

**Herefordshire Local Housing
Market Assessment**

2012 Update: Draft Report

January 2013

Report commissioned by:



**Herefordshire
Council**



Herefordshire

Working in partnership for the people of Herefordshire

PREPARED BY



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This document must only be treated as a draft unless it has been signed by the Originators and approved by a Business or Associate Director.

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Limitations

This document has been prepared for the stated objective and should not be used for any other purpose without the prior written authority of GL Hearn; we accept no responsibility or liability for the consequences of this document being used for a purpose other than for which it was commissioned.

EXECUTIVE SUMMARY

This Local Housing Market Assessment (LHMA) has been prepared to provide an evidence base for Herefordshire Council's policies regarding housing need and demand (for market and affordable housing) within Herefordshire and seven local housing market areas (HMAs) within the County, which are focused on the main settlements of Hereford City, Bromyard, Kington, Ledbury, Leominster and Ross along with the Golden Valley area. The LHMA will inform and support planning policies within the Local Development Framework (LDF), the preparation by the Council of a Housing Strategy and wider investment decisions by the Council and its partners.

This report represents an update to the original LHMA. It has been revised in late 2012 and early 2013 to take account of levels of housing provision proposed in the 2011 Core Strategy Preferred Options and other changes in housing need and market demand evident.

HOUSING MARKET DYNAMICS

A comprehensive review of local housing needs and the housing market has been undertaken, and identified the following dynamics:

- Herefordshire is a predominantly rural county which provides unspoilt countryside and a high quality of life, and this has contributed to housing demand reflected in high house prices, particularly relative to earnings;
- Population growth over the last 10 years has been marginally below the regional average; however the structure of the population has been changing, with an increasing proportion aged over 35. A growing population of retirement age is a particular feature;
- While levels of economic participation amongst the working-age population, and employment growth in the period before the recession was reasonable, the County's economy is relatively low value and this contributes to affordability problems;
- Housing affordability issues in the County are compounded by the current housing offer: with a high proportion of detached housing (42%) and properties in Council Tax Bands E-G (26%). The supply of properties which younger households might be able to afford to buy is limited. 13.5% of housing is in social sector ownership (affordable) compared to 19.0% across the West Midlands;
- House prices in the County grew strongly in the decade to 2007, increasing from an average of £60,000 to £183,000. Price growth over the decade mirrored the national trend, supported by a period of sustained economic stability, historically low interest rates and increased choice and competition in the mortgage market;

- Since the onset of the 'credit crunch' in 2007 there has been a sharp downturn in housing market activity: average sales rates have fallen by 49% across Herefordshire, particularly reflecting increasing difficulties in obtaining mortgage finance. House prices have remained pretty static over the last five years, and in mid 2012 stood at £214,000, sales rates remain subdued.
- Difficulties in accessing mortgage finance have reduced levels of first-time buyers in particular, and have had a knock-on effect on demand in the private rented sector, which appears to be strong particularly in Ross-on-Wye, Leominster and Ledbury;
- The private rental sector has provided a stop gap for many young households, who often don't have the savings to provide a sufficient deposit to purchase a home. Intermediate affordable housing may provide an attractive alternative for some of these (where households can raise a deposit).

Improvements to the mortgage deals available will be critical to the revival of the housing market. This is expected to be affected both by future regulation of the sector and investors' appetite for mortgage backed securities (although there was some improvement during the course of 2012). In light of the current cost and barriers to house purchase which have built up over a decade or more, there is an urgent need to increase the supply of affordable housing.

HOUSING NEEDS ASSESSMENT

An assessment of housing needs has been undertaken, which considers the levels of need for and supply of affordable housing over the next five years (2012-17). This draws on a range of information on housing costs and earnings, as well as the numbers of households and flows onto the HomePoint Housing Register. The assessment has been undertaken in accordance with Government Guidance.

A summary of the findings are shown in **Figure A** below. The first two columns consider the affordability of market housing: they show the ratio of entry-level house prices to lower quartile earnings to consider the affordability of a 2-bed property in each of the HMAs to a young household. The second column the proportion of households in each HMA who it is calculated cannot afford to buy or rent homes in the private sector, without financial support.

Housing need is calculated by considering current housing need, and flows in terms of newly arising need and the supply of affordable housing (such as through lettings of existing properties) over a five year period, to calculate a net need for affordable housing. It is assumed that the backlog of housing need is met over a 5 year period.

Figure A: Affordability and Housing Need				
	Ratio Entry-Level House Prices - Lower Quartile Household Incomes	% Households Unable to Afford to Buy/Rent without Subsidy	Net Housing Need, 2012-17	Net Need for Affordable Housing per Annum, 2012-17
Hereford	9.2	58%	2084	417
Bromyard	8.8	57%	358	72
Ledbury	8.7	53%	452	90
Ross-on-Wye	9.3	55%	289	58
Kington	8.7	57%	85	17
Leominster	10.2	55%	109	22
Golden Valley	10.0	56%	79	16
County		56%	3457	691

Source: GLH/JGC

Information on incomes of households in housing need, as well as the supply of properties has then been used to consider the proportion of households requiring social rented, affordable rented and intermediate housing. These are shown below. There is a very limited supply of intermediate housing, estimated at 62 properties county-wide over the 2012-17 period; and this is a key influence on the high levels of need identified.

Figure B: Estimated level of housing need (five years) by intermediate/social/affordable rented housing (percentages)				
HMA	Intermediate	Affordable rent	Social rent	Total
Hereford	22.1%	24.2%	53.8%	100.0%
Leominster	31.9%	14.6%	53.5%	100.0%
Ross	27.3%	20.1%	52.5%	100.0%
Ledbury	27.1%	17.7%	55.3%	100.0%
Bromyard	40.1%	35.8%	24.1%	100.0%
Kington	38.4%	5.3%	56.3%	100.0%
Golden Valley	20.8%	21.8%	57.4%	100.0%
Total	25.1%	21.7%	53.1%	100.0%
Urban areas	25.1%	21.8%	53.1%	100.0%
Rural areas	25.1%	21.6%	53.3%	100.0%
Herefordshire Total	25.1%	21.7%	53.1%	100.0%

Source: HomePoint Housing Register October 2012, Projection Modelling

The evidence points to a requirement, based on housing needs, for 53% social rented housing, 22% affordable rented housing and 25% intermediate affordable housing. The highest requirement for

social rented housing is in the Golden Valley HMA, whereas in the Bromyard and Kington HMAs in particular there is a stronger requirement for delivery of intermediate affordable housing.

The split between social and affordable rented housing should be regarded as indicative and is based on modelling of incomes. There is some overlap between these tenure categories not least as households in affordable rented housing can claim housing benefit. The viability of residential development may be an important factor in informing the specific tenure mix in individual development schemes, alongside local evidence of housing needs.

The housing needs analysis has also provided information on the profile of housing needs by size band. This is shown below. It should inform affordable housing negotiations, although these should also consider site specific and neighbourhood characteristics.

Figure C: Overall Estimated Housing Need by Size and HMA

HMA	1-bed	2-bed	3-bed	4+ bed	Total
Hereford	57.3%	18.6%	18.5%	5.7%	100.0%
Leominster	77.1%	21.6%	-10.4%	11.7%	100.0%
Ross	54.4%	18.4%	28.2%	-1.1%	100.0%
Ledbury	46.8%	22.3%	22.7%	8.2%	100.0%
Bromyard	45.8%	29.9%	8.4%	15.9%	100.0%
Kington	64.7%	23.1%	12.2%	0.0%	100.0%
Golden Valley	61.6%	-5.0%	37.8%	5.6%	100.0%
Total	58.1%	19.1%	17.1%	5.7%	100.0%
Urban areas	58.3%	17.3%	18.6%	5.7%	100.0%
Rural areas	57.8%	22.3%	14.2%	5.6%	100.0%
Herefordshire Total	58.1%	19.1%	17.1%	5.7%	100.0%

