

AH004

Report to:

**Chelmsford City
Council**

**Strategic Housing
Needs Assessment**

Addendum Report

November 2024

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Summary

Background

1. This addendum note has been prepared as a partial update to the 2023 Strategic Housing Needs Assessment (SHNA). The key reason is to look at the implications of moving from housing delivery at the current Standard Method (955 dwellings per annum) up to a figure of 1,206 dwellings per annum – 22,914 homes over the 2022-41 plan period.
2. With the higher housing number it is projected that net in-migration to the Council area would increase (as people move to fill additional homes) and therefore there would be projected to be stronger population growth, which in turn could impact on a range of housing needs – including the need for affordable housing, the mix of housing and housing for older people.
3. Overall, it is projected the population of the Council area could increase by 47,400 people over the 2022-41 period – a 26% increase. Within this there would be a notable increase in age groups across all cohorts and particularly in the number of people aged Under 65 compared with the SHNA analysis.

Affordable Housing Need

4. The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. The evidence indicates that there is an acute need for affordable housing. The vast majority of need is from households who are unable to buy OR rent and therefore points particularly towards a need for rented affordable housing rather than affordable home ownership.
5. When compared with a similar assessment carried out as part of the Strategic Housing Needs Assessment, this report suggests a greater need for rented forms of affordable housing and a lower need for affordable home ownership (AHO). Indeed, the case for providing AHO (in pure need terms) is fairly weak.
6. Despite the level of need being high (relative to overall housing requirements), it is not considered that this points to any requirement for the Council to increase the Local Plan housing requirement due to affordable needs. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). In addition, the private rented sector is providing benefit supported accommodation for many households.
7. The analysis suggests there will be a particular need for social rented housing. Social rents are significantly more affordable than affordable rents and could benefit a wider range of households – social rents could therefore be prioritised where delivery does not prejudice the overall delivery of affordable homes.

8. The study also considers different types of AHO (notably First Homes and shared ownership) as each may have a role to play. Shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent. There was no evidence of a need for First Homes or discounted market housing more generally.
9. Given the cost of housing locally, it seems very difficult for affordable home ownership products to be provided and be considered as 'genuinely affordable'. This again points to the need for the Council to prioritise delivery of rented affordable housing where possible.
10. In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).
11. Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where suitable opportunities arise.

Housing Mix

12. An updated assessment of the mix of housing required linking to the updated demographic projection does not really show any notable differences from the analysis in the SHNA. Therefore it is suggested the broad conclusions of that document remain sound and are shown below (this table can also be found in the summary to Section 5 of the SHNA).
13. In all sectors the analysis points to a particular need for 2-bedroom accommodation, with varying proportions of 1-bedroom and 3+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 40% of general needs housing to have at least 3-bedrooms.

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5-10%	25%	25%	55%
2-bedrooms	30-35%	45%	35%	45%
3-bedrooms	35-40%	25%	30%	
4+-bedrooms	20-25%	5%	10%	

Older and Disabled People

14. The updated analysis of the needs of older and disabled persons tend to show similar findings to the original SHNA – this is mainly due to the ageing of the population being projected to be broadly the same in both analyses. This addendum does however show a greater projected growth in the number of people aged Under 65 and so higher increases in disabilities can be expected from these age groups.
15. In addition, when looking at specialist older persons housing, the analysis suggests lower needs than in the SHNA – indeed generally there is currently a broad balance between need and supply. This conclusion is drawn as the City has a significant level of recent and planned developments which were not included in the SHNA analysis. Given an ageing population, there is however projected to be additional needs from older people as we move through the plan period.

1. Background

Introduction

- 1.1 This report provides an addendum to the 2023 Strategic Housing Needs Assessment (SHNA)¹ for Chelmsford City Council. The document has been provided due to the Council currently seeking to move forward with a new local plan under transitional arrangements which allows for a housing requirement that is within 200 dwellings per annum of the proposed new Standard Method for assessing housing need. This method sets a 'housing need' of 1,406 dwellings per annum and so analysis in this report is based on a figure of 1,206 dpa. The 2023 SHNA based key analysis on a lower figure (of 955 dwellings per annum) – that being based on the current Standard Method for assessing housing need.
- 1.2 The report therefore looks at the implications of moving to a higher housing delivery figure, particularly in terms of the possible impact on demographic change, including the potential for the higher number to drive increased net in-migration to the Council area. An updated projection has been provided which seeks to estimate how the population structure of the Council area might change and if this has any impact on analysis in the SHMA (such as suggestions about a suitable mix of housing and the needs of particular groups – notably older people).
- 1.3 Whilst updating the analysis for a new housing number, the opportunity has also been taken to update other aspects of the SHNA where new data exists. This includes looking at more up-to-date demographic data (e.g. about population change) but also to relook at the affordable housing need in light of changes to prices/rents, incomes and the supply of affordable housing. The affordable needs analysis also seeks to consider changes being proposed in the consultation National Planning Policy Framework (NPPF) of July 2024.
- 1.4 The remainder of this background section looks at new data in relation to demographic trends (similar to analysis contained within Section 2 of the SHNA) and then develops a new projection linking to the higher housing number (similar to analysis in Section 3 of the SHNA). Further sections then consider affordable housing need, the mix of housing (by dwelling size and tenures) and the needs of older and disabled persons (Sections 4, 5 and 6 of the SHNA). The analysis does not relook at any aspect of Sections 7 (Private Rented Sector) or 8 (Other Groups).

Demographic Trends

- 1.5 The table below shows population change over the last 10-years for which ONS has published data (2013-23). This shows slightly stronger growth in Chelmsford than other locations, with the population estimated to have grown by around 9% (14,800 additional people). The table can be compared with Figure 2.2 of the SHNA which showed the same data for the 2011-21 period. The updated analysis shows slightly stronger growth in the more up-to-date period, although in both cases population growth in the Council area is typically above the levels seen in other locations.

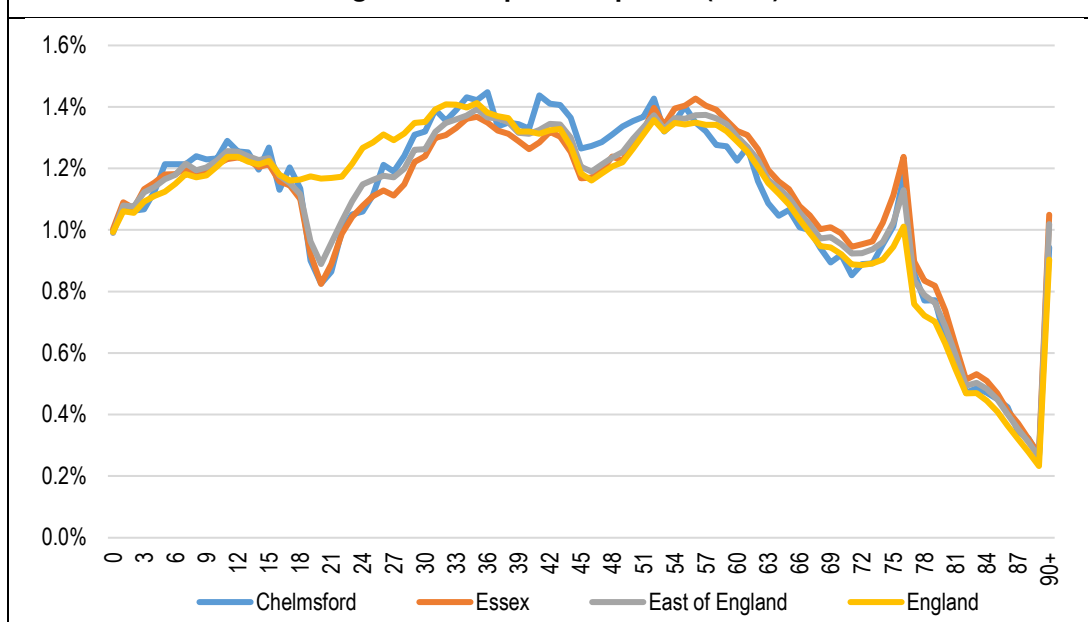
¹ <https://www.chelmsford.gov.uk/media/51bhsgcp/ah001-chelmsford-strategic-housing-needs-assessment-2023.pdf>

Figure 1.1: Population change (2013-23)

	Population (2013)	Population (2023)	Change	% change
Chelmsford	170,481	185,278	14,797	8.7%
Essex	1,418,900	1,536,118	117,218	8.3%
East of England	5,970,484	6,468,665	498,181	8.3%
England	53,918,686	57,690,323	3,771,637	7.0%

Source: Mid-year population estimates

- 1.6 The figure and table below show the population age structure in 2023 and can be compared with Figures 2.5 and 2.6 of the SHNA which showed equivalent data for 2021. There are no notable differences although the ageing of the population for two additional years can be observed. The analysis continues to show a similar broad age structure in the City compared with other locations.

