEM) is not considered suitable as it does not provide accurate predictions of a building's actual energy use.</p>
B2. No fossil fuels	<p>The use of fossil fuels and connection to the gas grid will not be considered acceptable.</p>
B3. On-site renewable energy	<p>On-site annual renewable energy generation capacity to at least equal predicted annual total regulated energy use (residual energy use after B1.1 has been achieved). In buildings subject to Part L's requirement for energy forecasting, that forecasting should be the source of the 'annual total regulated energy' figure.</p> <p>Where an on-site net zero regulated energy balance is not possible⁵, it should be demonstrated that the amount of on-site renewable</p>

⁵ Exceptional circumstances where an on-site net zero energy balance is not achieved may only be found acceptable in some cases, for example with taller flatted buildings (4 storeys or above) or where overshadowing significantly impacts solar PV output.

	<p>energy generation equates to >120 kWh/m²projected building footprint/year.</p> <p>Where a building in a multi-building development cannot individually achieve the requirements of B3, this shortfall is to be made up across other units on-site before carbon offsetting (B4) is considered.</p> <p>Development should demonstrate that opportunities for on-site renewable energy infrastructure (on-site but not on or attached to individual buildings), such as solar PV canopies on car parks, have been explored.</p>
B4. Energy offsetting	<p>Only in exceptional circumstances and as a last resort where it is demonstrably unfeasible to achieve an on-site net zero regulated energy balance, any shortfall in on-site renewable energy generation that does not match regulated energy use is to be offset via £106 financial contribution, reflecting the cost of the solar PV delivered off-site.</p> <p>The energy offset price is set as £2.31/kWh. This price is based on cost of solar PV data from the Department for Energy Security and Net Zero, and includes inflation and a 10% margin to enable administration of the offset fund to deliver off-site solar PV by the Council or its appointed partners. The price should be revised annually. This is set as a one-off payment, where the shortfall in annual on-site renewable energy generation is multiplied by the energy offset price. This amount does not need to be multiplied by any number of years.</p>
B5. Reduced performance gap	<p>An assured performance method must be implemented throughout all phases of construction to ensure operational energy in practice performs to predicted levels at the design stage.</p>
B6. Smart energy systems	<p>Proposals should demonstrate how they have considered the difference (in scale and time) of renewable energy generation and the on-site energy demand, with a view to maximising on-site consumption of energy generated on site and minimising the need for wider grid infrastructure reinforcement.</p> <p>Where the on-site renewable energy generation peak is not expected to coincide with peak onsite energy demand, resulting in a need to export or waste significant amounts of energy, proposals should demonstrate how they have explored scope for energy storage and/or smart distribution systems. The goal is to optimise on-site or local</p>

	consumption of the renewable energy (or waste energy) that is generated by the site. Where appropriate, proposals should demonstrate that they have integrated these to optimise carbon- and energy-saving benefits and minimise the need for grid reinforcements. This may include smart local grids, energy sharing, energy storage, demand-side response, or solutions combining elements of the above.
B7. Post-occupancy evaluation	Large-scale development (over 5,000 m ² floorspace) is to monitor and report total energy use and renewable energy generation values on an annual basis. An outline plan for the implementation of this should be submitted with the planning application. The monitored in-use data are to be reported to the local planning authority for 5 years upon occupation.

Supporting text and notes

Policy elements B1, B2 and B3 are to be addressed at the design and post-completion stages, to ensure that the development has been built to intended standards. Post-completion resubmission of the original energy statement including energy performance calculations, informed by the relevant tests to systems and fabric, should be required as a condition as part of the planning application process. B5 and B7 compliance should also be demonstrated post-completion through planning conditions.

B1 – B7 are to be demonstrated at the planning application stage through the submission of an energy statement, alongside associated output reports from energy modelling software (e.g. SBEM).

About compliance with Policy B1.1 TER reductions

Please note that these %TER reduction targets are not limited to be solely delivered through energy efficiency measures. Therefore, there could be an element of clean energy supply or renewable energy measures included in these. However, please note that further renewable energy will be needed to subsequently meet the requirement of Policy B3, therefore applicants are advised to pursue energy efficiency measures as far as feasible in the first instance in pursuit of Policy B1.1, so that the subsequent Policy B3 renewable energy requirements (to match 100% of regulated energy use) are not rendered excessively expensive or unfeasible. Designing to use less energy in the first place reduces the amount of renewable energy needed to match this, and/or the amount of carbon offset payment needed.

Applicants and Council development management officers should be aware that in the current Part L for non-domestic buildings, the type of heating system in the ‘notional’ building (from which the TER is derived) is the same as the type of heating system in the actual proposed building. Therefore, no TER gains will be made by switching from a gas or oil boiler to a heat pump or other all-electric or otherwise low-carbon heat system. However, TER improvements *can* be made by selecting a heating system that is *more efficient than Part L 2021’s notional efficiency for that heating type*.

About Assured Performance Processes for energy performance

Regarding assured performance processes, in addition to those mentioned in relation to the equivalent residential policy (A5) in residential, there is also one additional method for non-

residential: [NABERS UK](#) (administered by CIBSE). NABERS is currently only available for offices but intended to extend to other building types in future.

About offsetting

The requirement for offsetting may be applied flexibly where it is demonstrated that this makes development unviable due to the unique energy use profile of the proposed building and site characteristics, where this results in an offsetting cost uplift significantly higher than assessed in the Whole Plan Viability Assessment. The flexibility could include a reduction in the scope of energy that has to be offset, or a discounted price per kWh if the Local Authority is confident it can still deliver the required offset projects within this price (when pooled into the offsetting fund which will primarily consist of full-price offset contributions). The degree of flexibility will depend on the unique scheme characteristics and evidence submitted the local authority about what could be viably accommodated. It may also depend on the degree to which the proposed development represents a socially desirable facility that meets unmet community needs (such as for healthcare, education, or similar).

Please see also the supporting text for the equivalent residential policies (A1-A7) regarding:

- 1. **calculating renewable energy provision and offset payments,**
- 2. **applicability to outline applications, and**
- 3. **assured performance processes.**

Scope for future improvements

Policies B1 and B2 could be improved by introducing the mandatory target values for Energy Use Intensity and space heating demand, by ensuring B1.2 become a compulsory requirement of the policy if found to be feasible and viable in subsequent local plan iterations.

Alignment with national policy

All of these policies are aligned with national policy goals since their implementation works towards achieving the legally-binding UK target of net zero by 2050, as set out in the Climate Change Act 2008, and carbon budgets subsequently legislated under the aegis of that Act. Furthermore, the 2050 net zero target is now specifically referenced in the NPPF under paragraph 161.

These carbon budgets legislated by the Climate Change Act are linked to the Climate Change Committee’s Balanced Pathway to Net Zero in the [Sixth Carbon Budget](#) report, which sets out that all new buildings should be zero carbon from 2025, with high levels of energy efficiency and low-carbon heat. It also found that non-residential buildings should phase out high-carbon fossil fuel boilers no later than 2026, and phase out gas boilers in 2030-33, less than 10 years from today (2024), while boilers have a typical lifetime of 15 years.

Therefore, new buildings today should not have these, to avoid the need for expensive disruptive retrofit less than 10 years after completion which would also waste embodied carbon (even if the need for ‘net zero carbon new builds from 2025’ did not already effectively rule out fossil fuel boilers). The policy supports these targets by prohibiting fossil fuel connection and improving energy efficiency, which mandate a heating technology similarly efficient to a heat pump (which a fossil boiler cannot meet).

It is not yet completely clear whether the missives of the 2023 WMS are relevant to non-residential development. The WMS uses the term 'local energy efficiency standards for buildings', which could be taken to mean all buildings. But on the other hand the WMS asks for the standards to be expressed in terms of SAP, which is a methodology that only applies to residential. Also, the concern that the WMS purports to address is that "multiple local standards [may] add further costs to building new *homes* ... [and therefore] the impact on *housing supply* and *affordability* [must be] considered in accordance with the National Planning Policy Framework". The NPPF only discusses affordability in relation only to homes, not any other buildings. Nevertheless, even if the WMS2023 is interpreted to apply to non-residential development too, the B-suite policies remain consistent with the 2023 WMS' stipulations, given that the metric for B1 is a % reduction on TER (to be calculated with SBEM, which is the non-residential equivalent of SAP).

B2 is aligned to the Government's direction of travel indicated by both the options proposed in the Future Home Standard 2023 consultation, in that no fossil fuel heating systems are proposed. B3 and B4 are not impacted because they address renewable energy, which is out of scope of the 2023 WMS.

Implementation considerations

To support these policies, it is vital that supplementary guidance is provided for the benefit of Development Management officers and the development industry. This is particularly important for B1, B2, B4 and B5 because specific information for policy compliance must be set such as:

- Examples of assured performance
- Acceptable scenarios where exceptional circumstances are valid for B3 and B4
- Methodologies and assumptions for energy performance calculations

Implementation may also be aided by setting validation criteria / checklists for applications to ensure they are including the right information with their planning application. Examples of SPD's and checklists which are comparable are: [Warwick Net Zero Carbon Buildings SPD and Pro-Forma](#) and [Nottingham & Broxtowe Reduction of Carbon in New Buildings SPD](#) (currently under consultation).

Information on the mechanisms of energy offsetting for B4 will need to be included in a planning document that addresses planning obligations.

For B3, renewable energy installations will need to be accompanied with calculations of expected outputs required under the policy by an MCS certifier, which should be set as a planning condition. This is to ensure renewable energy technology has been correctly installed and operates at the predicted output sufficient to deliver an on-site net zero energy balance.

Industry capability

With appropriate engagement with developers operating in the area throughout the local plan process, the local development industry should be well prepared to deliver on these policies. The policies require additional levels of skill to be applied through design and construction phases but do not introduce any new skills not currently known and utilised by developers.

Development Management capability

The capability of Development Management officers to accurately assess these policies is reliant on the degree of training and guidance documents available. It is essential that officers have guidance on hand to assess policies against to ensure that compliance is achieved in accordance with methodologies set out in a subsequent guidance document. Specific upskilling of at least one officer on climate change policies to gain a technical understanding will greatly assist the overall ability of the team to assess policy compliance.