Source: GLH/JGC

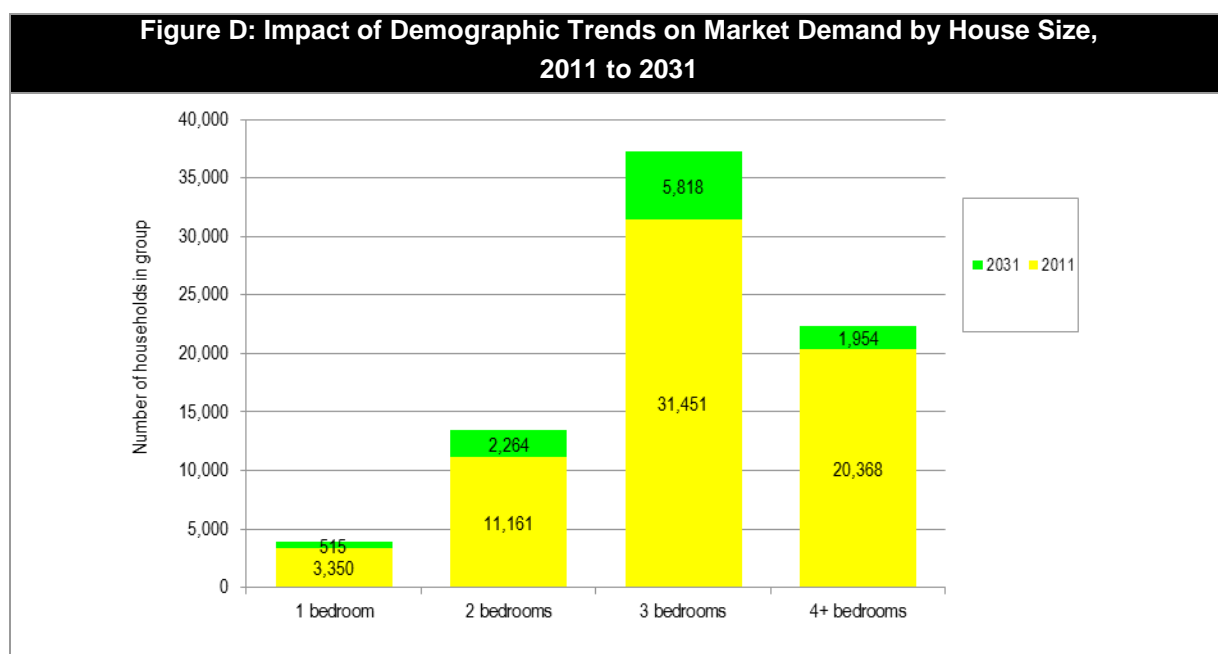
Herefordshire Council's emerging Local Development Framework Core Strategy seeks to deliver 18,000 new homes (net) across Herefordshire over the 2011-31 plan period. The Council intends to publish a draft Core Strategy in 2013 which will provide a further opportunity for public consultation on its proposals.

Affordable housing targets need to take account of both need and the realism of delivery, considering the viability of residential development. Affordable housing targets will need to be informed by work being undertaken to update the Council's 2010 Development Viability Study together with the needs evidence.

LONG-TERM ANALYSIS OF HOUSING REQUIREMENTS

The housing needs analysis provides a snapshot of affordable housing needs over the period 2012-17. The LHMA has used a Housing Market Model to consider housing requirements in each of the 7 HMAs over the longer-term to 2031. This considers requirements for both affordable and market housing. It takes account of the proposed level of housing development, changes in the age structure of the population, and how households of different ages occupy homes in the market and affordable sectors.

In the market sector the strongest requirement is expected to be for three bedroom properties.



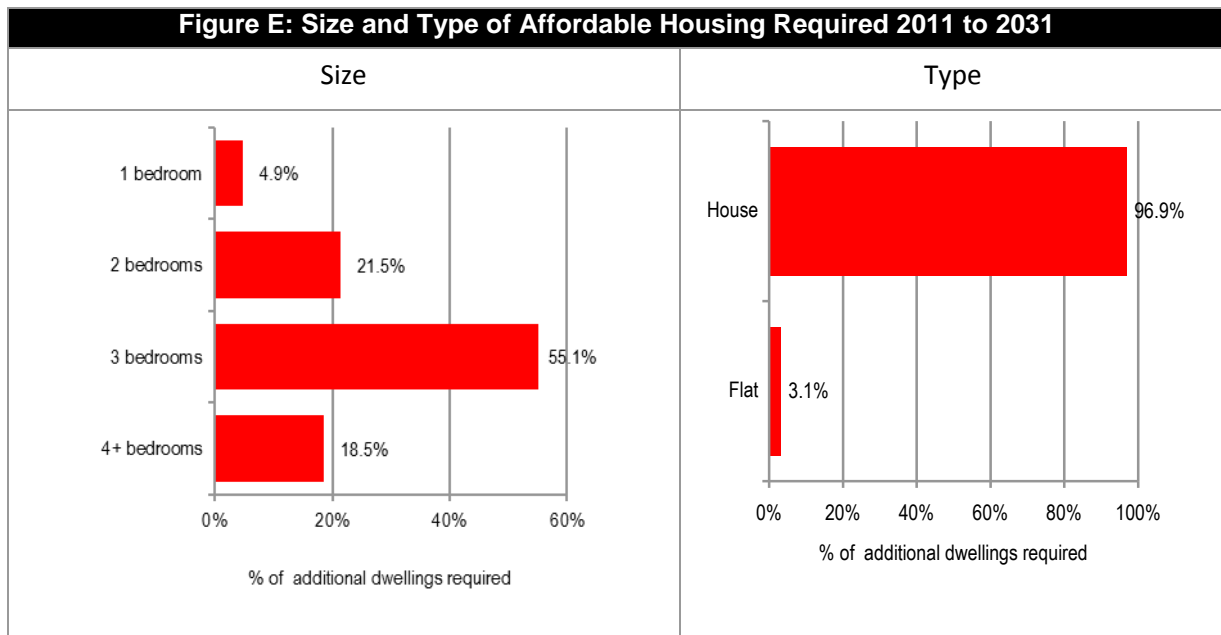
Source: JGC

There is strong retirement market within the County with older households moving to the County as it is an attractive place to live. This is evident in each of this HMAs, but appears strongest in the Ledbury and Ross-on-Wye HMAs.

In Hereford City a greater proportion of demand comes from people who live and work locally. Employment growth will support demand for housing and the emerging Core Strategy proposals to deliver new employment both within the City Centre, Rotherwas Industrial Estate and through mixed-use urban extensions will be important to this. The provision of flats over the longer-term should be carefully phased.

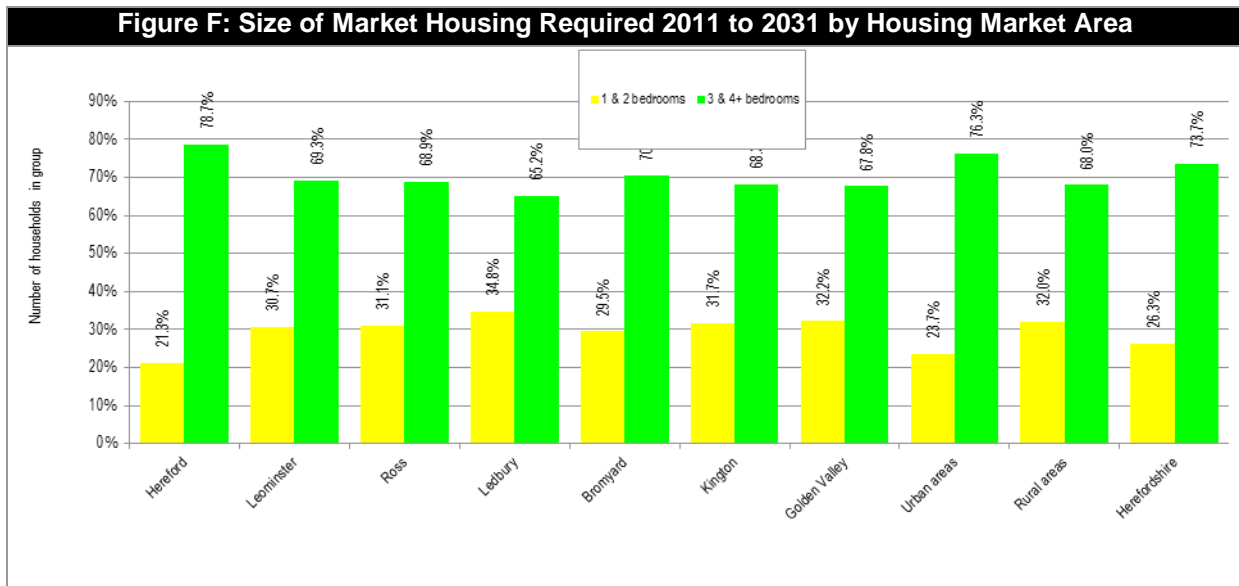
In the affordable housing sector over the longer-term, there is expected to be a fairly even split between requirements for properties with one, two and three bedrooms.

Formate
spelling or



Source: JGC

In relative terms, demand is expected to be stronger for larger properties with 3 and 4 beds in Hereford and Bromyard HMAs; with greater requirements for smaller properties in the Ledbury and Golden Valley HMAs. The differences however are relatively marginal.