Figure 1.2: Population profile (2023)

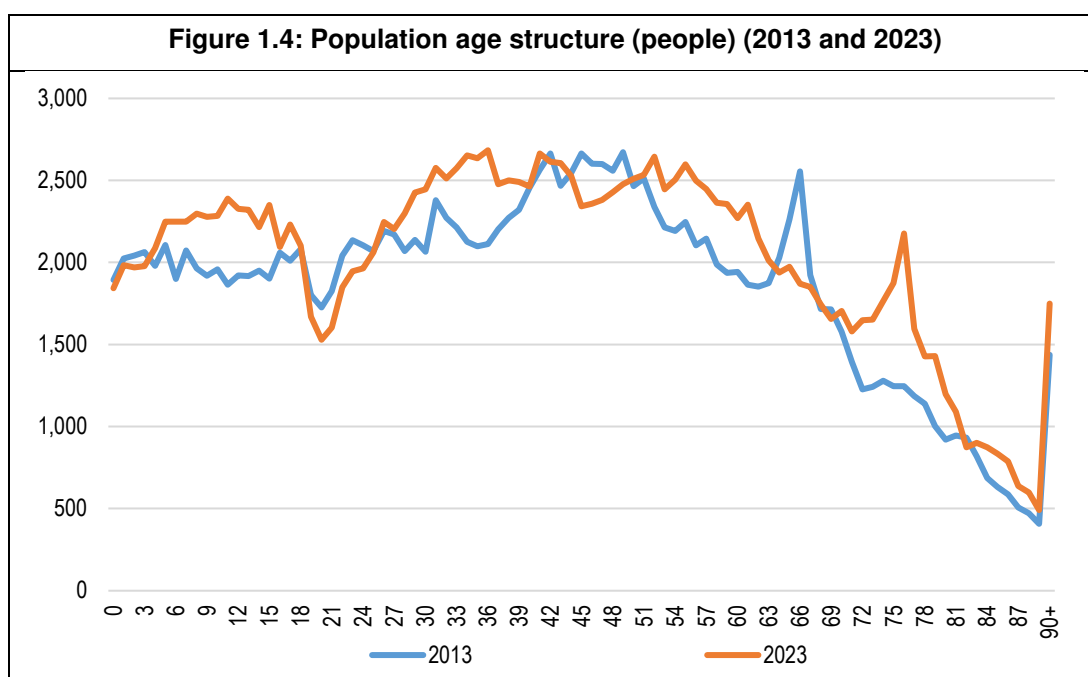
Source: Mid-year population estimates

Figure 1.3: Population profile (2023) – summary age bands

	Chelmsford		Essex	East of England	England
	Population	% of population	% of population	% of population	% of population
Under 16	35,066	18.9%	18.7%	18.8%	18.5%
16-64	114,248	61.7%	60.4%	61.3%	62.9%
65+	35,964	19.4%	20.8%	19.9%	18.7%
All Ages	185,278	100.0%	100.0%	100.0%	100.0%

Source: Mid-year population estimates

- 1.7 The figure and table below show how the population age structure has changed from 2013 to 2023 (which is comparable analysis to Figures 2.8 and 2.9 of the SHNA but for a slightly different period). One notable feature is the latest data showing less ageing of the population in the 2013-23 period than 2011-21. Overall, the latest period shows the number of people aged 65+ increasing by 16%, whereas for the 2011-21 period the number of people aged 65+ increased by 24%. The difference is reflected in a large increase of people in this age group from 2011 to 2013. For the 2013-23 period, the data also shows stronger growth in the number aged Under 16 and 16-64 when compared with the 2011-21 period.



Source: Mid-year population estimates (2021)

Figure 1.5: Change in population by broad age group (2013-23) – Chelmsford

	2013	2023	Change	% change
Under 16	31,474	35,066	3,592	11.4%
16-64	107,972	114,248	6,276	5.8%
65+	31,035	35,964	4,929	15.9%
TOTAL	170,481	185,278	14,797	8.7%

Source: Mid-year population estimates

- 1.8 A final demographic trends analysis looks at the components of change (comparable with Figure 2.10 of the SHNA). At the time of the SHNA, ONS were yet to fully update their components of change analysis to take account of 2021 Census data and so the latest figures are in some cases quite different from those in the SHNA (as well as including two extra years to 2023). Key features of the latest data are to show continued population growth and particularly strong levels of net international migration over the past two-years.

Figure 1.6: Components of population change, mid-2001 to mid-2021 – Chelmsford						
	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2011/12	657	-38	144	20	27	810
2012/13	489	429	294	-44	12	1,180
2013/14	657	393	401	163	33	1,647
2014/15	461	123	628	10	47	1,269
2015/16	504	492	584	105	55	1,740
2016/17	514	1,053	327	6	65	1,965
2017/18	437	260	246	-110	82	915
2018/19	317	804	608	34	102	1,865
2019/20	69	432	35	-69	139	606
2020/21	256	458	444	-3	184	1,339
2021/22	263	202	1,131	-9	0	1,587
2022/23	71	400	1,357	36	0	1,864

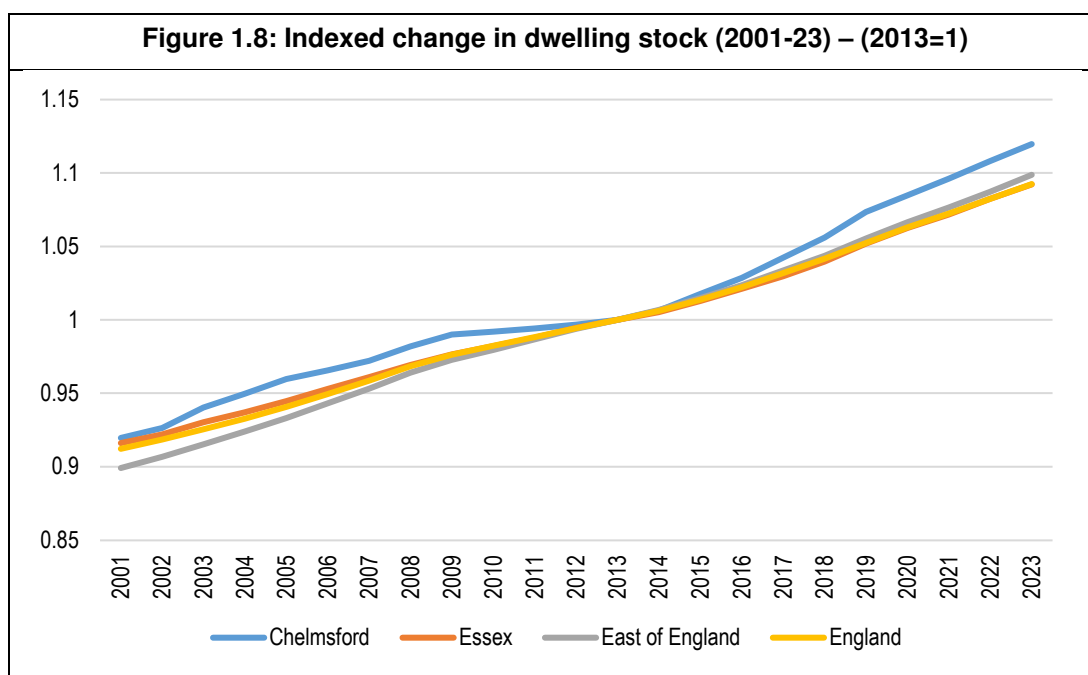
Source: ONS

Number of dwellings

- 1.9 A further updated analysis looks at changes in the number of dwellings in the City and other locations; again the analysis is rolled forward to 2023 compared with 2021 in the SHNA. Consistent with analysis in the SHNA (see Figures 2.11 and 2.12) dwelling growth in Chelmsford has been stronger than seen in other locations. Over the 2013-23 period, it is estimated that stock grew by 12%, higher than the equivalent figure for the 2011-21 period (10.5%). Generally across areas, dwelling growth has been stronger in this more up-to-date period.

Figure 1.7: Change in dwellings (2013-23)				
	Dwellings (2013)	Dwellings (2023)	Change	% change
Chelmsford	71,676	80,250	8,574	12.0%
Essex	611,256	667,693	56,437	9.2%
East of England	2,566,278	2,819,941	253,663	9.9%
England	23,247,462	25,396,447	2,148,985	9.2%

Source: MHCLG (Live Table 125)



Source: MHCLG (Live Table 125)