Training sessions for Development Management officers on technical processes involved with net zero carbon development can strengthen internal capabilities to assess and scrutinise applications. These may include:

- Understanding of modelling techniques and tools (e.g. SBEM)
- Building elements energy performance values (e.g. U-values)
- Low-and zero-carbon heating and ventilation systems/technologies
- Orientation, form factor and design features for solar PV generation

Feasibility

Policy module B3 (on-site renewable energy generation) requires that non-residential buildings meet an on-site energy balance for **regulated** energy in operation, this differs from A3 which applies to residential dwellings due to the variability in the operational energy demand from commercial users. In homes, the unregulated energy demand is easier to model, whereas for non-residential buildings the unregulated energy demand of the occupier can vary based on the type of commercial activity, e.g. energy demand and use for light engineering will differ greatly from those for heavy manufacturing.

Part L 2021 operates differently between residential and non-residential buildings, primarily due to the different Part L energy modelling calculation methodologies: SAP for domestic buildings and NCM/SBEM for non-domestic buildings. It is therefore recommended that different levels of on-site carbon performance for individual non-residential typologies are required as per B1. It is important to note that achieving a 100% reduction – a net zero building under the Building Regulations framework including only regulated energy – in SBEM and SAP is more difficult than in more sophisticated modelling tools such as PHPP. Therefore, offsetting is more likely to play a significant role in Building Regulations framed policies.

The % TER reductions selected for Policy B1.1 are reflective of the recommended targets for 18 London Councils based on very recent modelling^{xxxix} of what is feasible using various different solutions in various different types of non-domestic buildings. There is no technical reason why these should be any less feasible in TRDC than they are in London (in fact they may be more feasible, given that TRDC's development is likely to be lower-rise and less complex). There will however be a need to assess whether the TRDC market can carry the cost uplifts associated with these (discussed below). The difference in target % values for on-site TER reduction for B1 is due to differences in building shape and use. For example, offices tend to have higher energy demand than schools, whilst typically having less roof space relative to the internal floor area. Therefore, due to the typically higher energy demand but typically less available relative roof space to achieve an on-site net zero balance, a higher on-site % reduction value for the office is typically less feasible than for a school. Similarly, hotels

tend to have very high and sudden hot water loads which result in an unavoidably high energy use intensity and peaks in demand that may not be easy to meet with the lowest-carbon, lowest-cost, highest-efficiency technologies. These differences are reflected in the typology-specific target % reductions given in B1.

Feasibility of the overall approach of B1 – B4 is also supported by the evidence base of West of England authorities^{xxxvii}, in which the policy approach titled ‘Approach 1’ achieves net zero *regulated* emissions, which assumed fabric and energy efficiency levels based on the indicative Future Buildings Standard specification. The policy scenario in the West of England report achieves net zero regulated emissions by following the fabric first hierarchy, maximising rooftop solar PV and offsetting as a last resort, aligning with the overall approach of the policy recommendations above. However, it is clear that the net zero regulated emissions can feasibly be achieved without excessive offsetting. The costs associated with Approach 1 stated in the West of England report were as follows:

- 0.9 – 1.2% uplift on Part L 2021 baseline
- 1.6 – 2.4% uplift on Part L 2013 baseline

For the office archetype tested in the West of England, only 0.1% of the cost uplift was associated with offsetting, whilst the school archetype did not use offsetting to achieve net zero regulated emissions, as per B1 – B4 policy recommendations.

Precedents for policies structured similarly to B1 and B3 include London Plan and Milton Keynes Local Plan policies, both implemented from 2019. The London Plan requires a 35% on-site reduction on Part L 2013, as demonstrated to be feasible since 2013 in an [analysis](#) of planning applications throughout London councils – this on-site % reduction is also adopted by Reading Council. The Milton Keynes policy requires that a 19% reduction on Part L 2013 is achieved on-site *before* a further 20% from renewable energy, therefore presumably the first 19% is through energy efficiency measures. This Milton Keynes target was also supported by a local analysis of Building Regulations compliance data. The authority stated that it does “not anticipate that the requirement to exceed the TER by 19% will be unduly onerous for developers, as our analysis of BRUKL data for consented schemes in Milton Keynes indicates that on average an improvement of 41% over the TER is already being achieved at the design stage”. We note that while these precedents are originally from a baseline of Part L 2013 (rather than TRDC’s Part L 2021 baseline), London has since updated its guidance^{xxxviii} to clarify that the 35% reduction should now be achieved from the new Part L 2021 baseline. Additionally, the success of these policies evidence that developers are able to understand and work with policy requirements that are structured in this way.

The feasibility of the annual PV generation target figure for 120kWh/m² floorspace is as described for the identical residential figure.

Estimating costs to test for viability

The requirement for a percentage of the TER reduction to be met through on-site measures acts as a backstop target to ensure that offsetting is not excessively and avoidably used. The % value is supported by Part L modelling undertaken for the Delivering Net Zero report^{xxxix}. The cost uplifts stated in that report range from as little as 0.4 – 1.1% for offices and schools, but rise to 5.5% for the industrial buildings % target.

A certain amount of PV is already included in the cost uplifts stated in the ‘Delivering Net Zero’ report (cited above) to reach the TER % reduction targets echoed in TRDC draft policy B1.1. That amount of PV provision already accounted for varies by archetype. To find the cost of installing further PV (or offsetting) to match the remaining *regulated* energy use, we here calculate this based on the regulated-only portion of the energy use modelled in that report, and convert this to a kWp size, then multiply this by a nationally endorsed cost per kWp (as used for the ‘residential – flats’ costs discussed previously), minus the cost of PV that would already be in the Part L 2021 baseline. Converted to a % uplift on the Part L 2021 baseline stated in the ‘Delivering Net Zero’ report cited above, the PV/offsetting cost for TRDC draft Policy B3 is estimated as follows:

- Offices: 1.5% uplift
- Schools: 0.3% uplift
- Industrial buildings: 2.5% uplift
- Hotels (C2, C5) and residential institutions (C2, C2a): 6.3% uplift
- Other non-residential buildings (average of the above, excluding hotel as an outlier): 1.4%.

Adding this PV/offsetting cost to the median costs of achieving the fabric/services improvements for the required onsite TER reductions in the respective building types, **a total reasonable cost uplift for policies B1 – B4 is estimated as follows:**

- **Offices: 1.9%**
- **Schools: 1.4%**
- **Industrial buildings: 8%**
- **Hotels (C2, C5) and residential institutions (C2, C2a): 6.8%**
- **Other non-residential buildings: 3.3%.**

Notes on feasibility and cost of excelling beyond TRDC draft non-domestic policies

It is clear that the standards of B1 – B4 can be feasibly achieved. Further to this, it is therefore also enlightening to explore what level of performance can be demonstrated feasible in non-residential buildings according to industry best practice approaches (going further than the draft TRDC policies to instead use fixed energy efficiency targets measured by non-Building Regulations methods which some local authorities do not feel confident pursuing due to the disruptive perceived constraints of the 2023 WMS). The previously referenced South Oxfordshire & Vale of White Horse evidence base presents information on level of performance feasible in non-residential buildings, where energy use reduction is directly assessed and subsequently limited before determining solar PV output to achieve net zero status.

To achieve on-site net zero status (**including unregulated energy, which is in fact out of scope** for the draft TRDC B-suite policies), the following cost uplifts over Part L 2021 are found in the South Oxfordshire & Vale of White Horse reports cited above:

- a. Office: 6.1%
- b. School: 4.3%
- c. Warehouse: 0%
- d. Retail: 1.2%

The cost uplift in the Oxfordshire study, which is sometimes higher and sometimes lower than those of TRDC draft policies B1-B4, can be attributed to higher costs for better performance fabric and energy efficiency, alongside installing more solar PV to match *unregulated* energy use as well as *regulated*. Additionally, the modelled buildings in the Oxfordshire study are not identical to those in the 'Delivering net zero' London study that was previously cited to derive the estimated costs for B1-B4. However, it shows that even exceeding the policy requirements of B1-B4 does not result in an excessive cost uplift. In the context of the % uplifts assumed for B1-B4, there is therefore a clear incentive for developers to deliver industry best practice development that exceeds B1 – B4 at a capital cost that is not dissimilar to those of the draft policies – at least for some types of non-domestic building. Near equivalency in cost is associated with more favourable modelling tools (e.g. PHPP or TM54) to demonstrate a net zero balance, higher fabric costs but significantly lower solar PV costs.

Value uplift

We also note that there is **evidence that improved energy performance increases the sale value** in non-residential. For example, research by Knight Frank^{xi} found a sale value uplift of 8%-18% for buildings with a 'green' rating. This uplift was 10.1%-10.5% for BREEAM (a holistic sustainability rating covering many topics) or 8.3%-17.9% for NABERS depending on how high the NABERS score is (NABERS is an energy-only rating that originated in Australia but is now available for offices in the UK). Noting that this study's UK evidence was of prime offices in the London market^{xii}, these uplifts should not be assumed to directly apply to all non-residential buildings in TRDC. However, they do provide a strong rationale for the viability assessment to assume some degree of sale value uplift for the draft policies described here (which would be likely to translate to a high NABERS rating).

Co-Benefits

The suite of policies outlined under **Policy B1** aims to drive significant improvements in energy efficiency and the reduction of regulated operational carbon in new non-domestic buildings. By setting ambitious improvement targets over **Part L 2021** standards, the policies deliver a range of economic, environmental, and social co-benefits.

Policy B1 requires improvements on Part L 2021 standards and directly reduces operational energy costs for building owners and occupants. By improving energy efficiency, these measures mitigate financial stress on businesses, particularly small and medium enterprises (SMEs), which can reinvest savings into growth, productivity, or workforce development. The positive weight and guidelines for the use of **absolute energy metrics** further strengthen this by encouraging buildings to meet ambitious targets for total energy use, directly reducing energy bills and promoting operational resilience. These metrics would also limit reliance on large solar PV installations under B3, reducing capital investment requirements. Additionally, improved energy efficiency standards reduce the need for future **costly retrofits** to meet tightening regulations, protecting building owners from future carbon compliance costs as the UK moves toward more stringent climate targets. For TRDC, this means fewer buildings requiring energy performance upgrades in the future, aligning with national and local net zero goals.

The policy suite, particularly through **B1** contributes to healthier and more comfortable indoor environments. By reducing energy demand and improving thermal efficiency, buildings will experience

more stable temperatures, reducing overheating in summer and improving comfort in winter. This benefits **occupant well-being** by creating a healthier work environment, enhancing productivity and reducing absenteeism due to health issues. Moreover, the shift to **all-electric systems** (B2) eliminates reliance on gas, improving **air quality** inside and outside the building, and reducing the incidence of respiratory illnesses associated with fossil fuel combustion.