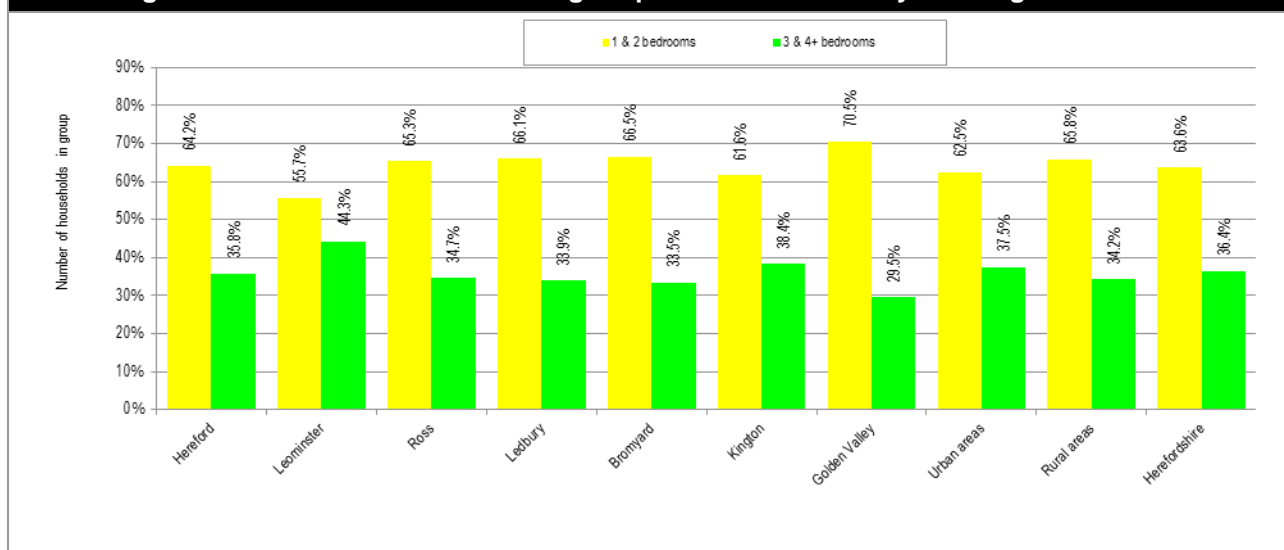


Source: JGC

For the affordable sector, over the longer-term just under two-thirds of housing requirements are expected to be one- and two-bedroom properties to meet housing needs. A higher proportion of larger

properties (three- and four-bedroom units) will however be required in the Kington and Leominster HMAs.

Figure G: Size of Affordable Housing Required 2011 to 2031 by Housing Market Area



RECOMMENDATIONS

HOUSING REQUIREMENTS AND DELIVERY

The proposed housing requirement for Herefordshire of 16,500 homes over the 2011-31 plan period represents 1.5% household growth per annum. It is above the Government's latest 2008 trend-based demographic projections for household growth (14,500 homes between 2011-31)¹.

This report identifies net affordable housing need for 3,457 households over the 2012-17 period (excluding housing in the development pipeline). It seems unlikely that this level of affordable housing can be delivered. However the private rented sector does, and is likely to continue, to provide a source of supply of homes to meet housing need – supported by Local Housing Allowance. Based on current dynamics we estimate that the private rented sector could meet the needs of an estimated 2,660 households in housing need over the 2012-17 period. Thus whilst there is a continuing high need to deliver affordable housing there is not a need to increase the overall housing target for the County above the 16,500 being proposed.

It will be important that the Council progresses its LDF as a matter of priority to provide a policy framework which supports housing delivery, and in particular the delivery of strategic site allocations, as these will make the substantial contribution to housing delivery in the longer-term. It should be

¹ CLG 2008-based Household Projections

recognised that there are in some cases long lead-in times to the delivery of strategic employment sites, and that planning is a key element of this. We would recommend that the Council gives careful thought to how delivery is phased over plan period through the delivery strategy which will accompany the Core Strategy.

The mix of sites proposed within the emerging Core Strategy is considered appropriate to meet need and demand over the plan period. It comprises a combination of smaller sites within urban areas and larger strategic greenfield urban extensions. This is considered capable of delivering a range of house types in accordance with the need and demand identified.

Coordinated delivery of housing and employment is likely to be particularly important in Leominster and Hereford reflecting the levels of new development proposed.

Implementation of a strong economic development strategy will be important in supporting housing delivery, and maintaining greater balance in the population structures. An economic strategy needs to sit alongside a housing strategy, and the Council will need to be proactive in this regard. The Council is producing an Economic Development Strategy, and it will be important that it continues to fully engage in the Marches LEP.

AFFORDABLE HOUSING POLICY

Herefordshire Council is updating its assessment of the economic viability of residential development to inform affordable housing policies. Proposed targets for affordable housing provision in the emerging Core Strategy will need to be reviewed to take this into account. This LHMA has considered housing needs.

The housing needs assessment undertaken supports a nuanced policy which recognises that housing needs and affordable tenure requirements vary across the County. Targets and size thresholds for affordable housing will need to be informed by both the needs and viability evidence, and should support housing delivery throughout the economic cycle (as set out in the National Planning Policy Framework). They will also need to consider any potential Community Infrastructure Levy requirements which the Council can set.

For strategic sites affordable housing will need to be balanced with and considered alongside other development costs, including infrastructure costs and the prospective Community Infrastructure Levy; as these have a collective impact on development viability. The range of 'policy costs' need to be considered in a rounded way with a view to delivering a sustainable community.

The market downturn and restrictions on mortgage finance have reduced effective demand for market housing; and this can be expected to limit housing delivery in the short-term.

The Council has been looking at a range of mechanisms to bring forward affordable housing, including use of public sector land assets and supporting direct delivery by Registered Providers (RPs). It is considering and assessing what funding it has to support affordable housing delivery, albeit recognising current financial resource constraints.

In addition to the percentage affordable housing targets, the Council is seeking to provide a clear steer on the mix of affordable housing it wishes to see delivered through the LDF. Based on analysis undertaken, a recommended strategic target of 25% intermediate, 25% affordable rented and 50% social rented housing county-wide would assist in balancing the housing market.

The Council should give thought to whether it wishes to set separate policies for each of the HMAs. Evidence points to the following tenure splits between social rented & intermediate being appropriate:

Hereford HMA – 75% social or affordable rented; 25% intermediate

Bromyard HMA – 60% social or affordable rented; 40% intermediate

Ledbury HMA – 70% social or affordable rented; 30% intermediate

Ross HMA – 70% social or affordable rented; 30% intermediate

Kington HMA – 60% social or affordable rented; 40% intermediate

Leominster HMA – 65% social or affordable rented; 35% intermediate

Golden Valley HMA – 75% social or affordable rented; 25% intermediate

The evidence suggests considerable potential for affordable rented housing in Herefordshire subject to conclusions of the viability remodelling. Higher rents will mean that this is more viable to deliver than social rented properties, and is likely to require less public subsidy. The balance between social and affordable rented housing should be influenced by the modelling in this report and scheme viability.

There are however a number of other intermediate housing products, including shared ownership/equity, which should also be delivered. These are likely to be particularly appealing to would-be first-time buyers who haven't the savings to buy on the open market where the household can raise the necessary deposit.

Many households however often do not know of the housing options which are potentially available to them. We would recommend that alongside delivery of new intermediate housing, work is prioritised to raise the profile of the range of options available through marketing/ website etc.

Recognising their sensitivity to changes in market circumstances, affordable housing policies should be kept under regular review. We would recommend that these are reviewed at least every 5 years (or more frequently depending on the degree of change in market circumstances).

Recommendations for the sizes of affordable housing in each of the HMAs are as follows. These are drawn from the Housing Market Model.