Projecting Population and Household Growth

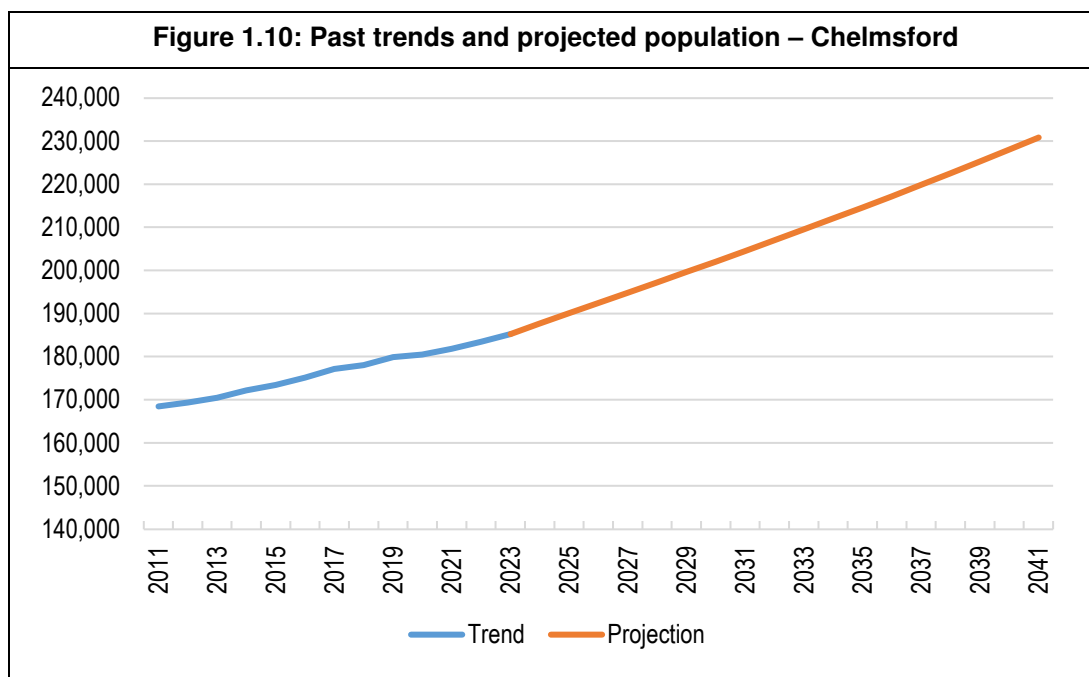
- 1.10 As part of this study a new and bespoke population and household projection has been developed looking at the implications of providing 22,914 additional dwellings over the 2022-41 period (at an average of 1,206 per annum). The projection has been developed in a consistent manner to a similar exercise in the SHNA (see from paragraph 3.47) but includes updated information from both the 2021 Census (e.g. around the communal population and household formation) and also the latest population data up to 2023.
- 1.11 In developing this projection, it is estimated the population of the City would potentially increase by 47,400 people, a 26% increase. The largest increase in population terms would be in the 16-64 age group with the highest proportional change being seen in the population aged 65 and over. When compared with similar analysis in the SHNA (see Figure 3.15) it is the case that this projection sees stronger growth of people aged Under 16 and 16-64. This will reflect the assumption that the higher housing number will generate additional net in-migration, which tends to be focussed on people of working-age and their associated children.

Figure 1.9: Population change 2022 to 2041 by broad age bands – Chelmsford (linked to 1,206 dwellings per annum)

	2022	2041	Change in population	% change from 2022
Under 16	32,304	39,555	7,251	22.4%
16-64	115,464	142,854	27,390	23.7%
65 and over	35,646	48,411	12,765	35.8%
Total	183,414	230,820	47,406	25.8%

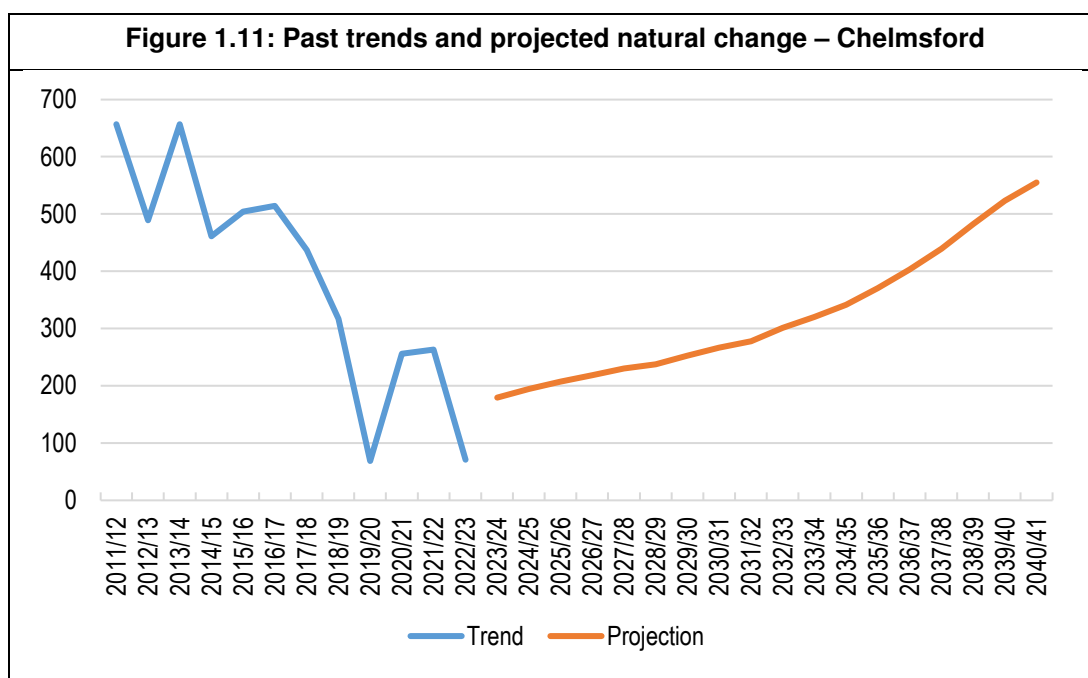
Source: Demographic Projections

- 1.12 The figure below shows how the overall population is projected to change in the future and sets this against past trends. Although the population of the City has been growing (and at a rate in excess of many other areas) it is the case that in delivering 1,206 dwellings per annum and even stronger growth is projected. In the 2011-23 period, it is estimated the population grew by an average of 0.8% per annum, but moving forward from 2023 (to 2041) the average growth would be at 1.4% - this is a notable increase.

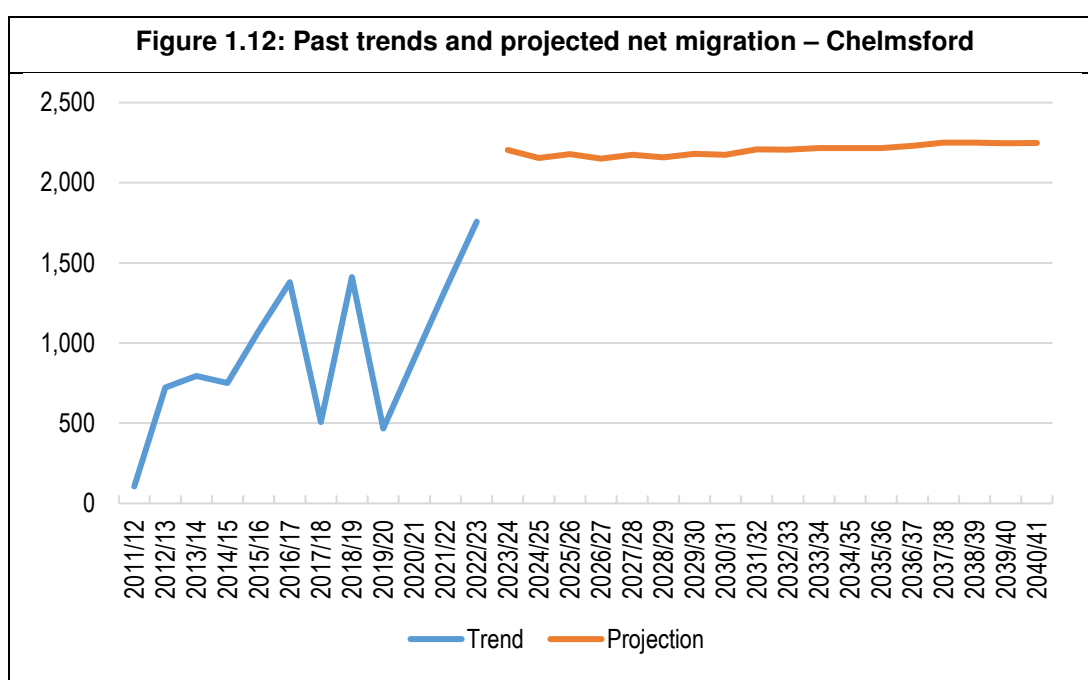


Source: ONS and demographic projections

- 1.13 The figures below show projected natural change and net migration under this scenario. Overall, natural change is projected to start at the current lower levels but begin to rise over time. Net migration is projected to be strongly positive and at a level above that seen in past trends, and indeed above the level seen for any year going back to at least 2011.



Source: ONS and demographic projections



Source: ONS and demographic projections

- 1.14 In moving forward in this report, key analysis has been based on this new bespoke projection (e.g. such as analysis around housing mix and older person needs as this draws from demographic projections).

Labour Supply Changes

- 1.15 The final updated demographic analysis is to look at how the labour-supply might change with the growing population. This analysis is similar to that carried out from Section 3.51 of the SHNA. The first table below shows estimates of changes to the economically active population with the updated projection. The analysis has also been updated to take account of age and sex specific economic activity rates (EARs) from the 2021 Census. In addition, a sensitivity has been developed where the EARs are held constant at 2021 levels as well as an analysis where there are forecast to be some changes to EARs moving forward – this being the approach taken in the SHNA but continuing to be based on pre-pandemic forecasts by the Office for Budget Responsibility (OBR). It is considered the sensitivity is reasonable given data (including from the Census) has shown activity rates to have not grown as they had previously been forecast to do.
- 1.16 Overall, the analysis suggests that the number of economically active people in the City could rise by 27,200 (a 29%) increase. This compares with a 21% increase (21,200 more economically active people) estimated in the SHNA (see Figure 3.18). With no change to EARs an increase of 23,100 active people is estimated.