The reduction of regulated energy demand under B1 and the focus on on-site renewable energy generation under **B3** significantly contribute to the **reduction of carbon emissions**. These measures help decrease a building's operational carbon footprint and support the local authority's climate targets by ensuring non-domestic buildings align with the UK's pathway to net zero by 2050.

The integration of **on-site renewable energy generation** under B3 helps to alleviate stress on the national grid by increasing local energy resilience and self-sufficiency. This reduces reliance on external energy sources, contributing to **energy security** and lowering the risk of grid overload, particularly during peak demand periods.

Additionally, the removal of **fossil fuels** and connection to the gas grid under B2 further accelerates the transition to a clean energy system, helping to eliminate carbon emissions from heating systems and future-proofing non-domestic buildings against rising energy costs and carbon taxes.

The drive for energy efficiency and on-site renewable generation under **B1** and **B3** also reduces the need for costly and **carbon-intensive retrofits**. By meeting higher performance standards from the outset, buildings are less likely to require significant upgrades to meet future regulations, thus avoiding the **embodied carbon** associated with frequent material replacements or renovations.

Moreover, the focus on energy-efficient design under B1, including reducing energy use and space heating demand, ensures that non-domestic buildings are **future-proofed** for changes in energy demand, climate conditions, and regulatory environments.

By prioritising on-site renewable energy generation through **B3** and encouraging the adoption of **smart energy systems** under B6, the policy suite enhances **energy resilience**. Smart systems help to optimise energy consumption, ensuring that energy generated on-site is stored and used during periods of peak demand. This reduces the need for costly grid reinforcements and supports more efficient use of renewable energy. Additionally, the ability to integrate **energy storage** and **smart local grids** helps to reduce energy waste and enhances **self-sufficiency**, making businesses and buildings less vulnerable to external energy price fluctuations and supply interruptions.

The requirement for **post-occupancy evaluation** under B7 ensures that buildings perform as predicted, closing the **performance gap** between design and operation. This promotes energy accountability and transparency, helping TRDC monitor progress toward their climate targets while allowing building owners to adjust operations to optimise energy use over time.

The emphasis on high energy performance standards, on-site renewables, and smart energy systems creates demand for a wide range of skills, driving growth in **local green supply chains**. Policy suite B encourages investment in **green technologies**, supporting the development of local expertise in renewable energy, energy-efficient building design, and smart energy management. This can stimulate **job creation** and economic growth in the local area, while also supporting the transition to a **green economy**.



By setting higher energy efficiency and renewable energy generation targets, the policies align with the UK government's broader **net zero by 2050** commitments and compliance with future **Part L** updates. This alignment reduces the risk of non-compliance with future regulatory changes and supports the local authority's broader climate mitigation strategies.

In summary, the co-benefits of Policy Suite B extend beyond just carbon reduction. The policies look to drive **economic savings** for building occupants, improve **health and well-being**, foster **energy resilience**, and promote **local economic growth** through the creation of **green jobs**.



C. Climate-adapted Design and Construction

<p>All new build residential and non-residential buildings should mitigate against climate change and adapt to climate change by employing sustainable design and construction principles.</p> <p>Applicants are expected to submit an Energy Statement demonstrating these elements have been considered, and evidenced where appropriate by the corresponding assessment methodology. The following measures should be demonstrated:</p>	
C1 BREEAM	For new non-residential developments (including C1, C2, C2a and C5) over 1,000sqm or more should achieve BREEAM ‘Excellent’ certification, including full water credits for category Wat 01 (water efficiency).
C2 Sustainable Construction	<p>All new developments must minimise their carbon footprint and energy impact through sustainable design and construction practices. Proposals should demonstrate efforts to reduce greenhouse gas emissions by considering factors such as site location, building orientation, design, landscaping, and planting strategies, while prioritising a “fabric-first” approach.</p> <p>Additionally, all new developments should be designed to enhance resilience to the anticipated effects of climate change. Proposals must incorporate measures to adapt to changing climate conditions, including resilience to extreme weather events, rising temperatures, stronger winds, droughts, heavy rainfall, and snow. Water conservation and storage measures should also be integrated into designs, taking into account best practices and future climate projections.</p> <p>All development should demonstrate consideration to reducing carbon emissions and waste through construction. Where development impacts existing buildings proposals should also comply with policy on ‘Reducing carbon emissions in existing buildings’.</p>
C3 Cooling hierarchy	<p>All development proposals should show how designs have optimised the internal and solar heat gains to balance the need to minimise space heating demand with the need to passively maintain comfortable temperatures during hot summers.</p> <p>This should be shown by demonstrating that overheating risk measures have been incorporated in accordance with the cooling hierarchy which prioritises measures, as follows:</p>

	<ul style="list-style-type: none">• Minimise internal heat generation through energy-efficient design and equipment selection.• Reduce and manage the amount of heat entering the building in summer using:<ul style="list-style-type: none">• Building orientation• Shading• Albedo• Fenestration• Insulation.• Manage heat within the building through exposed internal thermal mass and high ceilings.• Passive ventilation, including cross ventilation through a building wherever possible. Passive stack and wind-driven ventilation, night purging and designing windows to allow effective and secure ventilation. Single aspect developments are discouraged.• Natural cooling measures including green and blue infrastructure.• Use of mixed-mode cooling such as low-energy mechanical cooling (fan-powered ventilation).• Mechanical ventilation (which, if it has a heat recovery function, should also have a summer bypass mode).
C4 Overheating assessment	<p>All major residential developments should complete CIBSE TM59 overheating assessment as their route to compliance with Building Regulations Part O (or future equivalent assessment methodology). The simplified Part O route will not be considered acceptable.</p> <p>All major non-residential developments should complete CIBSE TM52 overheating assessment (or future equivalent assessment methodology)</p>
C5 Resilience to climate change	<p>All development should incorporate measures that increase resilience to extreme weather events and a changing climate, including increasing temperatures and frequency and intensity of rainfall. All developments should:</p> <ul style="list-style-type: none">▪ Reduce the risk of flooding and conserve water▪ Employ sustainable urban drainage

Development proposals could reduce the 'heat island' effect through the use of cool materials and green and blue infrastructure within the development.

Supporting text and notes

To ensure that buildings are not at risk of overheating, applicants are required to demonstrate compliance with additional assessments beyond the standard requirements set by Building Regulations. C4 of the policy mandates that all major residential developments complete a CIBSE TM59 overheating assessment to assess and mitigate overheating risk, in addition to the basic compliance with Building Regulations Part O (or its future equivalent). For major non-residential developments, a CIBSE TM52 overheating assessment must be completed, or the future equivalent.

These additional assessments go beyond the standard regulatory checks to ensure that the building design considers factors such as internal heat generation, ventilation, and shading to avoid uncomfortable indoor temperatures during hot summer months.

The Energy Statement should include the relevant overheating assessment reports, demonstrating that the design of the building effectively addresses overheating risk and includes measures to minimise it

For BREEAM, applicants are expected to submit a BREEAM pre-assessment to demonstrate that the relevant BREEAM level has been designed into the scheme, and that more than the minimum WAT 01 credits (for the respective certification level targeted) will be achieved. A condition upon any grant of planning permission is expected to ensure that the development is completed in accordance with the BREEAM pre-assessment and that the BREEAM certification is provided once the building is completed.

Scope for future improvements

This policy focuses on the general principles of sustainable design and construction, and so there is not as many numerical targets as you would find in the energy and carbon policies above. However, BREEAM certification is included in this policy as BREEAM considers a multitude of sustainable design and construction modules under its certification scheme. There is scope to increase the level of BREEAM certification to require BREEAM outstanding in future iterations of the Local Plan. Or alternatively, like with targeting the water (Wat 01) credits, there could be scope to stipulate achieving a certain level of credits within a particular module.

TRDC is in an area of serious water stress and water conservation is a vital aspect of how we can mitigate against climate change and use natural resources more efficiently. Included within the policy is the requirement for BREEAM Wat 01 credits which reduce the use of water within non-residential buildings. The policy may also seek to set a requirement for residential dwellings, to limit the water use to 105litres/per person/per day (note that this above current Building Regulations. Additional requirements for residential developments could include:

- Every new home with a garden must be fitted with at least one water butt (unless an alternative rainwater harvesting scheme is implemented that would make this redundant),
- Compliance with exemplar water efficiency standards (such as the Royal Institute of British Architects '2030 Climate Challenge' water use targets) to be encouraged.

- Development at site allocations and major development should maximise water efficiency through large-scale rainwater harvesting and grey water recycling schemes where it is feasible and viable to do so..

Alignment with national policy

The NPPF requires that the planning system takes full account of the long-term implications of climate change including the risk of overheating.

Part O of Building Regulations requires overheating assessments to be undertaken in residential development, with CIBSE TM59 provided as one route to compliance for residential buildings. Therefore, C4 is aligned with national policy approaches.

However, Part O does not require that TM59 is completed, as the Simplified Method can be alternatively used. Additionally, CIBSE TM52 is not referenced because Part O does not relate to non-residential buildings.

The [Housing Update Written Ministerial Statement \(15 December 2021\)](#) states that there is no need for local policy to duplicate Part O policy. The cooling hierarchy (C3) is not referenced in Part O and CIBSE assessment are not *required*, therefore C3 is not a duplicate of national requirements.

The extensively referenced 2023 WMS does not impact C1 – C5 as the scope of the WMS only impacts energy efficiency standards.

Implementation considerations

Specific information on overheating assessments should be set out in supplementary policy guidance. Implementation may also be aided by setting validation criteria / checklist for applications to ensure they are including the right information with their planning application and within the Energy Statement. Examples of SPD's and checklists which are comparable are: [Warwick Net Zero Carbon Buildings SPD and Pro-Forma](#) and [Nottingham & Broxtowe Reduction of Carbon in New Buildings SPD](#) (currently under consultation). See also [RBWM Sustainability SPD](#) on adaptive climate measures.

Although mechanical ventilation is listed down the cooling hierarchy as part of C3, the use of mechanical ventilation with heat recovery (MVHR) should not be viewed negatively as this may assist compliance with operational energy policies. However, MVHR should have the ability to bypass the heat recovery function in periods of warmer weather in order to support the overheating risk mitigation goal.

Industry capability

Overheating assessments are a requirement of Building Regulations Part O (for residential), and is a common measure performed in the design of good-quality non-residential new buildings especially where a BREEAM rating is sought. Therefore, it should not inflict any significant additional burden on the development industry to deliver on C1 and C3.