Figure H: Recommendation on Affordable Housing Mix				
HMA	1-bed	2-bed	3-bed	4/+ Bed
Hereford	30%	34%	32%	4%
Bromyard	29%	37%	30%	4%
Ross	29%	37%	31%	4%
Kington	24%	48%	35%	4%
Leominster	23%	32%	40%	4%
Ledbury	28%	38%	30%	4%
Golden Valley	31%	39%	29%	1%

MIX OF MARKET HOUSING

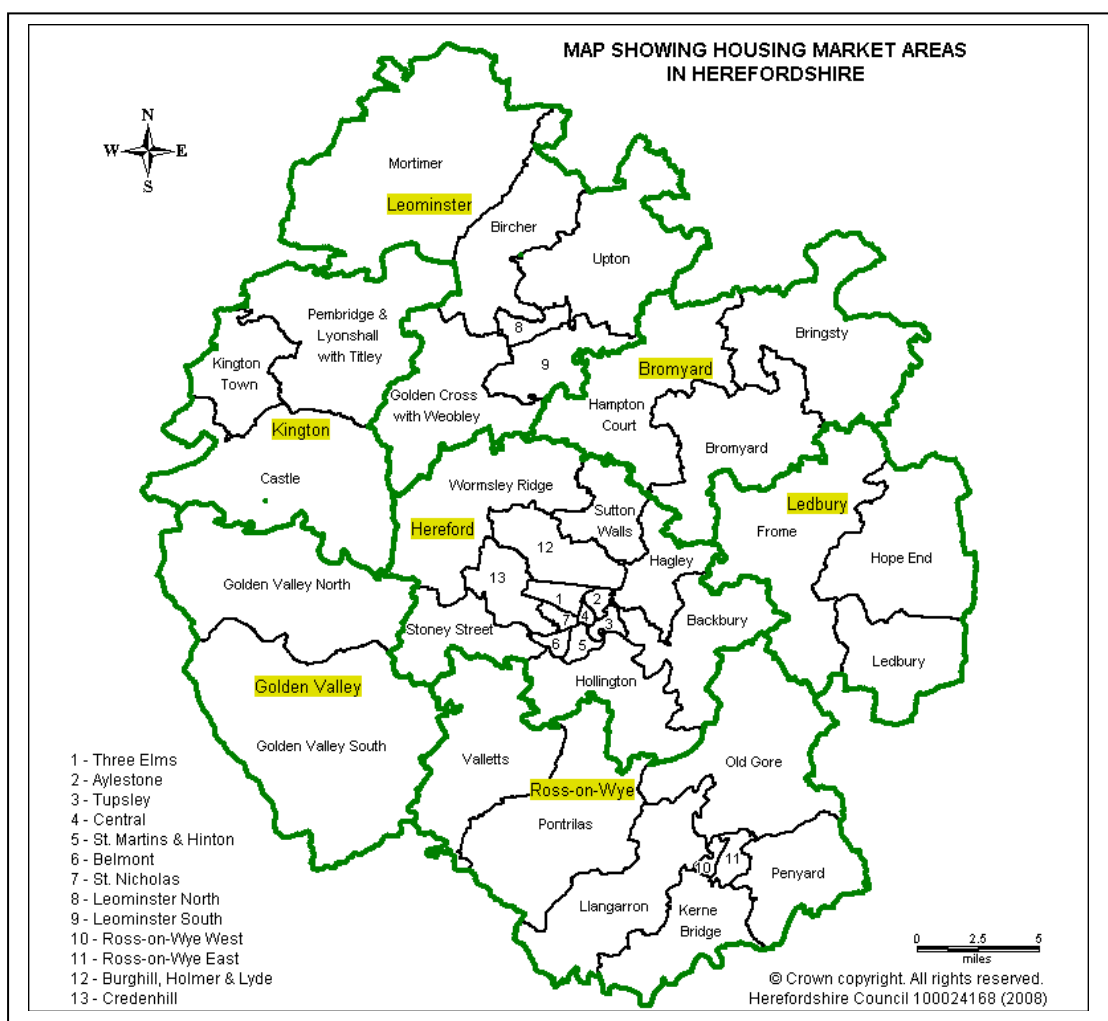
In regard to market housing, our view is that planning and housing policies should not be overly prescriptive regarding the mix of housing required, as in most senses the market is best placed to consider what homes will sell.

Nonetheless it is important that at the strategic level the planning system delivers a mix of sites which enables a range of housing to be delivered. As stated we consider the mix of sites proposed appropriate to achieve this - with the strategic sites playing an important role in the delivery of family homes. The Council should monitor housing delivery by size to inform a plan, monitor and manage approach to achieve a mix of housing broadly in line with the findings of this report over the plan period.

1 INTRODUCTION

1.1 This document represents a Local Housing Market Assessment (LHMA) for Herefordshire. It provides an evidence base regarding housing need and demand (for affordable and market housing) within Herefordshire and its constituent local housing markets of which are focused on the main settlements of Hereford City, Bromyard, Kington, Ledbury, Leominster and Ross, along with the Golden Valley area as defined by the Strategic Housing Market Assessment for Herefordshire & Shropshire (Figure 1.1).

Figure 1.1: Herefordshire's Local Housing Markets



1.2 The LHMA is intended to inform and support planning policies within the Local Development Framework as well as to support the Housing Strategy for Herefordshire to inform wider investment decisions by the Council and its partners in meeting local housing needs.

- 1.3 National planning policies for housing provision are set out in the National Planning Policy Framework (NPPF), which was published by Government in March 2012. This has introduced a presumption in favour of sustainable development. The starting point in setting policies for housing provision is that local plans should meet the full requirements for market and affordable housing in their housing market area. In regard to affordable housing policies, the NPPF sets out that to ensure that a plan is deliverable, the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The Council is separately undertaking an Economic Viability Assessment which will need to inform policies for future affordable housing provision.
- 1.4 A Strategic Housing Market Assessment (SHMA) for the West Housing Market Area, covering Shropshire and Herefordshire, was completed in 2007. This LHMA, draws on and develops this to provide a more local assessment of housing requirements for the seven local housing markets across Herefordshire. Its broad objectives are similar to those of SHMAs (see box below).

Purposes of Strategic Housing Market Assessment

- Development of long-term strategic views of housing need and demand to inform future policy and investment decisions;
- Enabling local authorities to think strategically about the nature and influence of housing markets in their areas;
- Providing robust evidence to inform policies aimed at providing the right mix of housing across the whole housing market – both market and affordable housing;
- Providing evidence to inform policies about the level of affordable housing required, including the need for different sizes of affordable housing;
- Enabling development of a strategic approach to housing through consideration of housing need and demand in all housing sectors – owner occupied, private rented and affordable – and assessment of the key drivers and relationships within the housing market;
- Drawing together the bulk of the evidence required for local authorities to appraise strategic housing options, including social housing allocation priorities, the role of intermediate housing products, stock renewal, conversion, demolition and transfer; and
- To enable the most appropriate and cost-effective use of public funds.

Source: Adapted from CLG SHMA Practice Guidance

- 1.5 Initial research and work on the LHMA was undertaken by Herefordshire Council. GL Hearn and Justin Gardner Consulting were brought in to complete the assessment, which was published initially in June 2011. This report updates the original assessment to take account of changes of housing market conditions, as at Autumn 2012, to take account of the level and

distribution of housing provision proposed in the Herefordshire Core Strategy Revised Preferred Options. It also considers and takes account of recent policy at both the national and local levels.

1.6

1.7 The remainder of the report is structured as follows:

- Section 2: Policy and Research Context
- Section 3: Overview of Housing Market Dynamics
- Section 4: Defining the Local Housing Market
- Section 5: Approach to Analysing the Housing Market
- Section 6: Hereford Housing Market
- Section 7: Leominster Housing Market
- Section 8: Ross-on-Wye Housing Market
- Section 9: Ledbury Housing Market
- Section 10:: Bromyard Housing Market
- Section 11: Kington Housing Market
- Section 12: Golden Valley Housing Market
- Section 13: Conclusions and Recommendations

2 POLICY AND RESEARCH CONTEXT

- 2.1 This section provides an overview of the current and emerging policy context for housing development and investment at the national and local levels. It has been updated to take account of current and emerging policies as at Autumn 2012.

National Policies for Housing Provision

- 2.2 This section is structured to address policies for housing provision and investment at the national level together with the housing, welfare and benefit reforms introduced by the Coalition Government.

National Planning Policies

- 2.3 The national policy framework for determining levels of housing provision is currently in a state of flux. Under the previous Government, housing targets were set out in Regional Spatial Strategies which were developed by Regional Planning Bodies in collaboration with local authorities and other stakeholders, subject to independent examination in public, but with the ultimate decisions on levels of housing provision being made by national government (the Secretary of State).
- 2.4 The Coalition Government, elected in May 2010, has pledged to scrap the Regional Spatial Strategies, and the regional housing targets within them, returning powers for determining levels of housing development to local authorities. The Localism Act 2011 provides the primary legislation required to do so. The Secretary of State initially revoked the Regional Spatial Strategies in July 2010 by parliamentary statement. This however was successfully challenged in the High Court by CALA Homes, with the Court ruling that the Secretary of State had acted unlawfully. However while the Regional Spatial Strategies at the time of writing remain in place, it is expected that they will be abolished in due course.
- 2.5 The Government published the **National Planning Policy Framework (NPPF)** in March 2012. This introduces a presumption in favour of sustainable development, whereby local planning authorities should prepare new Local Plans on the basis that objectively assessed development needs (both for housing and other types of development) should be met, unless the adverse impacts of doing so would significantly and demonstrably outweigh the benefits when assessed against policies in the Framework as a whole. The starting point is that Local Plans should meet the full requirements for market and affordable housing in their housing market area. Any under-provision is expected to be addressed through collaborative working with neighbouring authorities, and this is included within the tests of soundness for the plan.