Figure 1.13: Estimated change to the economically active population (2022-41) – Chelmsford				
	Economically active (2022)	Economically active (2041)	Total change in economically active	% change
OBR EAR	94,524	121,732	27,207	28.8%
EAR no change	94,285	117,416	23,131	24.5%

Source: JGC analysis

- 1.17 As with the SHNA, analysis has been carried out to consider how many jobs might be supported by changes to the economically active population. This takes account of commuting dynamics and also estimates of the number of people with more than one job. At the time of the SHNA, data about commuting was only available from the 2011 Census and in this report data has now also been drawn from 2021 (although caution should be exercised given the timing of the Census during the pandemic).
- 1.18 The data clearly shows a massive increase in the number of people working from home, which is a finding that may have reversed slightly since 2021. Therefore the update looks at both sets of Census data. It is notable the Census data shows the City going from having net out-commuting for work to one which has net in-commuting. As a result we have also looked at the implications of a balanced (1:1) commuting ratio.

Figure 1.14: Commuting patterns (2011 and 2021)		
	2011 Census	2021 Census
Live and work in Local Authority (LA)	36,228	24,622
Home workers or no fixed workplace	16,267	47,179
In-commute	30,605	22,970
Out-commute	34,430	18,056
Total working in LA	83,100	94,771
Total living in LA (and working)	86,925	89,857
Commuting ratio	1.046	0.948

Source: 2011 Census

- 1.19 As noted, the analysis also takes account of the proportion of people with more than one job (double jobbing). In the SHNA it was estimated that around 2.2% of workers had more than one job, with more recent data largely confirming this position (now estimated to be 2.3%).
- 1.20 The data on commuting and double jobbing is brought together with the different figures for changes in the economically active population to estimate the number of jobs that could be supported. The table below shows estimates of the number of jobs that might be supported by the higher housing number – somewhere between 22,600 and 29,400 depending on the assumptions applied. This can be compared with Figure 3.20 of the SHNA, which suggested up to 21,600 additional jobs could be supported.

Figure 1.15: Jobs supported by demographic projections (2022-41)				
		Total change in economically active	Allowance for double jobbing	Allowance for net commuting (= jobs supported)
OBR EAR	2011 commuting	27,207	27,847	26,623
	2021 commuting	27,207	27,847	29,375
	1:1 commuting	27,207	27,847	27,847
EAR no change	2011 commuting	23,131	23,676	22,634
	2021 commuting	23,131	23,676	24,974
	1:1 commuting	23,131	23,676	23,676

Source: JGC analysis

Summary

- 1.21 This addendum note has been prepared as a partial update to the 2023 Strategic Housing Needs Assessment (SHNA). The key reason is to look at the implications of moving from housing delivery at the current Standard Method (955 dwellings per annum) up to a figure of 1,206 dwellings per annum – 22,914 homes over the 2022-41 plan period.

- 1.22 With the higher housing number it is projected that net in-migration to the Council area would increase (as people move to fill additional homes) and therefore there would be projected to be stronger population growth, which in turn could impact on a range of housing needs – including the need for affordable housing, the mix of housing and housing for older people.
- 1.23 Overall, it is projected the population of the Council area could increase by 47,400 people over the 2022-41 period – a 26% increase. Within this there would be a notable increase in age groups across all cohorts and particularly in the number of people aged Under 65 compared with the SHNA analysis.

2. Affordable Housing Need

Introduction

- 2.1 This section provides an assessment of the need for affordable housing in Chelmsford and is an update from a similar assessment undertaken as part of the Strategic Housing Needs Assessment (SHNA – published in October 2023). The analysis follows the methodology set out in Planning Practice Guidance (Sections 2a-018 to 2a-024). The analysis looks at the need from households unable to buy OR rent housing; and also from households able to rent but not buy who may generate a need for affordable home ownership products.
- 2.2 In addition, the analysis recognises likely changes to the NPPF arising from the July 2024 consultation. This includes a clear direction (paragraph 64) to consider the need for social rented housing and also a proposal to delete the expectation that 10% of all homes on larger sites should be for affordable home ownership (paragraph 66). Some of the analysis to follow is the same as in the 2023 SHNA but much of it has been included in full to allow this section to be read as a standalone document.

Overview of Method

- 2.3 In summary, the methodology looks at a series of stages as set out below:
- Current affordable housing need (annualised so as to meet the current need over a period of time);
 - Projected newly forming households in need;
 - Existing households falling into need; and
 - Supply of affordable housing from existing stock
- 2.4 The first three bullet points above are added together to identify a gross need, from which the supply is subtracted to identify a net annual need for additional affordable housing. Examples of different affordable housing products are outlined in the box below.

Affordable Housing Definitions

Social Rented Homes – are homes owned by local authorities or private registered providers for which rents are determined by the national rent regime (through which a formula rent is determined by the relative value and size of a property and relative local income levels). They are low cost rented homes.

Affordable Rented Homes – are let by local authorities or private registered providers to households who are eligible for social housing. Affordable rents are set at no more than 80% of the local market rent (including service charges).

Rent-to-Buy – where homes are offered, typically by housing associations, to working households at an intermediate rent which does not exceed 80% of the local market rent (including service charges) for a fixed period after which the household has the change to buy the home.

Shared Ownership – a form of low cost market housing where residents own a share of their home, on which they typically pay a mortgage; with a registered provider owning the remainder, on which they pay a subsidised rent.

Discounted Market Sale – a home which is sold at a discount of at least 20% below local market value to eligible households; with provisions in place to ensure that housing remains at a discount for future households (or the subsidy is recycled).

First Homes – a form of discounted market sale whereby an eligible First-time Buyer can buy a home at a discount of at least 30% of market value. Councils are able to set the discounts and local eligibility criteria out in policies.

Affordability

- 2.5 An important first part of the affordable needs modelling is to establish the entry-level costs of housing to buy and rent. The affordable housing needs assessment compares prices and rents with the incomes of households to establish what proportion of households can meet their needs in the market, and what proportion require support and are thus defined as having an 'affordable housing need'. For the purposes of establishing affordable housing need, the analysis focuses on overall housing costs (for all dwelling types and sizes).
- 2.6 The table below shows estimated current prices to both buy and privately rent a lower quartile home (excluding newbuild sales when looking at house prices). Across all dwelling sizes the analysis points to a lower quartile price of £285,000. Private rents were estimated to have an overall lower quartile of around £1,200 per month.
- 2.7 When compared with the SHNA, it is estimated that prices have fallen slightly (lower quartile going from £290,000 to £285,000) but with little difference when looking at different sizes of homes. For private rents, the latest data shows much higher figures (an increase from £850 per month to £1,200 per month). This difference is (at least in part) being due to this report looking at new lettings, whereas the previous study used ONS data which covered the whole of the sector (and would therefore include many households with existing tenancies where the rent paid is below the market rate were the property to be relet).

Figure 2.1: Estimated lower quartile cost of housing to buy (existing dwellings) and privately rent (by size) – Chelmsford		
	To buy	Privately rent
1-bedroom	£170,000	£1,050
2-bedrooms	£250,000	£1,300
3-bedrooms	£370,000	£1,600
4-bedrooms	£500,000	£1,900
All dwellings	£285,000	£1,200

Source: Land Registry and Internet Price Search

- 2.8 Next it is important to understand local income levels as these (along with the price/rent data) will determine levels of affordability (i.e. the ability of a household to afford to buy or rent housing in the market without the need for some sort of subsidy). Data about total household income has been based on ONS modelled income estimates, with additional data from the English Housing Survey (EHS) being used to provide information about the distribution of incomes. Data has also been drawn from the Annual survey of Hours and Earnings (ASHE) to consider changes since the ONS data was published.
- 2.9 Overall, the average (mean) household income across the Council area is estimated to be around £58,700, with a median income of £49,500; the lower quartile income of all households is estimated to be £28,500. Incomes are estimated to be around 10% higher than at the time of the SHNA analysis.
- 2.10 To assess affordability, two different measures are used; firstly to consider what income levels are likely to be needed to access private rented housing and secondly to consider what income level is needed to access owner occupation. This analysis therefore brings together the data on household incomes with the estimated incomes required to access private sector housing. For the purposes of analysis, the following assumptions (which are consistent with the SHNA) are used:
- Rental affordability – a household should spend no more than 30% of their income on rent; and
 - Mortgage affordability – assume a household has a 10% deposit and can secure a mortgage for four and a half times (4.5×) their income.
- 2.11 The table below shows the estimated incomes required to both buy and rent privately across the Council area based on the affordability assumptions above.

Figure 2.2: Estimated Household Income Required to Buy and Privately Rent			
	To buy	To rent (privately)	Income gap
Chelmsford	£57,000	£48,000	£9,000

Source: Based on Housing Market Cost Analysis

Need for Affordable Housing

- 2.12 The sections below work through the various stages of analysis to estimate the need for affordable housing. 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.

Current Need

- 2.13 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 (housing suitability). It should be noted the analysis in this addendum differs from that in the SHNA in that it draws on a range of secondary data sources (including the 2021 Census) whereas the SHNA used data from the Housing Register. The table below sets out the categories in the PPG and the sources of data being used to establish numbers.

Figure 2.3: 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 housing ²	2021 Census table RM099	Analysis undertaken by tenure
Concealed households ³	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]

- 2.14 The table below sets out estimates of the number of households within each category. This shows an estimated 5,085 households as living in 'unsuitable housing'; some 1,323 of these currently having no accommodation (homeless or concealed households).