BREEAM is a very commonly used and sought-after certification within the major non-residential development industry. It is required in many other local plans with generally good compliance.

Development Management capability

The cooling hierarchy is simple to follow and assess to grant policy compliance, assuming some officers have had training carried out and have guidance to refer to. CIBSE overheating assessments (referred to in Policy C4) give results in terms of passing or failing certain criteria (or percentage of rooms in the building that pass or fail the criteria). Those criteria vary by type of building or room. Guidance on how to assess CIBSE overheating assessments will make policy compliance simple to grant or not.

Costs and feasibility

No evidence of costs available. Feasibility is evidenced in that Part O of Building Regulations essentially includes the TM59 process and will require some buildings to undertake that assessment even in the absence of the policy (TRDC is unlikely to be categorised as a 'high risk location', but TM59 is still triggered in Part O where a building exceeds certain glazing ratios). There does not seem to have been a national impact assessment covering costs for Part O in the same way there was for Part L. Therefore, presumably national government does not envision costs significant enough to inhibit viability.

Co-Benefits

While Policies A and B ensure that new dwellings and non-residential buildings are energy-efficient, Policy C addresses the critical need to mitigate the risks associated with overheating and climate vulnerability. This is essential in light of rising global temperatures and the increasing frequency of extreme weather events. Without effective design interventions, factors such as building orientation and glazing ratios could elevate the risk of overheating. To respond to this, Policy C includes modules C3 (the cooling hierarchy) and C4 (overheating assessments), which ensure that new developments do not contribute to unacceptable levels of overheating risk.

The cooling hierarchy prioritises passive design measures (e.g., shading, natural ventilation, thermal mass) over mechanical cooling systems, creating more comfortable indoor environments that promote occupant health and comfort. This approach reduces the need for air conditioning and other energy-intensive systems, contributing to lower operational energy demands and improved thermal comfort throughout the year. In the context of rising global temperatures, maintaining safe and comfortable indoor conditions helps prevent health risks associated with heat stress, particularly for vulnerable populations such as the elderly, children, and those with pre-existing health conditions.

By prioritising passive cooling measures over mechanical systems, Policy C helps occupants avoid the additional financial burden associated with running air conditioning or other cooling technologies. This aligns with the overarching goals of policies A and B by further reducing operational energy demand and occupant bills. Through cost savings on energy use, particularly in warmer months, Policy C supports both affordability and energy resilience. For non-residential buildings, the BREEAM Wat 01 credits also incentivises the use of water-saving measures, insulating building occupants from excessive water costs, a critical consideration in areas facing water stress.

Policy C acknowledges the increasing pressure on water resources, especially in water-stressed regions. For non-residential buildings, water use limits aligned with BREEAM Wat 01 credits promote efficient water consumption and reduce operational costs. Although some water-saving measures for

residential buildings (such as reduced-flow taps or lower-capacity sanitary ware) can be retrofitted by occupants, setting water use limits ensures that homes are built with long-term water efficiency in mind, contributing to climate resilience. Even in cases where retrofitting occurs post-occupancy, the initial design measures set a baseline of sustainability that supports long-term environmental goals.

Policy module C5 emphasises adaptive measures such as sustainable drainage systems (SuDS) and the incorporation of green and blue infrastructure, linking closely with other local plan policies on flood risk management and biodiversity. These measures not only mitigate the impacts of extreme weather events, such as flooding and drought but also provide co-benefits like enhanced biodiversity and improved well-being for occupants. Access to green spaces and natural environments has been proven to improve mental health, promote physical activity, and foster community resilience.

Policy C works holistically with other local plan policies to create environments that are more resilient to climate change. Through strategies like flood management, green infrastructure, and passive cooling, Policy C looks to ensure that occupants are safeguarded from the risks posed by climate events, such as heat waves, flooding, and water shortages. This comprehensive approach not only reduces the likelihood of future retrofitting (which can be disruptive and costly) but also promotes future-proofing of new developments, ensuring long-term sustainability and occupant well-being.

The integration of green and blue infrastructure within the policy framework offers additional social and environmental co-benefits. Green spaces, tree canopies, and water features improve urban cooling by reducing the heat island effect, enhancing air quality, and provide recreational opportunities, which directly benefit both physical and mental health. This contributes to social well-being, promoting healthier, more connected communities. Moreover, these features enhance biodiversity, supporting local wildlife and contributing to ecosystem resilience in urban areas.

Policy C, in conjunction with Policies A and B, contributes to a comprehensive approach to sustainable building design that promotes healthier, more comfortable living environments, enhances climate resilience, and reduces financial stress by limiting energy and water costs. By addressing overheating risks, improving water efficiency, and integrating climate-adaptive infrastructure, Policy C supports the creation of future-proof buildings that align with long-term sustainability goals. This policy ensures that new developments are not only energy-efficient but also resilient to the impacts of climate change, creating environments that enhance occupant well-being and reduce future retrofitting needs.



D. Embodied carbon and waste

Residential and non-residential buildings (thresholds given below) must meet the following requirement:	
D1. Embodied carbon reporting	All major new residential (10 dwellings or more) and non-residential (1000 m ² floorspace or more) developments are required to complete a whole-life carbon assessment in accordance with RICS Whole Life Carbon Assessment guidance.
D2. Limiting embodied carbon	All large-scale major development (100 dwellings or more; 5,000 m ² non-residential floor space or more) is required to limit embodied carbon (RICS/BS 15978 modules A1 – A5) to 600 kgCO₂e/m² GIA .
D3. Building end-of-life	All new buildings are to be designed to enable easy material re-use and disassembly, subsequently reducing the need for end-of-life demolition.
D4. Demolition audits	All major development that contains existing buildings/structures to carry out a pre-redevelopment and/or pre-demolition audit, following a well-established industry best practice method (e.g. BRE) in accordance with the policy on ‘Reducing carbon emissions in existing buildings’.
D5. Narrative on embodied carbon in minor development	Proposals for new development of 1 or more homes or ≥100m ² non-domestic floor space, but below the size thresholds for embodied carbon reporting and targets as noted above, should include proportionate narrative on options considered (and where possible, decisions made) to minimise embodied carbon of the proposed development.
Supporting text and notes	
Compliance with D1, D2 and D3 are to be demonstrated within an energy statement. If applicable, output reports for D4 should be submitted alongside an energy statement.	
For D3, designing for material re-use and disassembly is crucial for creating sustainable buildings and supporting a circular economy. To ensure buildings can be adapted or dismantled at the end of their life, developers should focus on modular design using dry construction methods (e.g., bolts, screws) to enable easy disassembly. Avoiding permanent adhesives and welds allows materials to be reused or recycled efficiently.	
Furthermore, material selection is key. Low-embodied-carbon materials like timber or recycled steel are preferred for ease of reuse. Designs should prioritise durable, long-lasting materials and incorporate a reuse strategy for managing materials at the building’s end of life, including deconstruction and sorting for recycling or reuse	

For D5, it is recognised that the level of detail required will vary depending on the size and scale of the development. The aim is to encourage applicants to consider embodied carbon, while avoiding excessive or impractical requirements for smaller sites. Applicants should provide a proportionate narrative in their energy statement, exploring how embodied carbon has been minimised. While detailed assessments are not required for smaller developments, the following considerations are encouraged:

- Incorporating and repurposing on-site materials or features where possible.
- Designing with a focus on reducing material use, such as through space-efficient layouts or structural design.
- Opting for materials with lower embodied carbon, such as timber, instead of higher-carbon materials like steel, aluminium, or conventional cement.
- Reducing ‘product miles’ by sourcing materials closer to the site or from manufacturers with demonstrated low-carbon practices.
- Implementing processes that reduce material wastage during construction.

This approach ensures that applicants, even for smaller developments, are considering embodied carbon in a meaningful way, fostering sustainable practices without imposing excessive burdens on projects that do not meet the higher thresholds for formal reporting.

Scope for future improvements

There is significant scope for future improvements for embodied carbon and waste policies. In particular, standards set for D2 should be lowered in future local plan reviews as embodied carbon policy becomes integrated into local and national policy, for example in line with the 2030 target set by LETI/RIBA (subject to evidence of feasibility and cost at the time of adopting such targets).

As policy is implemented on embodied carbon, industry will become better placed to deliver on ambitious policy requirements and move towards net zero embodied carbon emissions.

Alignment with national policy

Whilst there is no explicit reference to embodied carbon in the NPPF, the NPPF references to ‘low carbon development’ and ‘low carbon economy’ could readily include embodied carbon as an implicit part of the equation.

A new paragraph, paragraph 163, in the revised NPPF in December 2024 however requires that the full range of potential climate change impacts is considered when preparing and assessing planning applications. It’s considered that it would be wholly irrational for decision makers to refuse climate change as a consideration, and that consideration can include embodied carbon, or downstream emissions, as well as reductions in carbon emissions from buildings themselves.

Additionally, embodied carbon is a design issue and therefore should logically fall under the NPPF’s instruction that “New development should be planned for in ways that ... can help to reduce greenhouse gas emissions, such as through its ... design”. The case for addressing embodied carbon is justified by the increasing proportional importance of these emissions as a share of buildings’ total carbon footprint as the power grid is decarbonised

In respect of Building Regulations, embodied carbon is not part of Building Regulations currently. Therefore on this topic, there is no particular national policy with which the local policy can be expected to align.

The [industry proposal of Part Z](#), as an additional document to Building Regulations, has been going through the parliamentary process and could be integrated before the adoption of this local plan. This would require that whole-life carbon reporting is implemented in Building Regulations and that emissions limits are set from 2027. It is aligned with the RICS Whole Life Carbon method, the same as specified in the draft TRDC policies above. More recently in early 2024, a further coalition of respected industry standard-setting bodies has released a policy paper pressuring the next Government to introduce Part Z.

The [Environmental Audit Committee states](#) that embodied carbon assessments must be undertaken for new development and that if embodied carbon emissions are not actively reduced, the UK will not remain within its carbon budgets nor achieve its 2050 net zero target. Therefore, there is a clear justification for local authorities to require embodied carbon assessments and limit emissions arising from the construction of new development.