2.6 The proposed shift of policy means that each local authority should seek to meet its own development needs, unless there are sound reasons why it cannot do so.

2.7 In setting affordable housing targets, the NPPF states that to ensure a plan is deliverable, the sites and the scale of development identified in the plan should not be subject to a scale of obligations and policy burdens such that their ability to be developed is threatened and should support development throughout the economic cycle. The costs of requirements likely to be applied to development, including affordable housing requirements, contributions to infrastructure and other policies in the Plan, should not compromise the viability of development schemes. To address this, affordable housing policies would need to be considered alongside other factors including infrastructure contributions. Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy charges alongside the Local Plan.

National Housing Strategy

2.8 In November 2011 the Government published Laying the Foundations: A Housing Strategy for England (HM Government, Nov 2011). This outlines the Government's ambition to get stimulate housebuilding, not least to support economic recovery. It identifies a number of initiatives to support this, including:

- New-build Indemnity Scheme – providing Government-backed 95% mortgages for new-build properties;
- Growing Places Fund – providing funding for infrastructure which unblocks housing and economic growth;
- Initiatives to Kick-Start Stalled Developments – including proposals to allow reconsideration of planning obligations; a 'Get Britain Building' Investment Fund to provide development finance; and 'build now, pay later' deals with public sector land; and
- Custom Homes Programme – with short-term project finance support for individuals looking to build their own homes.

2.9 The Strategy includes initiatives to support growth and investment in the Private Rented Sector, including new 'build-to-let' models and a review of barriers to investment. It also indicates that the Government is looking at supporting greater innovation and competition between social landlords, including encourage new private entrants to the sector, and potential new approaches to funding in the medium-term.

2.10 The Strategy also included proposals for reinvigorating the Right-to-Buy by raising the discounts available to tenants, but with a commitment to build a new 'replacement' affordable home for every home lost.

- 2.11 The National Housing Strategy also identified a funding stream to support local authorities in bringing empty homes back into use.

2011 Localism Act – Housing Reforms

- 2.12 The Localism Act has introduced a number of reforms affecting the management of social housing. We summarise these below.

Allocations Policies

- 2.13 The Localism Act gives Councils greater flexibilities in deciding who qualifies to go onto housing waiting lists (through their allocations policies) and how they treat tenants who want rather than need to move. Local authorities can thus revise their allocations policies, should they wish to do so, to prevent people with no 'need' for affordable housing from joining housing registers.

Tenancies

- 2.14 The Localism Act introduces changes to social housing tenancies, giving both local councils and Registered Providers (RP's) the flexibility to grant fixed term tenancies (as well as lifetime tenancies) should they decide to do so. New fixed term tenancies would continue to be at social rent levels and tenants would have the same rights as those with existing lifetime tenancies in terms of a right to repair or to buy/acquire. A minimum fixed-term tenancy in most cases would be for five years (with two year tenancies granted only in exceptional circumstances). Shorter tenancies are considered to be one way of making better use of the existing social housing stock in meeting housing need.
- 2.15 The Government has also changed the rules on succession to make them consistent for all Council and Registered Provider (RP) tenants. The spouse or partner of a tenant who dies will have an automatic legal right to succeed, but will not have an automatic right to then pass on the property. This will not however affect joint tenancies or existing secure tenants.

Reform of Homelessness Legislation

- 2.16 Councils will be able to bring the statutory homelessness duty to an end with an offer of suitable private rented housing. People's right to refuse private rented accommodation will be withdrawn. This could potentially assist in the use of private sector housing stock in meeting affordable housing needs.
- 2.17 The Government has also recently introduced a new nationwide home swap scheme to support mobility in the social sector. In terms of social housing finance, the Localism Act also introduces 'self-financing' which allows Councils to keep money from rents to spend on

upkeep, investment and management of their housing stock. It has also made changes to the regulation of the Social Housing Sector.

Government's Housing and Growth Package (September, 2012)

2.18 In September 2012 the Government announced a number of measures to support improved housing delivery and kick start the economy. It is hoped these new measures will result in delivery of up to 70,000 new homes, including affordable housing and opportunities for first-time buyers to get onto the housing ladder.

2.19 The key elements of the Housing and Growth Package are:

Initiatives to Stimulate Demand

- **Extension of 'First Buy:'** to support a further 16,500 first-time buyers will be helped with a £280m extension of the successful 'FirstBuy' scheme to March 2014, which offers equity loan funding of up to 20% of the purchase price of a new with the funding of this split equally between the HCA and the housebuilder;
- **Investment in Infrastructure & the Private Rented Sector:** New legislation for Government guarantees of up to £40 billion worth of major infrastructure projects and up to £10 billion of new homes. The Infrastructure (Financial Assistance) Bill will include guaranteeing the debt of Housing Associations and private sector developers. £200m will be invested in housing sites. This will ensure rented homes will be available to institutional investors.
- **Boost to Private Rented Sector.** An additional 5,000 homes built for rent at market rates in line with proposals outlined in Sir Adrian Montague's report to Government on aiding the private rented sector.

Initiatives to Support Improved Housing Supply

- **Development Finance and Funding for Affordable Housing:** Up to 15,000 affordable homes will be built and 5,000 empty homes will be brought back into use using new capital funding of £300m and the infrastructure guarantee.
- **Initiatives to Speed-Up the Planning Process:** For a time limited period, measures will be taken to reduce planning red tape, including increasing the scope of permitted development.
- **Changes to the Planning Appeal Process:** Government is to introduce legislation, effective from the beginning of 2013, to allow any developer with sites made unviable due to the amount of affordable housing to appeal with immediate effect.
- **S106 Renegotiations:** Government is consulting on legislation that will allow developers to renegotiate non-viable S106 agreements entered before April 2010.
- **Office to Residential Conversions:** Introduction of permitted development rights which will enable a change of use from commercial to residential without the need for planning permission, unless specific local policies seek to restrict this.
- **Public Sector Land Disposal:** The Government is accelerating the release of public sector land by strengthening the Homes and Communities Agency's Accelerated

Disposal Programme and through a program of transfers from Government Departments and other Agencies to this.

Welfare and Benefit Reforms

- 2.20 As part of the emergency budget in 2010 the Government announced a number of changes to the payment of Housing Benefit and Local Housing Allowance that will impact on tenants in both private and public sector properties.
- 2.21 In March 2012 the Welfare Reform Act received Royal Assent. Universal Credit is a major feature of the Welfare Reform Act which brings together a range of working-age benefits into a single streamlined payment. Other important measures are:
- Household Benefit Cap;
 - Linking Local Housing Allowance (LHA) rates to CPI from 2013; and
 - Size Criteria for Calculating Housing Benefit in the Social Rented Sector.

Household Benefit Cap

- 2.22 The Welfare Reform Act limits total household welfare payments (excluding Working Tax Credit and Disability Living Allowance) to £26,000 (£500 per week) for couple and lone parent households and £18,600 (£350 per week) for single person households. It is structured to increase incentives for households to work.
- 2.23 The Government estimates that 67,000 households nationally will be affected, with the greatest impact being in London and the South East. To address the benefit cuts, households might seek to increase their income through working more hours, or by reducing their rent or non-rent expenditure. Larger households or those in high rent areas will be particularly affected and we may result in some movement of households on benefits to cheaper areas.

Local Housing Allowance

- 2.24 Low income households living in the Private Rented Sector are able to claim Local Housing Allowance to assist in meeting their housing costs. Local Housing Allowance is determined in relation to rents in the Broad Rental Market Area (BRMA) in which a property lies.
- 2.25 In April 2011 the Government changed how LHA is calculated, shifting this from median rents in the BMRA to the 30th percentile. It has also introduced caps on LHA payments: £250 a week for a 1-bed property or shared accommodation, £290 a week for a 2-bed property, £340 a week for a 3-bed property and £400 a week for properties with 4 or more bedrooms.

- 2.26 The Welfare Reform Act also indicates that increases in LHA rates from 2013 will be restricted to growth in inflation as measured by the Consumer Price Index (CPI). Rates will also be set annually rather than monthly. This can be expected to exert a downward pressure on rents, particularly in areas where LHA claimants form a significant proportion of the Private Rented Sector market, and may encourage some LHA claimants to move to cheaper areas.
- 2.27 Moving forward LHA will however be paid directly to private landlords, which may provide some incentive for landlords to keep accepting tenants on LHA.