² <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2199>

³ <https://www.nomisweb.co.uk/query/construct/summary.asp?mode=construct&version=0&dataset=2109>

Figure 2.4: Estimated number of households living in unsuitable housing (or without housing)	
	Chelmsford
Concealed and homeless households	1,323
Households in overcrowded housing	2,011
Existing affordable housing tenants in need	218
Households from other tenures in need	1,533
TOTAL	5,085

Source: JGC analysis

- 2.15 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 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 tables below show around two-thirds those households identified above are unlikely to be able to afford market housing to buy OR rent and therefore there is a current need from 3,292 households.

Figure 2.5: Estimated housing need and affordability by tenure – Chelmsford			
	Number in unsuitable housing	% unable to afford	Current need after affordability
Owner-occupied	1,166	6.3%	74
Affordable housing	1,022	88.9%	909
Private rented	1,574	62.7%	987
No housing (homeless/concealed)	1,323	100.0%	1,323
TOTAL	5,085	64.7%	3,292

Source: JGC Analysis

- 2.16 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 from 2,384 households (3,292-909). For the purposes of analysis, it is assumed that the local authority would seek to meet this need over a period of time. To be consistent with the SHNA the need is annualised over a 19-year period (by dividing by 19) to give an annual need for 125 dwellings. This does not mean that some households would be expected to wait 19-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.
- 2.17 The table below shows this data split between those unable to Rent OR buy and those able to rent but NOT buy. Given the pricing of housing in the study area this analysis only shows a modest need for those able to rent but not buy; the number unable to rent OR buy is notably higher. The figure of 117 unable to buy OR rent can be compared with a notably lower estimate (30 per annum) in the SHNA which suggests the Housing Register may be underestimating need in the Council area – possibly due to restricting access to the Register through eligibility criteria.

Figure 2.6: Estimated current affordable housing need by affordability groups		
		Chelmsford
Number in need (excluding those in AH)		2,384
Annualised	TOTAL	125
	Unable to rent OR buy	117
	Able to rent but NOT buy	8

Source: JGC analysis

Newly-Forming Households

- 2.18 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. This approach is consistent with the CLG guidance of 2007⁴.
- 2.19 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.
- 2.20 In the SHNA it was estimated through demographic projections that around 1,530 new households would form each year moving forward. With an uplift to housing delivery (from 955 to 1,206 dwellings per annum) it is estimated that the number of newly forming households would increase by 8% to 1,657 per annum and this figure is used in the modelling below.
- 2.21 In assessing the ability of newly forming households to afford market housing, data has been drawn from analysis of English Housing Survey data at a national level. This establishes that the average income of newly forming households is around 87% of the figure for all households.⁵ 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 87% of the all-household average. In doing this it is possible to calculate the proportion of households unable to afford market housing (whether to buy or rent separately).
- 2.22 The assessment suggests overall that around two-thirds of newly forming households will be unable to afford market housing and this equates a total of 1,079 newly forming households will have a need per annum on average across the Council area – the majority are households unable to rent OR buy with the annual need from this group (923 per annum) being higher than a similarly calculated figure (685 per annum) in the SHNA.

⁴ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance> (see pages 19-20 of Annexes)

⁵ Raw data from the 2013-14 and 2018-19 EHS has been analysed

Figure 2.7: Estimated Need for Affordable Housing from Newly Forming Households (per annum)	
	Chelmsford
Number of new households	1,657
% unable to afford	65.1%
Annual newly forming households unable to afford	1,079
Unable to rent OR buy (per annum)	923
Able to rent but NOT buy (per annum)	156

Source: Projection Modelling/Affordability Analysis

Existing Households Falling into Need

- 2.23 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.
- 2.24 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). This method for assessing existing households falling into need is consistent with the 2007 SHMA guide which says:

“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)”.⁶

- 2.25 Following the analysis through suggests a need arising from 158 existing households each year across the Council area – again, most are households unable to buy OR rent (the 145 per annum in this category being virtually identical to the figure of 142 per annum in the SHNA).

Figure 2.8: Estimated Need for affordable housing from Existing Households Falling into Need (per annum)	
	Chelmsford
Total Additional Need	158
Unable to rent OR buy	145
Able to rent but NOT buy	13

Source: JGC analysis

⁶ <https://www.gov.uk/government/publications/strategic-housing-market-assessments-practice-guidance> (see page 46)

Supply of Affordable Housing through Relet/Resales

- 2.26 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. Information from Continuous Recording of Sales and Lettings (CoRe) has been used to establish past patterns of social housing turnover. Data for three-years has been used (2020-21 to 2022-23).
- 2.27 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. On the basis of past trend data it has been estimated that 219 units of social/affordable rented housing are likely to become available each year moving forward – slightly lower than the estimate of 234 in the SHNA.

Figure 2.9: Analysis of Past Social/Affordable Rented Housing Supply, 2020/21 – 2022/23 (average per annum) - Chelmsford					
	Total Lettings	% as Non-New Build	Lettings in Existing Stock	% Non-Transfers	Lettings to New Tenants
2020/21	426	63.6%	271	69.5%	188
2021/22	402	77.9%	313	64.2%	201
2022/23	519	71.9%	373	71.1%	265
Average	449	71.0%	319	68.5%	219

Source: CoRe

- 2.28 It is also possible to consider if there is any supply of affordable home ownership products from the existing stock of housing. 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 2024 of 1,075 homes. If these homes were to turnover at a rate of around 5% then they would be expected to generate around 54 resales each year. These properties would be available for these households and can be included as the potential supply.
- 2.29 In addition, in the SHNA, it was also noted that there will be a supply of homes from the market at a lower quartile price or below – a best estimate of 274 homes per annum being sold to first-time buyers (a figure not specifically updated in this report). Added to the 54 potential resales gives a total annual supply of low-cost home ownership (LCHO) of 328 units.
- 2.30 The table below summarises the estimated supply of affordable housing from relets/resales in Chelmsford.

Figure 2.10: Estimated supply of affordable housing from relets/resales of existing stock by local authority (per annum)	
	Chelmsford
Social/affordable rented	219
LCHO	328
TOTAL	546

Source: CoRe/RSH/Land Registry

- 2.31 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 Affordable Housing

- 2.32 The table below shows the overall calculation of affordable housing need. The analysis shows that there is a need for 816 dwellings per annum. The net need is calculated as follows:

$$\text{Net Need} = \text{Current Need (allowance for)} + \text{Need from Newly-Forming Households} + \text{Existing Households falling into Need} - \text{Supply of Affordable Housing}$$

Figure 2.11: Estimated Need for Affordable Housing (per annum)	
	Chelmsford
Current need	125
Newly forming households	1,079
Existing households falling into need	158
Total Gross Need	1,362
Relet/resale supply	546
Net Need	816

Source: JGC analysis

- 2.33 This can additionally be split between households unable to afford to BUY or rent and those able to rent but not buy. For this analysis it is assumed the LCHO supply would be meeting the needs of the latter group, although in reality there will be a crossover between categories. For example, it is likely in some cases that the cost of shared ownership will have an outgoing below that for privately renting and could meet some of the need from households unable to buy or rent – the issue of access to deposits would still be a consideration.
- 2.34 The table below shows a far greater need from households unable to buy OR rent and for whom a rented affordable product is likely to be most suitable. The figure in this category (966 per annum) can be compared with an equivalent figure in the SHNA for 623 dwellings per annum. The large difference is almost entirely driven by taking a different approach to the access cost of private rented housing which sees a number of households move from the able to rent but not buy group into the unable to buy OR rent group. The analysis points to a potential surplus of affordable home ownership which compares with an estimated need for 227 units in the SHNA (see Figure 4.23).

Figure 2.12: Estimated Need for Affordable Housing (per annum) – split between different affordability groups	
	Chelmsford
Unable to buy OR rent	966
Able to rent but not buy	-150
TOTAL	816

Source: JGC analysis

Comparing this assessment with the SHNA

- 2.35 Although comments have been made regarding comparisons with the SHNA, it is useful to bring this together in a single table to show how figures are estimated to have changed. The table below shows key data from each of the studies. The analysis shows that overall need is actually estimated to have fallen slightly (from 850 dwellings per annum to 816 per annum). There is however a notable shift (mainly due to the way access costs to the private rented sector have been determined) towards a need from those unable to buy OR rent, which as noted above very much points towards the need for rented affordable housing rather than affordable home ownership.

