Chelmsford City Council Overview and Scrutiny Committee

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Issues affecting the supply of Affordable Housing in Chelmsford - Inform and Debate

Report by:
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Purpose
This report focuses on issues facing the supply of affordable housing in Chelmsford including how changing trends in supply are affecting the availability of the most needed size, type and tenure of affordable housing.

Recommendations
That the Committee notes the report

Summary of Key Points
- The delivery of new affordable homes in recent years has been offset by a continuous reduction in the supply (relets) from the existing stock creating a net reduction each year in the homes available to meet the Council's legal duties to those who are homeless
- This reflects a national trend but local factors such as market conditions have made these issues more acute in Chelmsford than other districts in Essex
- Even with improved performance reducing the levels of homelessness the continued reduction in supply of affordable homes presents increasing risks to the Council's legal and financial capacity to meet future housing need
- The increase in temporary accommodation is being driven by lack of affordable housing and not by an increase in homelessness

1. Introduction

1.1. This report examines the specific issues that are affecting the supply of affordable housing in Chelmsford.

1.2. There are many interrelated factors that affect how many homes are available to those in most need. This includes the type and size profile of the existing affordable housing stock, the specific demographic and socio-economic trends of an area, the loss of stock through the right to buy, market conditions, land availability, land values and access to grant for new build.

2. Context

2.1 Chelmsford is facing a significant and worsening housing crisis reflecting a wider national picture. The increase in need and the constant reduction in supply means the Council's reliance on temporary accommodation to meet its housing duties has risen significantly.

2.2 Affordable housing supply come from two main sources:

- Relets from the existing housing stock
- New build homes primarily through planning s106 agreements

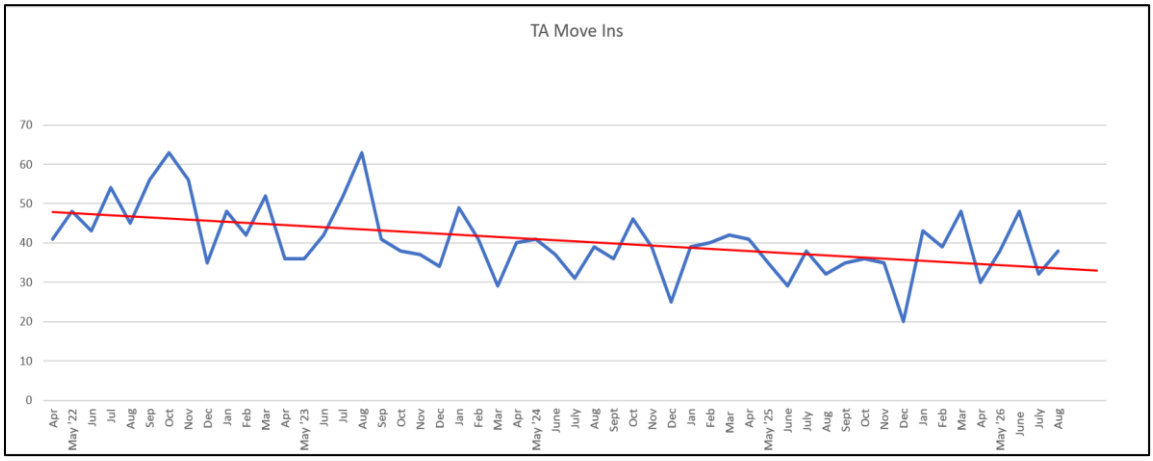
2.3 Conventionally the major source of rented affordable housing supply should come through relets from the existing housing stock, evidencing a balanced and sustainable supply of homes to meet local need. This is often referred to as 'churn'. At the start of this decade a high proportion of new affordable homes offset the extent to which this churn was reducing supply, in 2020/21 45% of general needs affordable lettings were new-build properties.

2.4 Over the past 10 years or so this chronic problem in Chelmsford with the 'churn' in the existing stock gradually decreasing by around 10% each year has been masked by a high proportion of new homes but as this proportion homes begins to reduce from above 40% to around 20% in the last two years the problem is now becoming acute. Even if levels of homelessness remain static this reduction will create a growing gap between need and supply.