Policy D in combination with policies A and B, seeks to ensure that carbon emissions are limited across the whole life cycle of a building. Without this combination of policies, large amounts of carbon emissions would be missed ([as much as 50% of a building's lifetime carbon emissions result from upfront embodied carbon](#)). The Committee on Climate Change has also identified that decarbonisation of the manufacturing & construction sector (including through resource efficiency and production fuel switching) is an essential component in the future scenarios for the UK's 6th carbon budget (part of the Climate Change Act).

The previously referenced 2023 WMS is not relevant to policy D1 – D5, as the scope of that WMS only impacts energy efficiency standards.

Implementation considerations

Information and requirements on embodied carbon assessments will need to be set out in supplementary policy guidance to enable developers to sufficiently demonstrate policy compliance. Methodologies and the scope of embodied carbon assessment should be clarified, alongside other potential implications such as third-party verification.

Similarly, acceptable methodologies (i.e. RICS Whole-Life Carbon Assessments guidance) to comply with D1 and D2 should be set out in guidance. An example of an SPD's which includes guidance on WLCA is: [Warwick Net Zero Carbon Buildings SPD](#).

Industry capability

The required embodied carbon limit set within point D2 represents an ambitious but achievable target for developers, acting as a backstop to prevent large-scale developments from excessive embodied carbon emissions.

The expectation set by point D3 (demonstrating ease of future building disassembly for future reuse) and D4 (pre-demolition or pre-redevelopment audit) are both within the industry's current capability

in that they are part of the most common environmental certification system used across the industry (BREEAM), with widespread take-up (especially within the non-domestic sector):

- Pre-demolition or pre-redevelopment audits are not uncommon in the development sector, as they are one of the actions that developers often choose to take in order to gain certain credits within the very widespread BREEAM certification (relevant credit: BREEAM 'Wst 01'^{xlii}). The industry in London is familiar with these as part of that region's requirement for circular economy statements; as a result many of the major nation-wide built environment consultancies have had exposure to these. Alternatively, these audits are offered as a service by the BRE itself, and by some demolition contractors. Guidance on best practice is available from the BRE^{xliii}.
- BREEAM credit (Wst 06) requires the applicant to produce "a study to explore the ease of disassembly and the functional adaptation potential" of several different design options, and from that study to "develop recommendations or solutions ... during or prior to concept design, that aim to enable and facilitate disassembly and functional adaptation". This would be relevant to the recommended policy point D4. Also, any industry body that is also active within London will also have gained exposure to this concept through the GLA's requirement for circular economy statements, whose guidance^{xliv} notes that three of the six 'circular economy principles' are 'building in layers', 'designing for adaptability or flexibility', and 'designing for disassembly'. While such analysis may not be commonplace outside London, it is not unheard of, and this policy is designed to boost the practice by increasing the demand and thus encouraging the local development industry to grow its capacity to produce this analysis that will be a vital part of the local and national transition to net zero. Other than the GLA, guidance is available from several sources online including ISO^{xlv} and UKGBC^{xlvi, xlvii}.

Development Management capability

The capability of Development Management officers to accurately assess these policies is reliant on the degree of training and guidance documents available. It is essential that officers have guidance on hand to assess policies against to ensure that compliance is achieved in accordance with methodologies set out in a subsequent guidance document. Specific upskilling of at least one officer on climate change policies to gain a technical understanding will greatly assist the overall ability of the team to assess policy compliance. Officers could familiarise themselves with the following to better understand and assess embodied carbon calculations:

- Different scopes of carbon (e.g. upfront embodied carbon vs. whole-life carbon)
- Knowledge of RICS whole-life carbon assessment guidance
- General understanding of low-carbon materials
- Good practice efficient structural design choices to reduce embodied carbon

Costs and feasibility

For Policy D1: No robust industry-wide evidence is available about the costs of the embodied carbon assessment, but anecdotal experience in recent years suggests this could be around £10,000-15,000 depending on the size and complexity of the project. If this figure is used in viability testing, it should only be applied where the policy applies.

Alongside testing the feasibility of operational energy policy requirements, the South Oxfordshire and Vale of White Horse evidence base also explored the feasibility and costs of embodied carbon emissions limits on the tested residential and non-residential archetypes. The limit set out under D2 has been shown to be feasible for all archetypes, as modelled under a Part L 2021 scenario.

Using typical materials required to comply with Part L 2021 (i.e. current industry standard), no archetype exceeded 559 kgCO₂/m² GIA. Therefore, this can be considered a cost neutral limit since the Part L 2021 scenario represents business-as-usual. The only costs therefore associated with D1 and D2 only arise from the cost of an embodied carbon assessment, which generally comes at a cost of no more than £15,000. Given that D1 only applies to large-scale development, the relative cost uplift of an embodied carbon assessment is negligible.

To achieve industry best practice targets aligning with LETI guidance^{xlviii}, cost uplifts increase but also assume that the archetype has achieved net zero status accounting for both regulated and unregulated energy. These can be summarised from the results of the evidence base as follows:

- Residential (excluding flats) (from 2025): **300 kgCO₂e/m² GIA**
- Non-residential and flats (from 2030): **350 kgCO₂e/m² GIA**

If these more ambitious embodied carbon targets were therefore adopted alongside the A- and B-suite policies, the following cost uplift values would be expected to be lower.

Please note the following cost uplifts do not apply to the draft TRDC target of 600kg/m² but are provided here to give a general idea of the scale of the cost that could be incurred if the policy were amended to more ambitious targets.

- Semi-detached: 10%
- Terraced: 9%
- Detached: 6%
- Flats: 12%
- Retail: 12%
- School: 10%
- Office: 7%
- Warehouse: 9%

Another evidence study produced by WSP^{xlix} for West of England authorities in 2021 found that a cost neutral embodied carbon limit is 900 kgCO₂e/m² GIA, which was subsequently adopted by Bath & North East Somerset Council as a policy. The difference between the two business-as-usual limits 900 kgCO₂e/m² GIA in the 2021 study compared to 550 kgCO₂e/m² GIA in the 2024 South Oxfordshire and Vale of White Horse study suggests that industry and supply chains can now achieve embodied carbon limits more cost effectively. This pattern is expected to continue as embodied carbon is increasingly considered throughout industry and policy.

Co-Benefits

Policy D establishes a framework to reduce the environmental impact of both residential and non-residential buildings by targeting **embodied carbon**—the emissions associated with materials and construction processes throughout a building's lifecycle. By addressing embodied carbon and

promoting sustainable construction practices, this policy could deliver a range of **co-benefits** that extend beyond carbon reduction, supporting wider economic, environmental, and social goals.

The requirement for **whole-life carbon assessments** under **D1** ensures that all major developments assess and mitigate the full carbon impact of building materials and construction. By limiting embodied carbon in large-scale developments (e.g., to 600 kgCO₂e/m² GIA under **D2**), Policy D plays a pivotal role in reducing the carbon impact of construction, which can represent up to 50% of a building's total emissions.

By promoting **circular economy principles**, particularly in **D3** and **D4**, which focus on material reuse and the ease of disassembly at the end of a building's life, the policy encourages more resource-efficient construction. This not only reduces waste generation but also **lowers costs** associated with future demolition, material procurement, and disposal. Designing buildings for disassembly and **material reuse** helps reduce dependency on raw materials and limits costs related to sourcing and transporting new materials. It also promotes **long-term economic savings** for developers and property owners by maximising the value of materials throughout their lifecycle.

The embodied carbon limits and reporting requirements stimulate the adoption of **innovative construction methods** and **low-carbon materials**. Developers and builders will explore new technologies, such as **modular construction**, **prefabrication**, and the use of **low-carbon materials** like timber, reclaimed steel, or recycled aggregates. This shift drives demand for **green building products**, creating opportunities for local businesses and manufacturers, particularly within the **green economy**, while fostering **local supply chains** that specialise in sustainable materials and techniques.

The requirement for **demolition audits** under **D4** ensures that before any building is demolished, the potential for reusing or recycling materials is thoroughly assessed. This reduces the amount of waste sent to landfill and encourages the **repurposing of valuable materials** within the construction industry, supporting circular economy principles. By maximising material reuse, the policy mitigates the environmental impacts associated with resource extraction, waste disposal, and material production, aligning with **national waste reduction targets**.

By designing for **disassembly and material re-use** (**D3**), new buildings will be more **adaptable** and **future-proofed**, capable of being modified, extended, or dismantled with lower environmental impact. This leads to greater **building longevity** and **flexibility**, enabling spaces to evolve without the need for significant new construction. This adaptability contributes to **reduced lifecycle costs** and makes buildings more resilient to changing demands, whether for residential or commercial purposes.

The policy's focus on **limiting embodied carbon** and promoting **sustainable construction** aligns with broader goals for **climate resilience**. Buildings that are designed to limit embodied carbon are often constructed with materials that perform well in diverse climate conditions, further supporting long-term sustainability. Additionally, the reduction of carbon emissions through material choices and construction processes ensures that new developments have a smaller climate impact, helping to mitigate global warming and the associated risks of **climate change**.

The requirement to provide a **narrative on embodied carbon** for smaller developments under **D5** encourages developers of all scales to consider sustainable construction methods and communicate their choices. This fosters greater **awareness** and **engagement** with sustainable practices, promoting social responsibility within the construction industry. It also encourages **community involvement** by ensuring that developers actively consider the long-term environmental impacts of their projects,



which can contribute to **positive relationships** with local communities concerned about the **environmental footprint** of new developments.



E. Reducing carbon emissions in existing buildings

Development which would result in considerable improvements to the energy efficiency, carbon emissions and the general suitability and longevity of an existing building will be supported, with significant weight attributed to those benefits.	
All development proposals involving existing buildings must submit a feasibility assessment within an Energy Statement which demonstrates:	
E1 Prioritise retrofit-first principles	Development should adopt a retrofit-first approach, where options for retrofitting and retention of existing buildings are considered before demolition.
	The appraisal should demonstrate that a whole building approach, and the following hierarchy has been considered:
	<ul style="list-style-type: none">a. Refurbishment and upgrading of existing building fabric including wall, roof and floor insulation, windows, doors and thermal bridging.b. Installation of low or zero-carbon heating and hot water systems, and the installation of renewable energy generation on-sitec. Connection to an existing or planned low carbon heat network
	Applicants are recommended to utilise a nationally recognised quality assurance scheme such as BSI PAS 2035
	Where substantial or total demolition is proposed, the feasibility assessment should demonstrate:
<ul style="list-style-type: none">d. The whole life carbon of a new building(s) would be less or similar to a suitably comparable retrofit option (as detailed in a-c above).e. The proposed development would deliver public benefits which would not be delivered by a suitably comparable retrofit option.f. The feasible reasons retrofit cannot be considered, including operation or structural requirements.	
It is recommended that applicants engage with the District Council early in the development of proposals around feasibility assessments and alternative options. Demolition of existing buildings will only be permitted where developers can demonstrate that alternative development options have been comprehensively explored and on balance, the proposed demolition of existing buildings secures benefits over and above retention, refurbishing and retrofitting an existing building(s).	