Figure 2.13: Comparison of overall affordable housing need in SHNA and update			
		SHNA	Update
Unable to buy OR rent	Gross need	857	1,185
	Relet supply	234	219
	Net need	623	966
Able to rent but not buy	Gross need	523	177
	Relet supply	296	328
	Net need	227	-150
TOTAL NEED	Gross need	1,380	1,362
	Relet supply	530	546
	Net need	850	816

Source: JGC analysis

Affordable Need and Overall Housing Numbers

- 2.36 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 (housing and economic needs) Ref ID 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”

- 2.37 However, the relationship between affordable housing need and overall housing need is complex. This was recognised in the Planning Advisory Service (PAS) Technical Advice Note of July 2015⁷. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need. There are a number of reasons why the two cannot be 'arithmetically' linked.
- 2.38 Firstly, the modelling contains a category in the projection of 'existing households falling into need'; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is, therefore, no net additional need arising. The modelling also contains 'newly forming households'; these households are a direct output from demographic modelling and are therefore already included in overall housing need figures (a point also made in the PAS advice note – see paragraph 9.5).
- 2.39 The analysis estimates an annual need for 816 affordable homes across the Council area. However, as noted, caution should be exercised in trying to make a direct link between affordable need and planned delivery, with the key point being that many of those households picked up as having a need will already be living in housing and so providing an affordable option does not lead to an overall net increase in the need for housing (as they would vacate a home to be used by someone else).
- 2.40 It is possible to investigate this in some more detail by re-running the model and excluding those already living in accommodation. This is shown in the table below which identifies that meeting these needs would lead to an affordable need for 602 homes per annum across the Council area – 74% of the figure when including those with housing.
- 2.41 This figure is, however, theoretical and should not be seen to be minimising the need (which is clearly acute). That said, it does serve to show that there is a difference in the figures when looking at overall housing shortages.
- 2.42 The analysis is arguably even more complex than this – it can be observed that the main group of households in need are newly forming households. These households are already included within demographic projections and so the demonstrating of a need for this group again should not be seen as additional to overall figures from demographic projections.

Figure 2.14: Estimated Need for Affordable Housing excluding households already in accommodation		
	Including existing households	Excluding existing households
Current need	125	70
Newly forming households	1,079	1,079
Existing households falling into need	158	0
Total Gross Need	1,362	1,148
Re-let Supply	546	546
Net Need	816	602

Source: JGC analysis

⁷ <https://www.local.gov.uk/sites/default/files/documents/objectively-assessed-need-9fb.pdf>. While the technical note produced by PAS is arguably becoming dated, there is no more up-to-date guidance on this matter from a government source and the remarks remain valid.

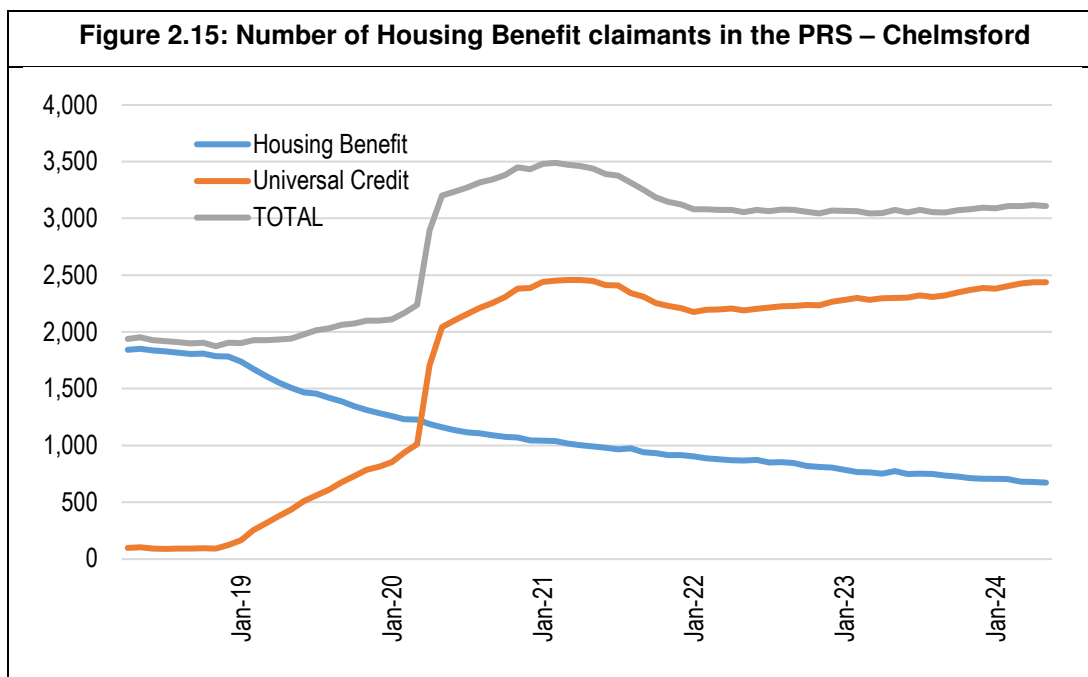
- 2.43 Additionally, it should be noted that the need estimate is on a per annum basis and should not be multiplied by the plan period to get a total need. Essentially, the estimates are for the number of households who would be expected to have a need in any given year (i.e., needing to spend more than 30% of income on housing).
- 2.44 In reality, some (possibly many) households would see their circumstances change over time such that they would 'fall out of need' and this is not accounted for in the analysis. 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.
- 2.45 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.
- 2.46 It also needs to be remembered the affordability test used for analysis is based on assuming a household spends no more than 30% of their income on housing (when privately renting). In reality, many households will spend more than this and so would be picked up by modelling as in need but in fact are paying for a private sector tenancy. The English Housing Survey (2022-23) estimates private tenants are paying an average of 32% of income on housing (including benefit support) and this would imply that more than half are spending more than the affordable level assumed in this report.
- 2.47 Finally, it should be recognised that Planning Practice Guidance does not envisage that all needs will be met (whether this is affordable housing or other forms of accommodation such as for older people). Paragraph 67-001 of housing needs of different groups states:

"This guidance sets out advice on how plan-making authorities should identify and plan for the housing needs of particular groups of people. This need may well exceed, or be proportionally high in relation to, the overall housing need figure calculated using the standard method. This is because the needs of particular groups will often be calculated having consideration to the whole population of an area as a baseline as opposed to the projected new households which form the baseline for the standard method".

Role of the Private Rented Sector (PRS)

- 2.48 The discussion above has already noted that the need for affordable housing does not generally lead to a need to increase overall housing provision. However worth briefly thinking about how affordable need works in practice and the housing available to those unable to access market housing without Housing Benefit. In particular, the role played by the Private Rented Sector (PRS) in providing housing for households who require financial support in meeting their housing needs should be recognised.

- 2.49 Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF (other than affordable private rent which is a specific tenure separate from the main 'full market' PRS), it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.
- 2.50 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 May 2024, it is estimated that there were around 3,100 benefit claimants in the Private Rented Sector. From this, it is clear that the PRS contributes to the wider delivery of 'affordable homes' with the support of benefit claims.
- 2.51 Whilst the PRS is providing housing for some households, there are however significant risks associated with future reliance on the sector to meet an affordable housing need. The last couple of years have seen rents increase whilst LHA levels have remained static. In the Autumn Statement 2023, the Government increased the LHA rent to the 30th percentile of market rents; and Universal Credit will also rise. However demand pressure could nonetheless have some impact of restricting future supply of PRS properties to those in need; emphasising the need to support delivery of genuinely affordable homes.
- 2.52 The figure below shows the trend in the number of claimants. 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 2,000 households).
- 2.53 The data about the number of claimants does not indicate how many new lettings are made each year in the PRS. However, data from the English Housing Survey (EHS) over the past three years indicates that nationally around 7% of private sector tenants are new to the sector each year. If this figure is applied to the current number of households claiming HB/UC then this would imply around 217 new benefit supported lettings in the sector per annum.
- 2.54 This again shows how the housing market reacts to provide housing for those unable to afford the market without subsidy. Whilst we would not recommend including PRS supply as part of the modelling, not least as it is uncertain whether the availability of homes will remain at this level as well as concerns about the security of tenure, it is the case that the sector does provide housing and again the overall analysis does not point to the need to increase overall provision.



Source: Department of Work and Pensions

- 2.55 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.
- 2.56 Overall, it is difficult to link the need for affordable housing to the overall housing need; indeed, there is no justification for trying to make the link. Put simply the two do not measure the same thing and in interpreting the affordable need figure, consideration needs to be given to the fact that many households already live in housing, and do not therefore generate an overall net need for an additional home. Further issues arise as the need for affordable housing is complex and additionally the extent of concealed and homeless households needs to be understood as well as the role played by the private rented sector.
- 2.57 Regardless of the discussion above, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue across the Council area. It does, however, need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. As noted previously, the evidence does however suggest that affordable housing delivery should be maximised where opportunities arise.

Split between Social and Affordable Rented Housing

- 2.58 The analysis above has clearly pointed to a need for rented forms of affordable housing for households unable to buy OR rent with the analysis below looking at the need for social rented versus affordable rented accommodation.

- 2.59 The table below shows current rent levels in the Council area for a range of products along with relevant local housing allowance (LHA) rates (most of Chelmsford being part of the Chelmsford Broad Rental Market Area (BRMA)) . Data about average social and affordable rents has been taken from the Regulator of Social Housing (RSH) and this is compared with lower quartile market rents. This analysis shows that social rents are significantly lower than affordable rents; the analysis also shows that affordable rents are below lower quartile market rents.
- 2.60 The LHA rates for all sizes of home are below lower quartile market rents for all sizes of accommodation. This does potentially mean that households seeking accommodation in many locations may struggle to secure sufficient benefits to cover their rent.

Figure 2.16: Comparison of rent levels for different products – Chelmsford				
	Social rent	Affordable rent (AR)	Lower quartile (LQ) market rent	LHA (Chelmsford)
1-bedroom	£445	£628	£1,050	£793
2-bedrooms	£505	£757	£1,300	£947
3-bedrooms	£574	£917	£1,600	£1,197
4-bedrooms	£724	£1,072	£1,900	£1,446
All	£509	£750	£1,200	-

Source: RSH, ONS and VOA

- 2.61 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 and so the discussion focusses on 2-bedroom homes. This shows that social rents are significantly cheaper than market rents (and indeed affordable rents) and that affordable rents (as currently charged) represent 58% of a current lower quartile rent.