3. Supply from Existing Affordable Housing Stock

3.1 Levels of homelessness in Chelmsford have been relatively consistent over the last 10 years, around 300 cases p.a. are accepted as 'main duty', and the number of households moving into temporary accommodation has been reducing over the last few years. Figure 1 shows the numbers of households being moved into temporary accommodation. Over this same period the number of households in temporary accommodation has risen from 314 to 610, this shows that the reason for the increase in households in temporary accommodation is the lack of supply of affordable housing to move people into and therefore a growing backlog of families in temporary accommodation.

Figure 1 – Number of Household Moved into Temporary Accommodation 2022-26



3.2 Table 1 below provides a comparison between other Essex districts illustrating how Chelmsford's level of statutory homelessness is proportionately lower than others compared to the number in temporary accommodation. This indicates how it is primarily an issue of low supply as opposed to high need that is the cause of TA need for our Council.

Table 1 – Selected Essex Districts Main Duty and nos. of Households in TA

District	Accepted as main duty	Households in TA
Chelmsford	75	589
Colchester	126	517
Epping Forest	96	138
Harlow	30	384
Southend	120	429
Tendring	69	156

Source: *MHCLG Homelessness live tables Jan-March 2026*

3.2 It is not easy to access the supply (lettings) of affordable homes for every district but those in North Essex publish an annual report – see Table 2 below. Note that this only shows the lettings of general needs social or affordable rent and not any other form of intermediate homes which rarely, if ever, assist in meeting local authorities' statutory duties.

Table 2: Chelmsford & Gateway to Homechoice lettings 2025/26

District	Existing	New build	Total
Chelmsford	160	57	217
Braintree	576	155	731
Colchester	536	82	618
Maldon	119	108	227

Source: *CCC Monthly KPI / Gateway to Homechoice annual report*

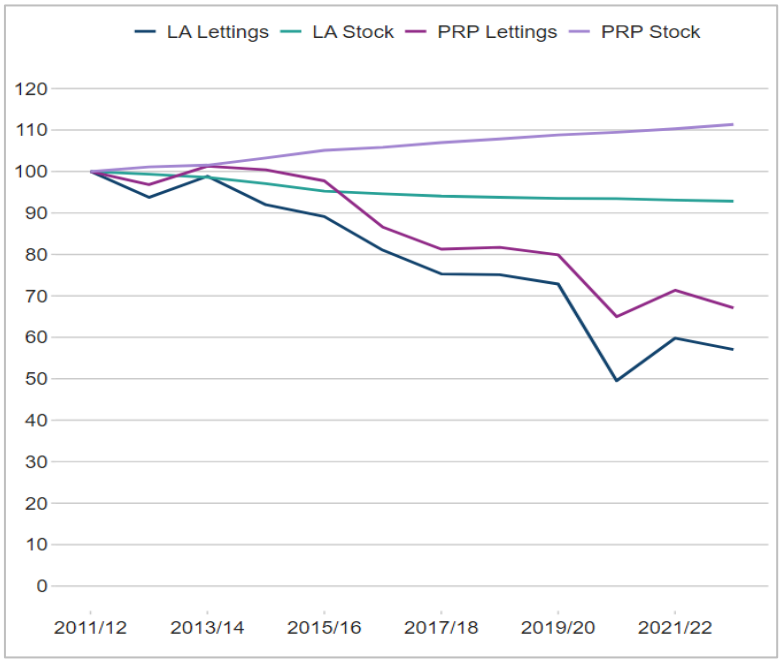
3.3 Evidently not only is there a significant shortfall in Chelmsford between the assessed need and supply, even discounting for new build, which is often intermittent, but the supply from existing stock is also only a third of neighbouring authorities.

3.4 Housing needs studies and other assessments have consistently indicated that Chelmsford needs an annual affordable supply (lettings) of between 500 – 600 homes, this is not too dissimilar to the actual supply of Braintree and Colchester.

3.5 Supply is essential in meeting housing need and should be seen as lettings per annum and not just the number of newly developed or existing of homes most of which will not be available to allocate for years to come.

3.6 This has to be seen in context of reducing supply nationally over the last two decades, where not only has local authority stock reduced due to age and Right to Buy, marginally offset a growing number of Private Registered Providers (PRP) or housing association homes, actual supply in terms of lettings has reduced in both sectors. Diagram 1 below shows the trend in England over a 10-year period.