E2 Embodied carbon	For major developments involving substantial or total demolition of an existing buildings, applicants should submit a Whole Life Carbon Assessment in accordance with Policy D1.
E3 Adapting heritage assets to climate change	Development which would result in considerable improvements to the energy efficiency, carbon emissions, resilience and longevity of designated or non-designated heritage assets will be supported, providing that significance of the asset is conserved.
	A whole-house approach should guide interventions to upgrade historic buildings, and direct interventions to where they limit the impact to the significance of the historic buildings, or their setting.
	Development which would result in considerable improvements to the energy efficiency, carbon emissions, resilience and longevity of buildings with a Conservation Area should conserve and enhance the character and appearance of the area.
The sensitive retrofitting of energy efficiency measures and the appropriate use of micro-renewables in designated and non-designated assets and within Conservation Areas will be encouraged, providing that the significance, character and appearance are conserved.	
Supporting text and notes	
Compliance with E1 should be demonstrated within the energy statement. If applicable, output reports for E2 should be submitted alongside an energy statement.	
For E1, it is accepted that the level of detail will be lower for householder and minor applications. The aim for these applications is to ensure applicants explore the topic of retrofitting under criteria E1 a-c. However, where substantial or total demolition is proposed applications would still be expected to assess the embodied carbon of alternatives to demonstrate why this level of demolition would be acceptable.	
E3 aligns with Local Plan policy ‘Heritage and the Historic Environment’.	

Scope for future improvements

As discussed in the literature view, it would be difficult to create any universal requirements for energy or carbon performance as the existing housing stock in TRDC varies in the typology of housing, age and use.

TRDC could explore how the policy could stipulate that all existing buildings undergoing retrofitting must achieve a minimum EPC rating, with progressively higher targets established over time. This could be outlined as follows:

- Initial Target: Set a baseline EPC rating that all retrofit projects must achieve upon completion.
- Progressive Improvement: Require that, within a specified time frame (e.g., every 5 years), buildings must improve their EPC rating by a set increment. For example, a building currently rated EPC D might be required to achieve EPC C within 5 years, followed by EPC B in the subsequent 5 years.

The policy could require that all major retrofitting projects undergo a post-occupancy evaluation to assess the actual energy performance of the building against pre-retrofit predictions. This could include:

- Require property owners to track energy consumption for a specified period (e.g., 1-3 years) after completion of the retrofit. This data should be compared against the building's predicted energy performance to identify any discrepancies.
- Establish a structured process for collecting feedback from occupants regarding their comfort levels, energy usage patterns, and overall satisfaction with the building's performance.

The policy could be expanded in the future to include targets for waste recycling where demolition is permitted. For example, the [GLA Circular Economy Guidance](#) contains targets for recycling rates in demolition (95%), excavation (95%), construction (95%) and municipal waste (65%).

As noted under Policy D, there would be scope to tighten the embodied carbon limit to LETI/RIBA targets also. Additional, under Policy A and B there is scope to tighten carbon reduction from any resulting new build development.

Alignment with national policy

The Committee on Climate Change^l has shown (and Government has recognised^{li}) that in order for the UK to meet its legally binding carbon reduction goals, it is vital that the existing building stock must be decarbonised. Locally this is also recognised as a priority, owing that approximately 1/3 of the districts' emissions are sourced from existing buildings. Therefore, local plan policy that supports applicants in improving the efficiency of buildings, reducing energy demand, carbon emissions and limiting embodied carbon aligns with local and national carbon targets (including the UK's legally mandated Carbon Budget).

This policy also provides positive impetus for the removal of gas boilers in existing buildings ahead of the Government's phasing out of gas boilers, planned for new homes from 2025 in new builds and existing buildings from 2035.

National Planning policy supports the transition to a low carbon future, paragraph 161 of the NPPF states that *'the planning system should support the transition to net zero by 2050 ...[by] shaping places in ways that contribute to radical reductions in greenhouse gas emissions, minimise vulnerability and improve resilience; encourage the reuse of existing resources, including the conversion of existing buildings; and support renewable and low carbon energy and associated infrastructure.* Furthermore, a recent insertion into the NPPF, paragraph 167 states *'LPA's should also give significant weight to the need to support energy efficiency and low carbon heating improvements to existing buildings [domestic and non-domestic]... where the proposals would affect conservation areas, listed buildings or other relevant designated heritage assets, local planning authorities should also apply the policies set out in chapter 16 of this Framework''.*

The 2023 WMS is not relevant to policy E1-E2, as the scope of that WMS only impacts energy efficiency standards, and the policy does not stipulate any requirements for existing buildings.

Implementation considerations

To support applicants in retrofitting existing buildings, guidance around interventions would be helpful. There is a plethora of guidance available which could be signposted including: [LETI Climate Emergency Retrofit Guide \(LETI, 2021\)](#), [Net Zero Carbon Toolkit \(Etude, Elementa, Passivhaus, Levitt Bernstein, 2021\)](#), and [Passivhaus Trust's Retrofit Primer \(2022\)](#)

In respect of historic buildings, guidance directed to conserve and enhance heritage assets should be signposted including [Historic England's Energy Efficiency and Retrofit Guidance](#).

As noted previously, information and requirements on embodied carbon assessments will need to be set out in supplementary policy guidance to enable developers to sufficiently demonstrate policy compliance to Policy D and E.

Industry capability

As previously noted under policy D, the expectation set by point D3 (demonstrating ease of future building disassembly for future reuse) and D4 (pre-demolition or pre-redevelopment audit) are both within the industry's current capability in that they are part of the most common environmental certification system used across the industry (BREEAM), with widespread take-up (especially within the non-domestic sector).

Furthermore, whole life carbon assessments are required under Policy D1 at a major development scale, and such the inclusion of E1 is not thought to increase the burden to developers in comparing embodied carbon in alternative options.

For E1, it is accepted that the level of detail will be lower for householder and minor applications. The aim for these applications is to ensure applicants explore the topic of retrofitting under criteria E1 a-c, although where substantial or total demolition is proposed applications would still be expected to assess the embodied carbon of alternatives to demonstrate why this level of demolition would be acceptable. This may be challenging for individual developers but considered necessary against the scale of carbon reductions required to meet local and national targets. Applicants are encouraged to engage with the district council early, so that reporting and alternative options can be considered before an application is made.

The products and the skills to install these measures outlined in E1 a-b are found within the current workforce and such are deemed feasible for the industry. In respect of E1c, this is only where current or planned heat or power networks are in the locality and may not be applicable.

Development Management capability

The capability of Development Management officers to accurately assess these policies is reliant on the degree of training and guidance documents available. It is essential that officers have guidance on hand to assess policies against to ensure that compliance is achieved in accordance with methodologies set out in a subsequent guidance document. Specific upskilling of at least one officer on climate change policies to gain a technical understanding will greatly assist the overall ability of the team to assess policy compliance. Officers could familiarise themselves with the following to better understand the application of this policy:

- Retrofitting guidance; LETI, Net Zero Toolkit or Passivhaus Retrofit Primer
- Different scopes of carbon (e.g. upfront embodied carbon vs. whole-life carbon)
- Knowledge of RICS whole-life carbon assessment guidance
- General understanding of low-carbon materials
- Good practice efficient structural design choices to reduce embodied carbon

Costs and feasibility

The policy has been intentionally drafted to require more detailed assessment where substantial or total demolition is proposed. By following a hierarchical approach, applicants are expected to demonstrate first how a retrofit first approach has been taken, in refurbishing and retrofitting the existing building for that use, before significant demolition is sought.

As noted previously, the skills and products are readily available within the supply chain to satisfy E1 a-b. Some individual or small developers may find E1 d-f but these measures are considered necessary against the scale of carbon reductions required to meet local and national targets. Applicants are encouraged to engage with the district council early, so that reporting and alternative options can be considered before an application is made, this would include discussion on the proportionate level of reporting based on the proposals at hand.

From Policy D1: No robust industry-wide evidence is available about the costs of the embodied carbon assessment, but anecdotal experience in recent years suggests this could be around £10,000-15,000 depending on the size and complexity of the project. If this figure is used in viability testing, it should only be applied where the policy applies (major development).

Co-Benefits

The hierarchical approach to retrofitting prioritises fabric upgrades and energy efficiency improvements before incorporating low- or zero-carbon heating, hot water systems, and renewable energy generation. This strategy aligns with Policy A and ensures that existing buildings become more comfortable, temperate, and cost-effective to operate. The immediate benefits to occupants include enhanced comfort and reduced energy bills, while the long-term advantages contribute to the

durability and longevity of the buildings. Thus, Policy E1 not only mitigates the risk of costly retrofits in the future but also minimizes the embodied carbon loss associated with demolition.

Furthermore, Policy E supports the expansion of embodied carbon reporting and targets, fostering transformative changes across various sectors, including:

- By emphasising the reuse of existing buildings and materials, this policy reduces the extraction of raw materials, contributing to more sustainable resource management.
- The policy encourages manufacturers to lower carbon emissions during processing by adopting less carbon-intensive production methods, such as operating at lower temperatures or eliminating processes that generate significant carbon dioxide emissions.
- By promoting local sourcing of materials and reducing the need for transportation, the policy supports efforts to decrease travel distances, utilise less carbon-intensive transportation methods, and incorporate sustainable fuels.
- The focus on increasing recycled content in products and ensuring that materials can be repurposed supports circular economy principles, reducing waste and promoting sustainability.

The integration of Policies D and E not only fosters the development of innovative products and services that actively contribute to carbon reductions but also stimulates growth within the green economy. Moreover, these policies align with broader sustainability goals, helping to drive market demand for eco-friendly materials and services, which can create new job opportunities and bolster local economies.

Additionally, Policy E provides support for owners and users of heritage assets, facilitating sensitive interventions that enhance building performance while respecting best practice guidelines for historic preservation. This approach ensures that retrofitting efforts are both environmentally responsible and culturally sensitive, ultimately leading to a more sustainable and resilient built environment.