Figure 2.17: Difference between rent levels for different products – Chelmsford			
	Social rent as % of affordable rent	Social rent as % of LQ market rent	Affordable rent as % of LQ market rent
1-bedroom	71%	42%	60%
2-bedrooms	67%	39%	58%
3-bedrooms	63%	36%	57%
4-bedrooms	68%	38%	56%
All	68%	42%	62%

Source: RSH, ONS and VOA

- 2.62 The table below suggests that around 12% of households who cannot afford to rent privately could afford an affordable rent at 80% of market rents, with a further 16% being able to afford current affordable rents. There are also an estimated 25% who can afford a social rent (but not an affordable one). A total of 47% of households would need some degree of benefit support (or spend more than 30% of income on housing) to be able to afford their housing (regardless of the tenure). This analysis points to a clear need for social rented housing.

Figure 2.18: Estimated need for affordable rented housing (% of households able to afford)	
	Chelmsford
Afford 80% of market rent	12%
Afford current affordable rent	16%
Afford social rent	25%
Need benefit support	47%
All unable to afford market	100%

Source: Affordability analysis

- 2.63 The analysis indicates that provision of around 70% of rented affordable housing at social rents could be justified; albeit in setting planning policies, this will need to be considered alongside viability evidence. Higher provision at social rents will reduce the support through housing benefits required to ensure households can afford their housing costs.

Different Affordable Home Ownership Products

- 2.64 Whilst the analysis above did not identify any significant need for affordable home ownership (i.e. housing for those able to rent but not buy) it is the case that some delivery might be expected – for example where viability is an issue or to help diversify stock in some locations. It is also possible that some forms of affordable home ownership could be priced to be affordable for some households unable to buy OR rent. The analysis below therefore looks at some of the main options available under the affordable home ownership banner.

Discounted Market Housing (including First Homes)

- 2.65 The table below sets out a suggested purchase price for affordable home ownership/First Homes by size. It works through first (on the left hand side) what households with an affordable home ownership need could afford (based on a 10% deposit and a mortgage at 4.5 times' income). The right-hand side of the table then sets out what Open Market Value (OMV) this might support, based on a 30% discount. The lower end of the range is based on households who could afford to rent privately without financial support at LQ rents; with the upper end based on the midpoint between this and the lower quartile house price.
- 2.66 Focussing on 2-bedroom homes, it is suggested that an affordable price is not more than £250,000 and therefore the open market value of homes would need to be no more than £357,100.

Figure 2.19: Affordable home ownership prices – Chelmsford		
	What households with an affordable home ownership need could afford	Open Market Value (OMV) of Home with 30% Discount
1-bedroom	£170,000	£242,900
2-bedrooms	£250,000	£357,100
3-bedrooms	£320,000-£345,000	£457,100-£492,900
4+-bedrooms	£380,000-£440,000	£542,900-£628,600

Source: JGC analysis

- 2.67 It is difficult to definitively analyse the cost of newbuild homes as these will vary from site-to-site and will be dependent on a range of factors such as location, built-form and plot size. We have however looked at newbuild schemes currently advertised on Rightmove with the table below providing a general summary of existing schemes.
- 2.68 This analysis is interesting as it shows the median newbuild price for all sizes of homes is at or above the top end of the OMV required to make homes affordable to those in the gap between buying and renting. That said, homes at the bottom end of the price range could potentially be discounted by 30% and considered as affordable.
- 2.69 This analysis shows how important it will be to know the OMV of housing before discount to be able to determine if a product is going to be genuinely affordable in a local context – providing a discount of 30% will not automatically mean it becomes affordable housing.
- 2.70 Overall, it is considered the evidence does not support central Government's current position that 25% of affordable housing should be provided as First Homes in a local context. Indeed, there is no real evidence of any need for this tenure of housing – given price caps it seems unlikely any First Homes could come forward other than as 1-bedroom homes (possibly some 2-bedroom), and therefore a reasonable mix of this tenure would not be possible.

Figure 2.20: Estimated newbuild housing cost by size – Chelmsford			
	No. of homes advertised	Range of prices	Median price
1-bedroom	36	£200,000-£385,000	£255,000
2-bedrooms	32	£260,000-£950,000	£350,000
3-bedrooms	26	£450,000-£1,150,000	£590,000
4+-bedrooms	43	£550,000-£1,595,000	£725,000

Source: JGC analysis

Shared Ownership

- 2.71 The analysis below moves on to consider shared ownership, for this analysis an assessment of monthly outgoings has been undertaken with a core assumption being that the outgoings should be the same as for renting privately so as to make this tenure genuinely affordable. The analysis has looked at what the OMV would need to be for a shared ownership home to be affordable with a 10%, 25% and 50% share. To work out outgoings the mortgage part is based on a 10% deposit (for the equity share) and a repayment mortgage over 25-years at 4% with a rent at 2.75% per annum on unsold equity.
- 2.72 The findings for this analysis are interesting and do point to the possibility of shared ownership being a more affordable tenure than discounted market housing (including First Homes) – particularly for smaller (1- and 2-bedroom) homes.

- 2.73 By way of an explanation of the table (focussing on 2-bedroom homes) – if a 50% equity share scheme came forward then it is estimated the OMV could not be above £369,000 if it is to be genuinely affordable (due to the outgoings being in excess of the cost of privately renting). However, given the subsidised rents, the same level of outgoings could be expected with a 10% equity share but a much higher OMV of £512,000. Although affordability can only be considered on a scheme by scheme basis, it is notable that we estimate a median 2-bedroom newbuild to cost around £350,000.

Figure 2.21: Estimated OMV of Shared Ownership with a 50%, 25% and 10% Equity Share by Size – Chelmsford			
	50% share	25% share	10% share
1-bedroom	£298,000	£361,000	£414,000
2-bedroom	£369,000	£447,000	£512,000
3-bedroom	£454,000	£550,000	£630,000
4-bedrooms	£539,000	£654,000	£749,000

Source: JGC analysis

Rent to Buy

- 2.74 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.
- 2.75 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.
- 2.76 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.

Summary

- 2.77 The analysis has taken account of local housing costs (to both buy and rent) along with estimates of household income. The evidence indicates that there is an acute need for affordable housing. The vast majority of need is from households who are unable to buy OR rent and therefore points particularly towards a need for rented affordable housing rather than affordable home ownership.

- 2.78 When compared with a similar assessment carried out as part of the Strategic Housing Needs Assessment, this report suggests a greater need for rented forms of affordable housing and a lower need for affordable home ownership (AHO). Indeed, the case for providing AHO (in pure need terms) is fairly weak.
- 2.79 Despite the level of need being high (relative to overall housing requirements), it is not considered that this points to any requirement for the Council to increase the Local Plan housing requirement due to affordable needs. The link between affordable need and overall need (of all tenures) is complex and in trying to make a link it must be remembered that many of those picked up as having an affordable need are already in housing (and therefore do not generate a net additional need for a home). In addition, the private rented sector is providing benefit supported accommodation for many households.
- 2.80 The analysis suggests there will be a particular need for social rented housing. Social rents are significantly more affordable than affordable rents and could benefit a wider range of households – social rents could therefore be prioritised where delivery does not prejudice the overall delivery of affordable homes.
- 2.81 The study also considers different types of AHO (notably First Homes and shared ownership) as each may have a role to play. Shared ownership is likely to be suitable for households with more marginal affordability (those only just able to afford to privately rent) as it has the advantage of a lower deposit and subsidised rent. There was no evidence of a need for First Homes or discounted market housing more generally.
- 2.82 Given the cost of housing locally, it seems very difficult for affordable home ownership products to be provided and be considered as 'genuinely affordable'. This again points to the need for the Council to prioritise delivery of rented affordable housing where possible.
- 2.83 In deciding what types of affordable housing to provide, including a split between rented and home ownership products, the Council will need to consider the relative levels of need and also viability issues (recognising for example that providing AHO may be more viable and may therefore allow more units to be delivered, but at the same time noting that households with a need for rented housing are likely to have more acute needs and fewer housing options).
- 2.84 Overall, the analysis identifies a notable need for affordable housing, and it is clear that provision of new affordable housing is an important and pressing issue in the area. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided. The evidence does however suggest that affordable housing delivery should be maximised where suitable opportunities arise.

3. Housing Mix

Introduction

- 3.1 The analysis below updates that on the mix of housing (by size and tenure) as found in Section 5 of the SHNA. Much of the analysis in the SHNA drew on data from the 2021 Census and has not been repeated below.

Projected Change in Households by Age

- 3.2 The table below shows how the number of households is projected to change across a range of broad age bands. This shows particularly strong growth in older age groups and also in those aged 16-24 (although this is from a low base). The number of households headed by someone aged 50-64 is projected to see a more modest increase than other age groups.
- 3.3 When compared with the SHNA (see Figure 5.7) the analysis projects stronger growth in younger age groups, this will again be linked to the expectation of higher net migration, and this being focussed more on people of working age.