Diagram 1 – Lettings by Type of Stock



https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2022-to-march-2023/social-housing-lettings-in-england-tenancies-april-2022-to-march-2023

3.7 In some ways this is an unintended consequence of trying to maximise the number of homes supplied through new development including intermediate affordable homes rather than adhere to a strategic mix of sizes of social and affordable rent that complements and sustains supply from the existing stock. Increasing density by reducing the size of homes will provide more and often be financially more viable but can distort and disrupt the overall supply in the longer term

3.8 Higher density proposals with smaller units have been more commonplace on brownfield sites which have developed over the past 15 years in Chelmsford and

elsewhere but without a more balanced supply of larger homes (even if fewer in number) more households eventually become overcrowded with fewer options to resolve their longer-term housing need.

3.9 Changes in building safety requirements, energy efficiency standards and existing land use values are now leading to these sites also becoming increasingly unviable.

3.10 The right to buy has impacted larger family homes especially in areas of higher market values such as Chelmsford where the value of the discount was so great, adding to an imbalance of smaller homes within the existing stock which has then been further extended by attempts to build the maximum number rather than the optimum mix. This may help meet the required number of new affordable homes but ignores the recommended composition of house types that are most needed.

3.11 In the short term these new homes will meet an immediate need and possibly some of the backlog but in the longer term they then add to the problem of reducing supply as families grow and need a larger home.

3.12 In Chelmsford two thirds of households (1,485) are in housing need and have current applications to our Housing Register because of overcrowding Conventionally housing need assessments will see these cases as not creating a net housing requirement on the basis that when (if) they do move the home they leave will offset the one needed to resolve their problem. It overlooks however the obvious fact that they will all need a home larger than the ones being released, highlighting how a lower supply of the right size homes can increase supply from the existing stock whilst a larger amount of the 'wrong' size can actually add to the problem.

3.13 Chelmsford does not have fewer affordable homes than our neighbouring districts. Table 3 shows that Chelmsford has very similar overall numbers than Braintree, which is also a stock transfer authority, but Braintree generates three times the supply from its existing stock. This indicates a more balanced supply which can meet the need of existing households such as those who become overcrowded, freeing up smaller homes for those who may be homeless.

3.14 Achieving a balanced supply of affordable homes, i.e. right size and right tenure, whether on site or through use of commuted sums maintains a healthy churn of existing stock even when supply of new build reduces in some years.

4. Supply from New Build

4.1. Supply from new build is secured through s106 legal agreements. Although the Council has control on granting planning permission, it does not control when the homes are built. This often means that new build supply can be intermittent.

4.2. As can be seen in Table 4 below, supply from new build (which includes shared ownership) is not smooth as it dependent on starts on sites and prevailing market conditions.

Table 3: New Build Affordable Housing Completions in Chelmsford

2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
226	198	287	189	264	130 116*	219 143*	164 50*	195 98*	72 46*

*Number of general needs affordable rented units let

4.3. The most commonly cited barrier to affordable housing delivery is scheme viability. In recent years developers and Registered Providers have faced construction cost inflation, higher borrowing costs, labour shortages, material supply issues, increased regulatory requirements, building safety costs, and national housing policies that have reduced existing stock.

4.4. These pressures often result in developers seeking reductions in s106 affordable housing contributions on viability grounds. Schemes solely for affordable housing on brownfield sites can require significant subsidies even if the land is transferred to the developer at no cost.

4.5. This is not only a problem for private developers as many affordable providers cite viability gaps despite attracting grant from Homes England and obtaining the land at no or little cost.

4.6. Many councils wish to build directly but are constrained by a shortage of suitable sites, high land values and landowners holding on to land, competition from the private sector, complex land assembly requirements, and difficulties in using compulsory purchase powers effectively.

4.7. Build-out rates are driven by market absorption, with major developers building at rates linked to local demand and often seeking to avoid releasing housing faster than the market can absorb because this may affect sales values. This creates a tension between councils seeking rapid delivery and developers optimising commercial returns, with development slowing when it is most needed.

4.8. Affordable housing delivery is often dependent on Registered Provider interest, Affordable Homes Programme funding, viability assumptions and the availability of grant. Where Registered Providers reduce acquisitions because of financial pressures, overall build-out rates can be affected, since affordable housing often forms a substantial component of large developments.

5. Reasons for Differences in Chelmsford

5.1 There is no single reason, more a combination of local market forces, local and national policies. We know Chelmsford is one of the more expensive areas for house prices in Essex, becoming a sweet spot for those moving closer to London from elsewhere and also for those within London moving out.