In summary, the emphasis on retrofitting not only addresses immediate carbon reduction goals but also contributes to a comprehensive strategy for a low-carbon future. By reducing embodied carbon and enhancing the efficiency of existing structures, these policies help create healthier living environments, minimise financial burdens on occupants, and support the transition to a more sustainable, circular economy.



Policy implementation and monitoring

Policy adoption is key, yet policy implementation is essential to ensure effective delivery of required standards. It is recommended that the Council put together a group that includes policy officers, development management officers (and conservation/heritage) and building control officers to design an effective monitoring system.

Policy compliance

Adoption of ambitious local plan policies is crucial to work towards a net zero future. However, without reliable implementation and monitoring mechanisms, intended benefits of these policies will not be experienced and their reputation hindered.

Implementation is key to the success of policy delivery in practice and should be treated equally as important to policy development. Therefore, Development Management officers will need to gain an understanding of how the policies are intended to operate in practice and initially be guided through how to assess policy compliance.

To ensure that policies on net zero operational carbon, embodied carbon and overheating are delivered as intended, two key stages of assessing compliance are necessary: planning application/design stage and post-completion stage. Submission of data throughout design stages is what will determine policy compliance for the full planning application, yet this must be verified with as-built data to confirm true policy compliance; this only applies for recommended policy components A1 – A4, B1 – B4, C1, C4, and D1 – D2. Pre-commencement and pre-occupation conditions must therefore be set at the planning application stage, which could include:

- Photographic evidence of building fabric, heating systems and ventilation technologies
- Air tightness tests whilst the air barrier remains accessible (to allow improvements to be made if required standards are missed)
- As-built reports for building energy performance, embodied carbon assessments and overheating measures

In cases where standards fall below required levels at the post-completion stage, it is important to have enforcement mechanisms in place to penalise non-compliant applications. This is a difficult issue to deal with as buildings cannot be deconstructed but the council should explore options with the Enforcement team on how to mitigate as-built risks.

Monitoring standards

Understanding how policies work in operation assist the future development of improved policies and informs other local authorities on what is deliverable. TRDC should develop a reliable monitoring system that enables the collation of policy performance data both for compliance at application stages and once the building is in use. This should be made available in a standardised format for ease of data input for developers and subsequent sharing of data. TRDC could look to distribute this standardised reporting form to neighbouring authorities to form a regional understanding of policy implementation. Examples of suggested monitoring indicators for new buildings and also renewable energy include:

Indicator	Source	Policy link
Average in-use Energy Use Intensity of new buildings	Development data	A1.2 and B1.2
Average on-site renewable energy generation per m ² building footprint (kWh)	Development data	A3 and B3
MW capacity of solar PV installed on buildings (kWp)	Planning portal or MCS data	A3 and B3
MW capacity of solar PV installed as standalone scheme (above 1MW)	DESNZ Renewable Energy Planning Database (REPD) data	Other renewable energy policies (out of scope)
MW capacity of wind turbine installed as standalone scheme (above 1MW)	DESNZ REPD data	Other renewable energy policies (out of scope)
MW capacity of battery storage installed	DESNZ REPD data	Other renewable energy policies (out of scope)
Annual CO ₂ emissions of new build development (split into regulated and unregulated) and %TER reduction for the regulated portion	Development data	A1, A3, B1 and B3
Average TER % reduction delivered through energy efficiency measures	Development data	A1, B1
£ contribution to renewable energy offsetting fund, £spent, and kWh generation delivered via the fund	Local Authority’s own S106 records	A4 and B4
Number of heat pumps installed	Planning portal or MCS data	A1 and B1
Average embodied carbon of new development	Development data	D1 and D2

As required by policies A7 and B7, Post-Occupancy Evaluation (POE) is key to understanding in practice success of net zero operational energy policy. The primary purpose of undertaking POE is not for policy compliance but to better understand the performance gap between design stage energy performance predictions and the as-built performance of the building. Once the building is in use by occupants, developers cannot be penalised if reported values on energy consumption exceed the policy requirements because operational energy consumption is largely dependent on occupant behaviour.

Due to the influence of occupant behaviour on values reported through POE, there are privacy concerns with residents associated with these exercises. Therefore, developers cannot force residents to participate in POE but should show to the best of their ability that the building performs as intended with a minimal performance gap with the amount of data available. Implications of this potential risk are that data collection of energy performance may not be possible and future policy iterations are less informed.

Mitigating the performance gap

UK buildings are consistently victim to a performance gap between the energy performance of the building at the design stage and operational performance. The delivery of truly net zero buildings therefore requires rigorous systems to be in place to mitigate such a gap in energy performance, which are explored below.

Often the first point of failure of below-par operational energy performance is at the modelling stage, which in the UK is led by use of inaccurate compliance tools for Building Regulations, SAP and SBEM. However, in order to appease the 2023 WMS thus reducing risks to policy adoption at examination, TRDC has selected a policy option that uses SAP (rather than PHPP).

If local policy is to more effectively deliver net zero buildings, alternative methodologies should be used to gain an understanding of building energy performance at the design stage. Proven alternatives are available for both residential and non-residential buildings:

- **Residential:** Passivhaus Planning Package
- **Non-residential:** CIBSE TM54 with Passivhaus Planning Package or IES-VE

It is also worth noting that the use of accurate energy modelling tools, like PHPP or TM54, is often a first step within process-based assured performance methods (see later subheading in this section).

TRDC's policy implementation will be more effective where applicants are enticed or encouraged to use these (rather than SAP or SBEM) for compliance, especially with policies A1.2, A3, A4, A5, B1.2, B3, B4 and B5. A new residential energy modelling tool for building regulations Part L is current in development nationally: the Home Energy Model, HEM. Although efforts are being made to remedy the inaccuracies of SAP within HEM, the final form and in-practice effectiveness of HEM is not yet known. The Council is encouraged to return to this topic once HEM is well-established and its accuracy evidenced, to consider whether this would be a suitable step within efforts to reduce the performance gap and/or comply with the optional energy performance targets of A1.2 and B1.2.

Accurate assessments are equally important for policies on overheating and embodied carbon. For overheating, the simplified method on offer for Part O of Building Regulations is an inaccurate tool, hence why CIBSE overheating assessments should be completed so that more specific and accurate overheating measures specific to the at-risk building can be implemented.

Embodied carbon assessments require reliable and up-to-date data on the carbon content of various materials and products. Accurate data is the key to robust embodied carbon assessments. Since embodied carbon is not a national policy requirement, there is no approved methodology, but the RICS Whole Life Carbon Assessment guidance is generally accepted as the industry standard.

Third party verification

The use of accurate assessment and modelling tools is essential to the eventual performance of building, but human inaccuracies and errors throughout stages remain a risk to exacerbating a performance gap. Therefore, requiring third-party verification mechanisms to assess the accuracy of the approach, inputs and assumptions to modelling and/or assessments can further mitigate performance gap risks. There is currently no recognised collection of third-party verification systems and should therefore be a council-led decision on what would constitute an acceptable third-party verification process demonstrated by a developer. An acceptable third-party verification approach would be the submission of an audit undertaken by a third-party consultancy who are able to undertake the calculations themselves but are independent to the development. Additionally, if the assured performance schemes (as below) are used, this would constitute an effective third-party verification process.

Assured performance

Once accurate modelling and assessments have been completed to the best of abilities, following the processes above, assured performance schemes should be employed as the final element of performance gap mitigation. These are procedural toolkits that are designed to deliver a reduction in the performance gap through following optimal steps during design and construction to make assumptions and modelling more accurate and then to deliver correctly on what was designed. Building Control at local authorities firstly do not have control over all development sites and even at those where the authority does, regular on-site checks are not always carried out. Management systems to ensure high levels of construction quality are necessary to deliver energy performance standards as predicted.

For example, air tightness and thermal bridging are key components of the net zero operational energy policies recommended in this document. These need to be checked throughout construction phases, meaning that a simple confirmation of insulation thickness is insufficient to assess construction quality.

Acceptable schemes to demonstrate compliance with policies A5 and B5 should be set out in supplementary policy guidance. Several schemes are available and proven to be reputable, as listed below:

- **Passivhaus Certification** (residential and non-residential)
- **AECB Building Standard** (residential and non-residential)
- **NABERS UK** (non-residential)
- **Assured Performance Process** (residential)
- **National Energy Foundation** (residential).