Figure 3.1: Projected Change in Household by Age of HRP in Chelmsford				
	2022	2041	Change in Households	% Change
16-24	1,195	1,986	791	66.3%
25-34	9,932	14,277	4,345	43.7%
35-49	20,349	25,214	4,866	23.9%
50-64	21,627	24,590	2,963	13.7%
65-74	10,284	14,032	3,748	36.4%
75-84	8,916	12,038	3,122	35.0%
85+	3,859	6,271	2,412	62.5%
TOTAL	76,161	98,408	22,247	29.2%

Source: Demographic Projections

Mix of Housing

- 3.4 The table below shows an updated assessment of the mix of housing required across three broad tenure groups. This follows the same methodology as set out in the SHNA (see paragraph 5.6 onwards) and includes analysis of how households occupy homes, along with a consideration of 'rightsizing' to take account of overcrowding and under-occupation. The main difference is the demographic projection applied in the modelling is the updated one based on 1,206 dwellings per annum.
- 3.5 The analysis continues to show a particular need for 2- and 3-bedroom homes across all tenures, with market housing generally needing a larger mix, and the opposite being the case for rented affordable housing. When compared with the SHNA (see Figure 5.15) there are only very modest differences in the outputs.

Figure 3.2: Modelled Mix of Housing by Size and Tenure – Chelmsford				
	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Market	9%	33%	38%	20%
Affordable home ownership	27%	43%	23%	8%
Affordable housing (rented)	34%	35%	26%	6%

Source: JGC analysis

- 3.6 As with SHNA the analysis also sought to split the rented affordable housing into households aged Under 65 and older households, with the table below showing the modelled mix needed – this is again very similar to the equivalent table in the SHNA (Figure 5.16).

Figure 3.3: Modelled Mix of Housing by Size and Age – affordable housing (rented) – Chelmsford				
Age of HRP	1-bedroom	2-bedrooms	3-bedrooms	4+-bedrooms
Under 65	27%	38%	29%	7%
65 and over	52%	27%	21%	
All affordable housing (rented)	34%	35%	26%	6%

Source: JGC analysis

- 3.7 Finally, the table below brings together this analysis with estimates of the supply of different sizes of property. Although the need numbers have changed (increased) from the original SHNA the general patterns remain the same – notably that the available supply of larger (3+-bedroom) homes is very low compared to the need – data can be compared with Figure 5.17 of the SHNA.

Figure 3.4: Need for rented affordable housing by number of bedrooms					
	Gross Annual Need	Gross Annual Supply	Net Annual Need	As a % of total net annual need	Supply as a % of gross need
1-bedroom	360	99	261	27.0%	27.5%
2-bedrooms	451	88	363	37.6%	19.4%
3-bedrooms	308	31	277	28.7%	10.0%
4+-bedrooms	66	1	64	6.7%	2.0%
Total	1,185	219	966	100.0%	18.5%

Source: JGC analysis

Summary

- 3.8 An updated assessment of the mix of housing required linking to the updated demographic projection does not really show any notable differences from the analysis in the SHNA. Therefore it is suggested the broad conclusions of that document remain sound and are shown below (this table can also be found in the summary to Section 5 of the SHNA).

- 3.9 In all sectors the analysis points to a particular need for 2-bedroom accommodation, with varying proportions of 1-bedroom and 3+-bedroom homes. For rented affordable housing there is a clear need for a range of different sizes of homes, including 40% of general needs housing to have at least 3-bedrooms.

	Market	Affordable home ownership	Affordable housing (rented)	
			General needs	Older persons
1-bedroom	5-10%	25%	25%	55%
2-bedrooms	30-35%	45%	35%	45%
3-bedrooms	35-40%	25%	30%	
4+-bedrooms	20-25%	5%	10%	

4. Older and Disabled People

Introduction

- 4.1 The final section of this addendum looks at the needs of older people and those with disabilities. As with other analysis this is mainly in relation to looking at the impact of the new demographic projection linking to the higher housing number.

Population Age Structure and Projection

- 4.2 The table below provides baseline population data about older persons in Chelmsford and compares this with other areas. The population data has been taken from 2023 mid-year population estimates. The table shows that Chelmsford has a similar age structure to other areas with 19% of the population being aged 65 and over, this compares with 20% regionally and 19% nationally. The analysis shows broadly the same patterns as were shown in the SHNA for 2021 (see Figure 6.1).

Figure 4.1: Older Persons Population, 2023				
	Chelmsford	Essex	East of England	England
Under 65	80.6%	79.2%	80.1%	81.3%
65-74	9.4%	10.1%	9.8%	9.5%
75-84	7.2%	7.8%	7.3%	6.7%
85+	2.7%	2.9%	2.8%	2.5%
Total	100.0%	100.0%	100.0%	100.0%
Total 65+	19.4%	20.8%	19.9%	18.7%
Total 75+	10.0%	10.7%	10.1%	9.2%

Source: ONS

- 4.3 The table below shows that Chelmsford is projected to see a notable increase in the older person population - the projection shows a projected increase in the population aged 65+ of around 36% - the population aged Under 65 is in contrast projected to increase by a more modest 23%. Compared with the SHNA (see Figure 6.3) the updated projection shows a similar pattern in terms of an ageing population (previously the population aged 65+ was projected to increase by 35%) with the main differences being in younger age groups.

Figure 4.2: Projected Change in Population of Older Persons, 2022 to 2041 – Chelmsford				
	2022	2041	Change in population	% change
Under 65	147,768	182,409	34,641	23.4%
65-74	17,681	22,579	4,898	27.7%
75-84	12,925	17,496	4,571	35.4%
85+	5,040	8,336	3,296	65.4%
Total	183,414	230,820	47,406	25.8%
Total 65+	35,646	48,411	12,765	35.8%
Total 75+	17,965	25,832	7,867	43.8%

Source: Demographic projections

Disabilities

- 4.4 The table below looks at projected changes to the number of people with a range of disabilities. Of particular note are the large increases in the number of older people with dementia (increasing by 50% from 2022 to 2041 and mobility problems (up 44% over the same period) – these figures being virtually identical to those calculated in the SHNA (see Figure 6.9). Compared with the SHNA the main differences are higher proportionate increases in the number of people aged Under 65 with disabilities, this again being related to the updated projection showing a higher level of population growth in younger age groups compared with projections developed in the SHNA.

Figure 4.3: Projected Changes to Population with a Range of Disabilities – Chelmsford					
Disability	Age Range	2022	2041	Change	% Change
Dementia	65+	2,140	3,217	1,077	50.3%
Mobility problems	65+	5,599	8,038	2,439	43.6%
Autistic Spectrum Disorders	18-64	864	1,073	209	24.2%
	65+	279	384	104	37.4%
Learning Disabilities	15-64	2,265	2,806	541	23.9%
	65+	622	841	219	35.2%
Impaired mobility	16-64	42	52	10	23.7%

Source: POPPI/PANSI and Demographic Projections

Older Person Needs

- 4.5 The analysis below updates estimated figures on the need for specialist older persons accommodation, using the same method as outlined in the SHNA (see from paragraph 6.18). The updating is mainly around linking to a new population projection, however, the opportunity has also been taken to provide an updated best estimate of supply, to include planned future developments.

- 4.6 Overall the analysis suggests currently the need and demand are broadly aligned, but that there will be additional needs arising in the future due to the ageing population. This is a slightly different conclusion to the SHNA (see Figure 6.11) and is due to the inclusion of new and pipeline supply which across the City is quite significant.

Figure 4.4: Specialist Housing Need using adjusted SHOP@Review Assumptions, 2022-41 – Chelmsford							
		Housing demand per 1,000 75+	Current supply	Current demand	Current shortfall/surplus (-ve)	Additional demand to 2041	Shortfall/surplus by 2041
Housing with support	Market	63	828	1,129	301	494	795
	Affordable	46	1,237	822	-415	360	-55
Total (housing with support)		109	2,065	1,951	-114	854	741
Housing with care	Market	28	396	497	101	217	318
	Affordable	11	279	206	-73	90	17
Total (housing with care)		39	675	702	27	308	335
Residential care bedspaces		35	640	624	-16	273	258
Nursing care bedspaces		39	719	702	-17	308	291
Total bedspaces		74	1,359	1,327	-32	581	549

Source: JGC analysis

Wheelchair User Housing

- 4.7 The final update looks at housing for wheelchair user households which follows the same method as in the SHNA (see from paragraph 6.35). This suggests a need for 637 wheelchair user homes in the 2022-41 period (around 34 per annum) – this is virtually identical to the number calculated in the SHNA (see Figure 6.14).

Figure 4.5: Estimated need for wheelchair user homes, 2022-41			
	Current need	Projected need (2022-41)	Total current and future need
Chelmsford	480	157	637

Source: JGC analysis

Summary

- 4.8 The updated analysis of the needs of older and disabled persons tend to show similar findings to the original SHNA – this is mainly due to the ageing of the population being projected to be broadly the same in both analyses. This addendum does however show a greater projected growth in the number of people aged Under 65 and so higher increases in disabilities can be expected from these age groups.

- 4.9 In addition, when looking at specialist older persons housing, the analysis suggests lower needs than in the SHNA – indeed generally there is currently a broad balance between need and supply. This conclusion is drawn as the City has a significant level of recent and planned developments which were not included in the SHNA analysis. Given an ageing population, there is however projected to be additional needs from older people as we move through the plan period.