5.2 The value of homes inevitably influences the cost of renting as well as buying a home and we have seen the Private Rented Sector (PRS) treble in size over the last 30 years, replacing social housing as the second most common tenure. The lower quartiles of PRS has often accompanied social housing as an option for those who cannot afford to buy but for some time now, the cost of open market rents not only mean it is inaccessible for those on lower incomes, it has also become one of the main causes of homelessness as rents exceed local housing allowance levels. Loss of employment quickly leads to loss of home.

5.3 The value of land, or from a development view the perceived future value, also becomes a barrier to the development of affordable housing; whereas a developer may reasonably assume the value of homes built in the future will be greater than those being sold today, the rent control of affordable housing means there will be a growing deficit in the future rather than an uplift.

5.4 This does not apply to intermediate affordable housing which follows market trends, whether as discounted sale, intermediate rent or shared ownership. Over 40% of our affordable housing supply comprises some form of intermediate affordable tenure which as a subsidised market option helps meet housing demand but makes no contribution to the local housing need the Council is bound by statute to address.

5.5 This then protects benchmark land values, residualizing the development of homes that are needed to meet local need, i.e. those whose housing need cannot be met through the supply from the open market and so the gap grows ever wider.

5.6 Alongside this, PRPs are obliged to consider investing in new affordable housing and almost all aspire to this but the replacement of capital subsidy in place of a model that requires PRPs to borrow against the future rental income of new affordable homes caps their future financial capacity, especially when there is a duty to maintain and improve an ageing stock.

5.7 Ricardo's law of diminishing returns then applies to some high value areas, inevitably leading us to the moment when developers cannot find a RP able to buy from them the affordable homes they are committed to develop under a s106 agreement, so the local population increases without the homes some of them will need.

6. Work to Address the Lack of Supply and the Impact

6.1 An innovative approach has been taken to addressing financial viability on strategic growth sites by reducing the cost to the developer of the S106 by reinvesting the CIL generated by the development to fund infrastructure requirements in the S106, this reduces the financial deficit of the development enabling more affordable housing to be provided.

6.2 Where financial viability results in a reduction of affordable housing, negotiations with developers have focused on maintaining the 22% affordable rent units over and above intermediate housing such as shared ownership.

6.3 A strategy outlining the approach the Council is taking to reduce the cost of temporary accommodation is currently being developed this will have two strands to it; improving homelessness prevention, and increasing supply of temporary accommodation/supported housing.

7. Conclusion

7.1 The lack of affordable housing is causing an acute housing crisis nationally and this is having a significant impact in Chelmsford with the lack of churn in the existing affordable housing stock and high housing costs in the private rented sector exacerbating the impact locally.

7.2 The reduction in the supply of existing affordable housing and the reduction in new affordable housing being built is the driver for the increase in temporary accommodation rather than an increase in households becoming homeless.

7.3 New supply is being affected by macro economics which is affecting financial viability of new developments including those where councils are looking to build directly or in partnership with developers.

7.4 Whilst the Council is exploring all options to increase the supply of affordable housing the influence, and therefore, the effect it can have is very limited and ultimately the answer rests with national policy makers.

List of appendices:

None

Background papers:

None

Corporate Implications

Corporate Implication	Response
Legal/Constitutional	The Council has statutory duties to meet the housing need of many households who become homeless and those who are living in homes that are unsuitable for their needs and therefore an adequate supply of affordable housing by type and tenure is critical.
Financial	Where there is an inadequate supply alternative (temporary) accommodation must be provided, often at a cost that is determined by open market rents with an additional premium.
Potential impact on climate change and the environment	None
Contribution toward achieving a net zero carbon position by 2030	None
Personnel	The rising need for temporary accommodation becomes a strategic issue requiring additional staff to meet the Council's legal duties to those in housing need beyond the conventional approach of allocating social housing to those in greatest need.
Risk Management	A continuing gap between the need and supply of general needs affordable rented homes has been highlighted in the Council's Risk Register for legal, social and financial reasons.
Equality and Diversity	With almost all homeless households requiring temporary accommodation there is a greater risk that some properties will not be suitable for those with protected characteristics, e.g. physical disabilities, age, etc.

Health and Safety	None
Digital	None
Other	None

Equality Impact Assessment

An Equality Impact Assessment is not required as the report relates to an Inform & Debate session and does not propose a change in policy or procedure.

Consultees:

None

Relevant Policies and Strategies:

None