References and endnotes

- ⁱ AECOM & Zero Carbon Hub (2012), *Fabric energy efficiency for Part L 2013*. https://www.zerocarbonhub.org/sites/default/files/resources/reports/Fabric_Standards_for_2013-Worked_Examples_and_Fabric_Specification.pdf
- ⁱⁱ Planning & Compulsory Purchase Act 2004 section 19. <https://www.legislation.gov.uk/ukpga/2004/5/section/19>
- ⁱⁱⁱ Levelling Up & Regeneration Act 2023, Schedule 7. <https://www.legislation.gov.uk/ukpga/2023/55/schedule/7>
- ^{iv} Committee on Climate Change (2020), *The Sixth Carbon Budget: The UK's path to net zero*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/The-Sixth-Carbon-Budget-The-UKs-path-to-Net-Zero.pdf>
- ^v Committee on Climate Change (2019), *UK Housing: Fit for the future?* <https://www.theccc.org.uk/publication/uk-housing-fit-for-the-future/>
- ^{vi} Bioregional and Transition by Design on behalf of South Oxfordshire & Vale of the White Horse District Councils (2023), *Feasibility Study: Energy modelling*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_3_accessible_Dec_2023.pdf#page=26
- ^{vii} Department for Levelling Up, Housing and Communities (2023/updated 2024), *The Future Homes and Buildings Standards: 2023 Consultation*. <https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation/the-future-homes-and-buildings-standards-2023-consultation>
- ^{viii} Committee on Climate Change (2020), *The Sixth Carbon Budget Sector Summaries: Buildings*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Buildings.pdf#page=40>
- ^{ix} Committee on Climate Change (2020), *The Sixth Carbon Budget Sector Summaries: Manufacturing and construction*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Manufacturing-and-construction.pdf>
- ^x Committee on Climate Change (2020), *The Sixth Carbon Budget Sector Summaries: Surface transport*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Surface-transport.pdf#page=33>
- ^{xi} Committee on Climate Change (2020), *The Sixth Carbon Budget Sector Summaries: Agriculture and land use, land use change and forestry*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Agriculture-land-use-land-use-change-forestry.pdf#page=39>
- ^{xii} HM Government (December 2023) National Planning Policy Framework. https://assets.publishing.service.gov.uk/media/65a11af7e8f5ec000f1f8c46/NPPF_December_2023.pdf#page=4
- ^{xiii} HM Government Department for Levelling Up, Housing & Communities and Ministry of Housing, Communities and Local Government (2014-2019), *Guidance: Climate change*. <https://www.gov.uk/guidance/climate-change>
- ^{xiv} CIBSE (2018), *Unregulated energy – why we should care*. <https://www.cibsejournal.com/opinion/unregulated-energy-why-we-should-care/>
- ^{xv} UKGBC (2019), *Net Zero Carbon Buildings: A Framework Definition*. For carbon graphics on regulated and unregulated carbon as a share of whole life carbon, see page 19 (10th page of PDF). <https://ukgbc.org/wp-content/uploads/2019/04/Net-Zero-Carbon-Buildings-A-framework-definition.pdf>
- ^{xvi} HM Government Department for Levelling Up, Housing and Communities (2023), *The Future Homes and Buildings Standards: 2023 consultation*. See Table 4.2 for cost increase to occupant energy bills and to developer build cost. <https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation/the-future-homes-and-buildings-standards-2023-consultation>
- ^{xvii} CIBSE (no date), *Carbon Bites: The Performance Gap*. <https://www.cibse.org/media/a1skdgsi/cb11.pdf>
- ^{xviii} CIBSE (2021), *Module 175: Towards the closing of the building performance gap*. <https://www.cibsejournal.com/cpd/modules/2021-02-tm61/>
- ^{xix} Etude, CIBSE, Levitt Bernstein, Elementa, WSP, Clarion Housing Group & UCL (2021). *Making SAP and RdSAP 11 fit for Net Zero*. https://www.levittbernstein.co.uk/site/assets/files/3670/making_sap_and_rdsap_11_fit_for_net_zero_full_report.pdf
- ^{xx} Currie & Brown and Etude on behalf of Cornwall Council (2021), *Technical evidence base for policy sec 1 - new housing technical appendices*. <https://www.cornwall.gov.uk/media/dxchs1xq/eb042-1-20200359-climate-emergency-dpd-residential-energy-technical-evidence-base-appendices-rev-g.pdf>
- ^{xxi} Mitchell, R and Natarajan, S (2022), *UK Passivhaus and the energy performance gap*. <https://www.sciencedirect.com/science/article/abs/pii/S0378778820313918>
- ^{xxii} Currie & Brown and Etude on behalf of Cornwall Council (2021), *Technical evidence base for policy sec 1 - new housing technical appendices*. <https://www.cornwall.gov.uk/media/dxchs1xq/eb042-1-20200359-climate-emergency-dpd-residential-energy-technical-evidence-base-appendices-rev-g.pdf>
- ^{xxiii} Future Homes Hub (2023) *Ready for Zero: Evidence to inform the 2025 Future Homes Standard Task Group Report*. Appendix F - SAP10.2 modelling results. <https://irp.cdn-website.com/bdbb2d99/files/uploaded/Appedix%20F%20-%20Final.pdf>
- ^{xxiv} Currie & Brown and Etude on behalf of Cornwall Council (2021), *Technical evidence base for policy sec 1 - new housing technical appendices*. <https://www.cornwall.gov.uk/media/dxchs1xq/eb042-1-20200359-climate-emergency-dpd-residential-energy-technical-evidence-base-appendices-rev-g.pdf>
- ^{xxv} Bioregional and Transition by Design on behalf of South Oxfordshire & Vale of the White Horse District Councils (2023), *Feasibility Study: Energy modelling*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_3_accessible_Dec_2023.pdf#page=26
- ^{xxvi} Committee on Climate Change (2023), *2023 Progress Report to Parliament*. Chapter 4: The urgent need for action and strategy. <https://www.theccc.org.uk/wp-content/uploads/2023/06/Progress-in-reducing-UK-emissions-2023-Report-to-Parliament-1.pdf#page=27>
- ^{xxvii} HM Government Department for Levelling Up, Housing and Communities (2023), *The Future Homes and Buildings Standards: 2023 consultation*. See Table 4.2 for cost increase to occupant energy bills and to developer build cost. <https://www.gov.uk/government/consultations/the-future-homes-and-buildings-standards-2023-consultation/the-future-homes-and-buildings-standards-2023-consultation>
- ^{xxviii} Building Regulations Part L (2021). For reference to CIBSE TM54, see page 65, paragraph 9.4. https://assets.publishing.service.gov.uk/media/63d8edbde90e0773d8af2c98/Approved_Document_L_Conservation_of_fuel_and_power_Volume_2_Buildings_other_than_dwelling_2021_edition_incorporating_2023_amendments.pdf
- ^{xxix} LETI and RIBA (no date), *Defining and Aligning: Whole Life Carbon & Embodied Carbon*. <https://www.leti.uk/carbonalignment>
- ^{xxx} Bioregional, Transition by Design and Currie & Brown (2024). *Task 3: Feasibility assessment*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_3_Dec_2023.pdf
- ^{xxxi} Bioregional, Transition by Design and Currie & Brown (2024). *Task 3: Feasibility assessment*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_3_Dec_2023.pdf
- ^{xxxii} Etude, Bioregional and Currie & Brown (2021), *Central Lincolnshire Local Plan Climate Change Evidence Base: Task G – Feasibility assessment*. <https://www.n-kesteven.gov.uk/sites/default/files/2023-03/CLC006%20Task%20G%20-%20Feasibility.pdf>
- ^{xxxiii} Introba, Currie & Brown and Etude (2023). *Essex net Zero Policy – Technical Evidence Base*. <https://www.essexdesignguide.co.uk/media/2940/report-1-essex-net-zero-policy-technical-evidence-base-july-2023.pdf> - page=48
- ^{xxxiv} Bioregional, Transition by Design and Currie & Brown (2024). *Task 3: Feasibility assessment*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_3_Dec_2023.pdf#page=26



- xxxv Bioregional, Transition by Design and Currie & Brown (2024). *Task 4: Costs report*. https://www.southoxon.gov.uk/wp-content/uploads/sites/2/2024/01/NZCS_Task_4_Dec_2023.pdf
- xxxvi Lloyds/Halifax (2021), *Homebuyers pay a ‘green premium’ of up to £40,000 for the most energy efficient properties*.
- xxxvii WSP (2022). *Evidence base for West of England Net Zero Building Policy – Operational Carbon for Non-Domestic Buildings*. <https://www.westofengland-ca.gov.uk/wp-content/uploads/2022/01/Spatial-Development-Strategy-Evidence-base-for-Net-Zero-Building-Policy-Operational-Carbon-for-Non-Domestic-Buildings-Jan-2022.pdf>
- xxxviii Greater London Authority (2022), *Part L 2021 and the Energy Assessment Guidance 2022 – cover note*. Available as instant download: <https://www.london.gov.uk/media/99153/download?attachment> or for the wider suite of energy assessment guidance in relation to Part L 2021: <https://www.london.gov.uk/programmes-strategies/planning/planning-applications-and-decisions/pre-planning-application-meeting-service/energy-planning-guidance>
- xxxix Levitt Bernstein, Introba, Inkling, Currie & Brown and Etude on behalf of council councils of Barking & Dagenham, Barnet, Camden, Ealing, Enfield, Greenwich, Hackney, Haringey, Harrow, Havering, Hounslow, Kensington & Chelsea, Merton, Sutton, Tower Hamlets, Waltham Forest, Wandsworth, and Westminster (2023), *Delivering Net Zero: An evidence study to support planning policies which deliver Net Zero Carbon developments*. https://www.levittbernstein.co.uk/site/assets/files/4563/delivering_net_zero_-_main_report.pdf
- xl Knight Frank (2024), *How does ESG impact commercial property valuations?* <https://www.knightfrank.co.uk/blog/2024/04/09/how-does-esg-impact-commercial-property-valuations>
- xli Knight Frank (2021), *Green building value: do green-rated buildings add a premium to sales price?* <https://www.knightfrank.com/research/article/2021-09-29-green-building-value-do-greenrated-buildings-add-a-premium-to-sales-price>
- xlii Building Research Establishment (2018), *Technical Manual SD5078: BREEAM New Construction 2018*. See section ‘Waste’, item ‘Wst 01’, assessment criteria ‘pre-demolition audit’. https://files.bregroup.com/breeam/technicalmanuals/NC2018/#10_waste/wst01_nc_a.htm%3FTocPath%3D10.0%2520Waste%7C_____1
- xliii Building Research Establishment (2017), *Code of Practice: Pre-redevelopment audits*. <https://condemwaste.org/wp-content/uploads/2018/10/Code-of-Practice-Pre-redevelopment-audit-July-17-V1.pdf>
- xliv Greater London Authority (2022), *London Plan Guidance: Circular Economy Statements*. https://www.london.gov.uk/sites/default/files/circular_economy_statements_lpg_0.pdf
- xlv International Standardisation Organisation (2020), *ISO 20887:2020(en). Sustainability in buildings and civil engineering works — Design for disassembly and adaptability — Principles, requirements and guidance*. <https://www.iso.org/obp/ui#iso:std:iso:20887:ed-1:v1:en>
- xlvi UK Green Building Council (2022), *The Do’s and Don’ts for Deconstructability*. <https://ukgbc.org/news/the-dos-and-donts-for-deconstructability/>
- xlvi UK Green Building Council (2023), *Circular Economy Metrics for Buildings*. In particular see section 3, *Design for Disassembly and Reuse* and section 6, *Design for adaptability (transformation capacity)*. <https://ukgbc.org/resources/circular-economy-metrics-for-buildings/>
- xlvi Low Energy Transformation Initiative (2020), *LETI Embodied Carbon Primer*. <https://www.leti.london/ecp>
- xlvi WSP (2021). *Evidence Base for WoE Net Zero Building Policy – Embodied Carbon*. https://beta.bathnes.gov.uk/sites/default/files/CD-RCC008%20WOE%20NZB_Evidence%20Base_Embodied%20Carbon%20study_FINAL.pdf
- ^l Committee on Climate Change (2020), *The Sixth Carbon Budget: Buildings*. <https://www.theccc.org.uk/wp-content/uploads/2020/12/Sector-summary-Buildings.pdf>
- ^{li} HM Government Department for Business, Energy and Industrial Strategy (2021), *Heat and Buildings Strategy*. <https://www.gov.uk/government/publications/heat-and-buildings-strategy>

This page is intentionally left blank