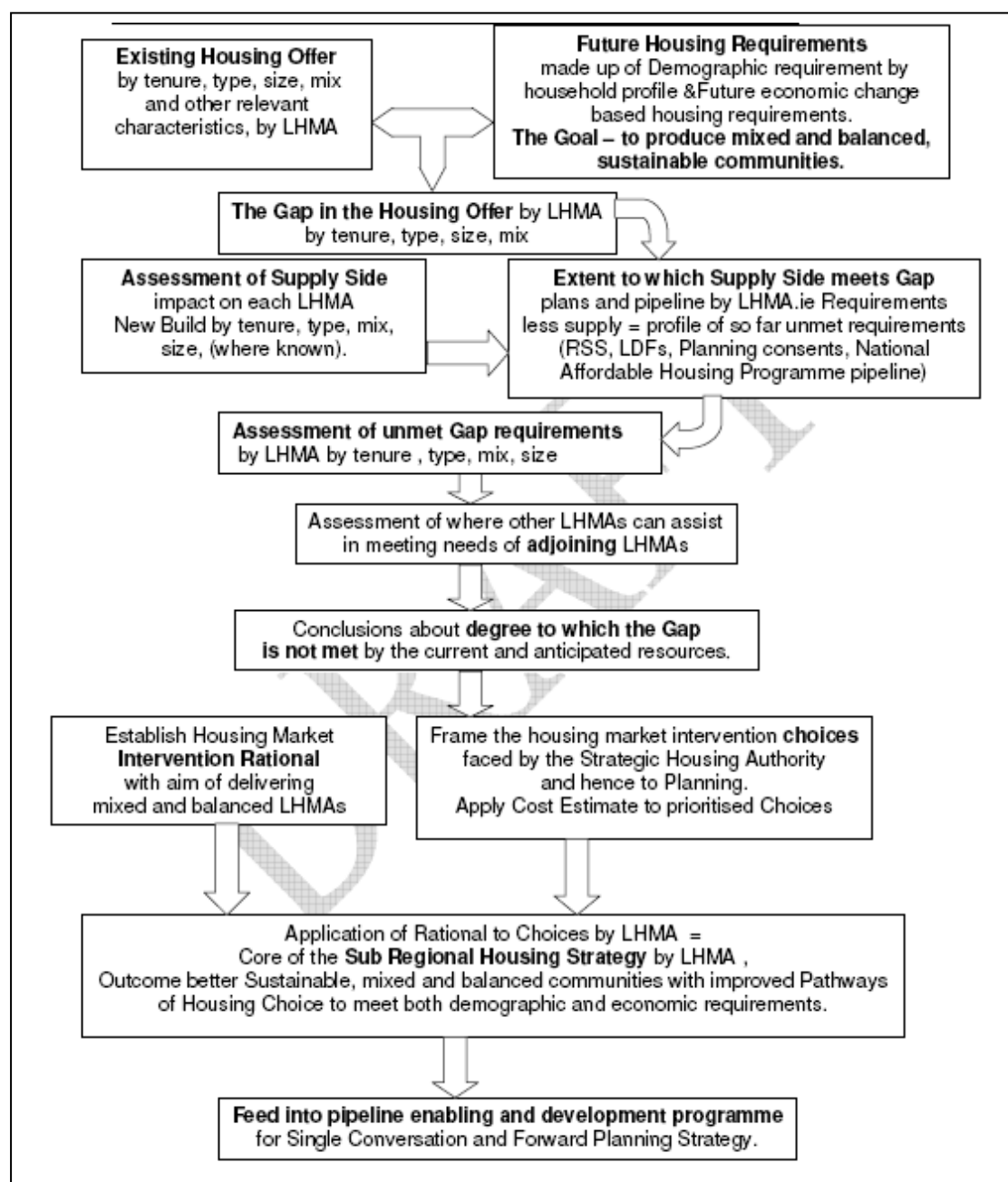
Housing Benefit Size Criteria in the Social Rented Sector

- 2.28 The Welfare Reform Act introduces restrictions on how much Housing Benefit working-age households in social rented properties can claim from April 2013, based on the size of the household. Currently Housing Benefit has been based on the size of the property rather than the household. The policy change is focused on reducing the benefit bill, increasing mobility in the social rented sector and making better use of the existing social housing stock.
- 2.29 The applicable maximum Housing Benefit which households can claim will be reduced by national proportions based on the number of rooms households have which they don't require.
- 2.30 In November 2012 Herefordshire Council published a short research paper looking at the impact of benefit uprating. This research noted that there are 15,300 households in the County in receipt of child and working tax credits (about a quarter of working-age households) with 13,100 individuals claiming at least one working-age benefit (12% of the working age population). Both of these groups will see lower rates of increases in their benefits than if these were linked to inflation.
- 2.31 The research also noted that household incomes in the County are relatively low, although the rates of people claiming benefits and tax credits are also low. This suggested that the take-up of benefits (where eligible) is lower than seen in other areas.
- 2.32 Finally, the research notes that whilst a higher proportion of claimants live in urban areas, more than a quarter live in rural areas. Given potential additional expenses related to heating costs and transport which have increase at a higher rate than other household costs there is a danger that these households will see increasingly stretched household budgets.

Regional Guidance on Sub-Regional Housing Strategies

- 2.33 The previous Government had consistently supported the idea of local authorities working together to produce Sub-Regional Housing Strategies, albeit that this was not a statutory requirement. Sub-Regional Housing Strategies were intended to support implementation of the Regional Housing Strategy.
- 2.34 The Regional Housing Executive (RHE), which was responsible for the implementation of the Regional Housing Strategy and part of the Regional Assembly, has however since been abolished and replaced by the Marches Local Enterprise Partnership. Thus there is no longer a specific requirement to prepare a Sub-Regional Housing Strategy.
- 2.35 Nonetheless, Herefordshire Council and Shropshire Council have collaborated to prepare a Housing Strategy to guide delivery of the two authorities' strategic housing function.
- 2.36 The purpose of the Sub-Regional Housing Strategy is to reconcile key national and regional housing and planning policy requirements with the locally prioritised demographic and economic needs. It is intended to take forward the Sub-Regional Housing Market Assessment, disaggregating housing requirements to local markets and moving from data and analysis to consider policy responses.
- 2.37 A Local Housing Market Assessment (LHMA) plays an important role in this. The Regional Guidance sets out that this will describe the key features of local housing market areas, quantify demand and supply (disaggregated by tenure), and express the difference between these. It should consider and take into account future economic requirements and regeneration projects and apply a 'sustainability filter' (taking account of land supply, environmental constraints, infrastructure etc) in considering future housing requirements.

Figure 1.2: Stages in Developing a Sub-Regional Housing Strategy



Source: West Midlands Regional Assembly: Sub-Regional Housing Strategies in the West Midlands – Guidance Notes on Preparation and Use (Draft June 2009)

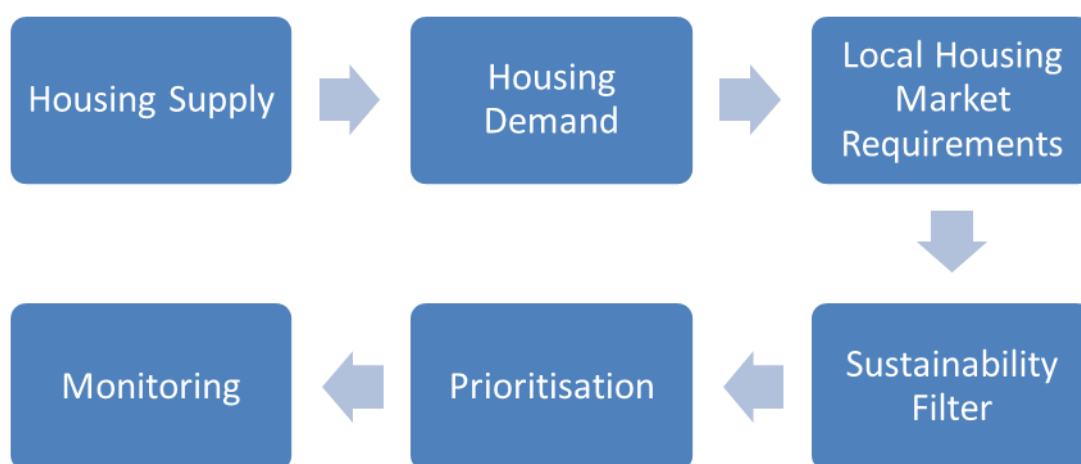
2.38 The core requirements for the Sub-Regional Housing Strategy, according to the Guidance, are to identify (as simply as possible):

- Where all housing needs and requirements arise;
- What constitutes the profile of that need, against available supply;
- How, where and why that need is expected to be met;
- In conjunction with the economic future requirements and the planning process:

- Where scarce financial resources are to be deployed as a priority for future housing investment and intervention, and may go on to:
- Include public and private sector refurbishment programmes, regeneration opportunities and energy efficiency initiatives.

2.39 This LHMA focuses on addressing the first three bullet points above. Key stages are set out below.

Figure 1.3: Elements of Developing a Sub-Regional Housing Strategy



Herefordshire & Shropshire Housing Strategy 2012-15

2.40 Herefordshire and Shropshire Councils have collaborated to produce a Housing Strategy for the sub-regional housing market. The Strategy sets out the key challenges for the area and how these will be addressed; and to support bidding for external funding.

2.41 The Strategy is structured around three key priorities and a set of associated outcomes which are summarised in the table below.

Figure 1.4: Herefordshire & Shropshire Housing Strategy Priorities & Outcomes

Priority	Outcomes
<p>1. A range of housing, including affordable housing, is provided in partnership to meet the current and future needs of all our communities;</p>	<ul style="list-style-type: none"> • Communities have a range of housing options which meet their local needs in terms of type, size, locations and tenure of accommodation; • All those operating in partnership across the local authority areas to have a thorough understanding of current and future housing need and requirements for all types of housing within the sub-region; • New housing is developed to the latest standards of sustainability and design, where possible; and • Opportunities are maximised to create employment and training opportunities for local people through new housing development.
<p>2. All existing stock is of a high quality and used effectively</p>	<ul style="list-style-type: none"> • Health impacts as a result of poor housing conditions are significantly Reduced; • There are better incentives for home owners and landlords to maintain and improve the quality of their housing; • Fuel poverty is reduced and carbon emissions associated with housing are minimised; • Opportunities are available for households to move to larger homes or downsize as their needs change; and • Best use is made of the existing housing stock to provide suitable accommodation options including bringing long term empty properties back into use.
<p>3. Residents are able to influence decisions through having access to suitable and timely advice on housing options and support available.</p>	<ul style="list-style-type: none"> • There is a reduction in the number of homeless people and suitable options for homeless people are increased; • There is better support for households to make informed choices about their housing options across all tenures; • A more comprehensive service is provided to those requiring more appropriate accommodation. This will minimise the number of homes requiring adaptation and promote sustainable independent living; • There is improved support for vulnerable people and better partnership working with others to respond to identified needs; • Services are delivered on a locality basis which fully reflect local needs; • Opportunities are taken to minimise dependence on benefits; and • There is a reduced reliance on public funding for service viability.

2.42 It is intended that through the focus on these priorities, the two authorities will be in a strong position to effectively contribute to building sustainable, healthy and empowered communities.

2.43 The Strategy focuses on:

- Highlighting the issues affecting the Herefordshire and Shropshire areas and responding to the full range of housing related challenges;
- Working together to assess and respond to the changing housing markets and housing needs;
- Working to support economic growth, focusing particularly on affordable housing and sustainable growth;

- Improving the services we offer, through involving and empowering local residents to play a more active role in shaping and influencing how housing services work;
- Responding to reductions in overall Government expenditure on public services and identifying how services can be delivered in a more cost effective manner; and
- Developing and further strengthening shared approaches with key partners such as Registered Providers; the Voluntary and Community Sector and health colleagues to the issues the two counties face.

Current Local Policy Framework

Herefordshire Sustainable Community Strategy

2.44 The County's Sustainable Community Strategy was developed by the Herefordshire Partnership and provides an overarching set of strategic priorities for the Council. Its vision that "we hope that in 2020 Herefordshire will be a place where people, organisations and businesses work together towards long-term, sustainable success for all" is intended to be delivered through action in six key areas: children and young people; work, wealth and business; environment; healthier communities and older people; safer communities; and stronger communities.

2.45 Key objectives under the stronger communities' banner include: having more affordable homes to rent and fewer homeless people; and making sure vulnerable people have a choice of housing and support to live independently. The strategy recognises that housing is expensive and more than a third of homes are in poor condition, and that there is a need to build more affordable homes, especially in Hereford City.

Herefordshire Local Investment Plan 2011-26

2.46 The Herefordshire Local Investment Plan (LIP) has been developed by Herefordshire Council (HC) in partnership with the Homes and Communities Agency (HCA). The LIP identifies key priorities for Herefordshire as growth in Hereford City and its surrounds; rural and market town housing; supporting independent living for vulnerable households; and increasing energy efficiency and decent homes. Under these headings, it is focused on achieving the following key outcomes:

- Outcome 1: Growth of Hereford City
 - Infrastructure necessary to facilitate growth in housing and employment
 - Focus on new homes
 - City centre regeneration including housing, education and retail.

- Regeneration of The Oval, Newton Farm
- Outcome 2: Rural Areas and Market Towns
 - 4,500 homes to be built in rural service centres to meet housing need and support the economy
 - Improved infrastructure
- Outcome 3: Supporting Independent Living/Vulnerable Persons
 - Through major and minor home improvements and disabled facilities grants
 - Further extra care provision for older persons
 - Delivery of housing solutions for mental health/learning disabilities
 - Provision of pitches for Gypsy and Travellers
 - Supporting Homeless families, prolific offenders and socially excluded families through private rented accommodation
- Outcome 4: Increasing Energy Efficiency and Decent Homes
 - To address Category 1 hazards and non decency criteria
 - Bring empty properties back into use, including those in remote areas where a need has been identified
 - To utilise vacant spaces above shops
 - Policies have been developed through the LDF to improve energy efficiency
 - Key County-wide policies are being developed to include renewable energy and sustainable design

Unitary Development Plan

- 2.47 The Council's current planning policy framework includes 'saved' policies within the Unitary Development Plan (UDP), which was adopted in 2007. Policy H2 makes provision for delivery of 700 dwellings per annum between 2007-11, with priority given to previously-developed land ahead of urban extensions. Its spatial strategy focuses on Hereford, followed by the market towns and then the main villages as the focus for housing provision. Policy H3 sets an indicative target of 35% affordable housing (with specific targets set for allocated sites) which is applicable to sites of 15 or more dwellings/0.5ha in settlements of over 3,000 population; and sites of 6 or more dwellings/0.2ha in smaller settlements. Separate policies address rural exception sites and sites for gypsies and travellers.
- 2.48 Policies in the UDP will be superseded in due course by the Local Development Framework Core Strategy (see below).

Local Development Framework

- 2.49 Herefordshire Council is in the process of developing its Local Development Framework (LDF) Core Strategy. The Council published Preferred Options Papers for consultation in September 2010. Further consultation was then undertaken in October and November 2011 on 'Revised Preferred Options.'
- 2.50 The Revised Preferred Options propose policies regarding both the level and distribution of housing across the County. The emerging Core Strategy seeks to deliver 16,500 homes over the 2011-31 plan period (equivalent to 825 per annum). Around 40% of all new homes are to be focused in Hereford, with the majority of the remaining development to take place in the market towns.

Figure 1.5: Core Strategy Revised Preferred Options Housing Levels & Distribution

2011-31 Plan Period	2010 Core Strategy Housing Provision	2011 Core Strategy Housing Provision	Annual Requirement (2011 Core Strategy)
Hereford	8500	6500	325
Leominster	2500	2300	115
Ross-on-Wye	1000	900	45
Ledbury	800	800	40
Bromyard	500	500	25
Kington	200	200	10
Rural Areas	4500	5300	265
Herefordshire	18000	16500	825

Hereford

- 2.51 Delivery of 6,500 dwellings is proposed in Hereford including through delivery of:
- 800 homes within the Urban Village in the City Centre (part of Edgar Street Grid);
 - 500 homes at Holmer West as a northern expansion to the City;
 - 1000 homes at Lower Bullingham to the south/south-east of the City;
 - 1000 homes as part of a mixed use urban extension at Three Elms;
- 2.52 These are to be supported by delivery of a Western Relief Road to the City, to include a new river crossing; relieving central area congestion, and delivery of a network of park and ride locations.
- 2.53 Economic growth is to be focused at the Rotherwas Business Park which benefits from Enterprise Zone Status, and as part of development at Three Elms. The Core Strategy is also keen to deliver higher education provision within the City, focused around the Blackfriars

Street area and the existing College of Technology campus on Folly Lane. If achieved, this could over time influence the housing market.

Market Towns

Bromyard

- 2.54 The emerging Core Strategy plans provision of 500 homes in Bromyard (between 2011-31 including 250 as an urban extension at Hardwick to the north-west of the town (at an average density of 30 dwellings per hectare (dph)). An allocation of 5ha of employment land is made at Linton.

Ledbury

- 2.55 The emerging Core Strategy plans provision of 800 homes in Ledbury, of which 700 are to be delivered as an urban extension on the north side of town (to the north of the Viaduct), with 100 to be delivered on small sites in the built-up area and existing allocations. A 40% affordable housing target is proposed.

- 2.56 A large employment allocation of 12 ha is proposed between Little Marcle Road and Ross Road to the west of the Bypass aiming to reduce out-commuting.

- 2.57 It is envisaged that the urban extension will be delivered in the next 6-10 years at a higher average density of 50 dph, reflecting its location close to the town centre and station.

Ross-on-Wye

- 2.58 The emerging Core Strategy plans provision of 1000 homes in Ross-on-Wye of which 350 are to be delivered in an urban extension of 350 dwellings at Hildersley to the south-east of the town. Delivery is envisaged at an average density of 25-30 dph. The residual requirement of 100 dwellings is expected to be delivered on small sites in the built-up area.

- 2.59 Employment provision includes the extant consent for development of 10 ha of employment land at Model Farm which is expected to come forward in the first half of the plan period.

Leominster

- 2.60 The emerging Core Strategy plans provision of 2,300 homes at Leominster of which a substantial proportion are to be delivered through an urban extension to the south west of the town which will support delivery of a southern relief road. In addition there is an outstanding

allocation at Barons Cross Camp. A 25% affordable housing target is proposed, reflecting development viability.

- 2.61 The Revised Core Strategy Preferred Options have reduced the level of development at Leominster over the plan period to 2,300 from 2,500 dwellings (in addition to altering the plan period). They also provide additional employment land provision.

Kington

- 2.62 Kington is the smallest market town and the plan proposes only modest development with no strategic housing allocations. There is however an allocated residential site at Old Eardisley Road which has not as yet been completed.

Rural Areas

- 2.63 The emerging plan allocates 5,300 homes to the rural areas between 2011-31, proposing a focus on provision on rural service centres (to accommodate potentially 100 new dwellings) and hubs which have some services (to accommodate up to 30 new dwellings). This is an increase on the level in the initial Preferred Option.

Herefordshire Tenancy Strategy

- 2.64 The Herefordshire Tenancy Strategy (HTS) has been developed within the context of the Herefordshire Council's overarching strategic objectives for housing, as set out in the Herefordshire and Shropshire Housing Strategy 2012 – 2015, and in consultation with local affordable housing providers.
- 2.65 The implementation of the HTS is key in achieving a number of key priorities and outcomes detailed within the Housing Strategy 2012-2015, including:
- A range of housing, including affordable housing, is provided in partnership to meet the current and future needs of all communities.
 - All existing stock is of a high quality and used effectively.
 - Residents are able to influence decisions through having access to suitable and timely advice on housing options and support available.
- 2.66 Registered Providers should, when developing their own tenancy and allocation policies, have regard to:
- Herefordshire Council's Allocations Policy;
 - Herefordshire Council's Homelessness Strategy 2008-2013;
 - Herefordshire Council's Local Investment Delivery Plan 2011-2026;

- Herefordshire Local Housing Market Area Assessment 2011;
- A Study of the Housing and Support needs of Older People in Herefordshire January 2012; and
- Sustainable Communities Strategy.

West Strategic Housing Market Assessment

- 2.67 Sub-regional housing markets have been defined across the West Midlands, with Herefordshire together with Shropshire falling within the 'West' Housing Market. The West Strategic Housing Market Assessment (SHMA) was prepared by consultants Outside Research and published in 2007. Its' key findings are summarised below.
- 2.68 Population growth is a key demand driver, with evidence that Herefordshire's population has grown strongly driven by net in-migration. There is a dispersed pattern of migration to Herefordshire, including from Wales, Gloucestershire, Birmingham, Bristol, Worcester and the Home Counties. There has also been a substantial recent inflow of Eastern European migrants (typically living in the private rented sector, HMOs and caravans).
- 2.69 The County already has an above average proportion of older people, and the ageing of the population over time will also affect housing demand. Two thirds of projected household growth of 18,000 over the 2011-31 plan period is expected to be of one person households with the remaining third forming family and other multi-person households.
- 2.70 There is a high level of detached housing within the County and an undersupply of other, typically smaller, house types. The social sector has declined in size since 1991, although the private rented sector has grown. House prices grew rapidly from 2002-8 (with the greatest increases for flats/maisonettes) and are above average for the region, whilst wages are below average and there is evidence of under- and un-employment. These factors have come together to create significant affordability pressures – particularly within rural areas where low affordable housing supply, a high proportion of detached housing and in-migration have come together.
- 2.71 Net annual affordable housing need for 1,113 dwellings per annum across the County is identified (based on secondary sources) which is higher than the total planned supply. However evidence from Cambridge University (CCHPR) referenced in the Assessment identifies a need for 955 dwellings per annum with 65% provision of market housing, 23% social rented and 12% intermediate.

Research into Older Persons Housing & Support Needs

2.72 Research into older persons housing and support needs was undertaken in 2011 and published in January 2012. The Study was undertaken by Peter Fletcher Associates for the Council. The research was intended to support the following aims:

- For housing to deliver a practical set of public and private sector solutions for the growing needs of older people across the County;
- For adult social care and health to develop appropriate care, support and health strategies for older people;
- For providers to consider their own housing and support strategies and services for older people; and
- For links to be made across services and sectors that result in services and outcomes that older people want.

2.73 The key findings of the research were that:

- Most older people like where they live and want access to services to stay there. Adaptations to homes are enabling people to 'stay put' and it will be a continuing need for adaptations;
- Information and advice about what support and housing is available in the County needs to be provided through a range of mediums to older people across all tenures;
- Support with domestic tasks figures prominently in the research findings, and there is a need for practical services to help maintain independence. Most older people say they are willing to pay for these services;
- When asked where they would prefer to move to, most people, generally, wanted to stay in their local area;
- There is a need for a range of housing options that include outright purchase and shared ownership, to meet the needs of older persons;

General Needs Housing

2.74 The research identifies a need to develop a greater choice of general needs housing to meet the changing needs of older people, and a growing need for housing for older people linked to demographic trends. The Study recommends:

- The development of 'all age' accessible two bedroom general needs housing, both rent and shared ownership, to address the ageing population in the housing market;
- Intervention to improving the overall standard and accessibility of housing, and promoting Lifetime Homes standards to developers;
- A specific need for growth in the number of wheelchair/ adapted properties;

- Development of new high quality two and three bedroom accessible housing to promote downsizing and reduce under occupation; and
- Policies to ensure that all new dwellings that requires access to properties above ground floor have lift access or are designed so that assisted access can be provided

Specialist Housing for Older Persons

2.75 The Study identifies that there is a good supply of care home accommodation and nursing places for older people. However there is:

- A major under supply of specialist retirement housing for sale;
- An oversupply of lower quality, sheltered housing for rent, that over time needs to be replaced with better quality accommodation;
- An under supply of housing based provision for people with dementia or a learning disability;
- A shortfall in the planned provision of enhanced sheltered and extra care housing across all tenures to meet projected need; and
- A significant change in the way new developments will need to be funded, which will have a major influence on developing future provision.

2.76 Looking forward, the Study projects a need for a greater diversity of market housing, in particular for more 2-bed properties to purchase that are attractive to under-occupying older persons, and for bungalow provision. It also identifies a need for mixed-tenure extra care housing schemes and more specialist housing for people with dementia and learning disabilities and encourages the provision of extra care and specialist housing within larger development schemes.

2.77 The Study also identifies the need to make better use of existing provision, and particularly sheltered accommodation, to support people with higher levels of frailty, but with a need to address the quality of sheltered housing for rent to meet the growing aspirations of older people. It identifies a need to develop the level of sheltered housing for sale and shared ownership.

Understanding Herefordshire 2012: An Integrated Needs Assessment

2.78 The Understanding Herefordshire Report brings together the State of Herefordshire Report with the Joint Strategic Needs Assessment for the County to provide a single integrated assessment. It includes information regarding demographics, health and the growing older population.

2.79 The report highlights a need for service providers to be proactive in responding to changing demographics, including in developing services and support networks to promote self-help

and enable people to live independently. It recommends a community-based approach to addressing social and housing needs, including to provide comprehensive and integrated services and support for people living with dementia. It identifies a need for further in depth analysis to understand the care needs of people with learning disabilities.

2 OVERVIEW OF HOUSING MARKET DYNAMICS

The Geography of Herefordshire

- 3.1 Hereford is a predominantly rural county covering 842 square miles situated in the south-west corner of the West Midlands region bordering Wales. Population density is low. The City of Hereford is the centre of the County for employment, administration, health, education and shopping facilities. The other principal locations are the five market towns (in descending order of size) of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington.
- 3.2 Herefordshire has beautiful unspoilt countryside, distinctive heritage, remote valleys and rivers.
- 3.3 Herefordshire has limited access to the motorway network via the M50, which starts near Ross-on Wye and joins the M5 north of Tewkesbury in Gloucestershire, and the M5 at Worcester. The other main road links, which all pass through Hereford City, are the A49 (running from north to south), the A438 (running from east to west) and the A4103 to Worcester.
- 3.4 Within Herefordshire, Hereford City, Ledbury and Leominster have railway stations, although many of the lines through the county are single tracks.

Population and Socio-Economic Profile

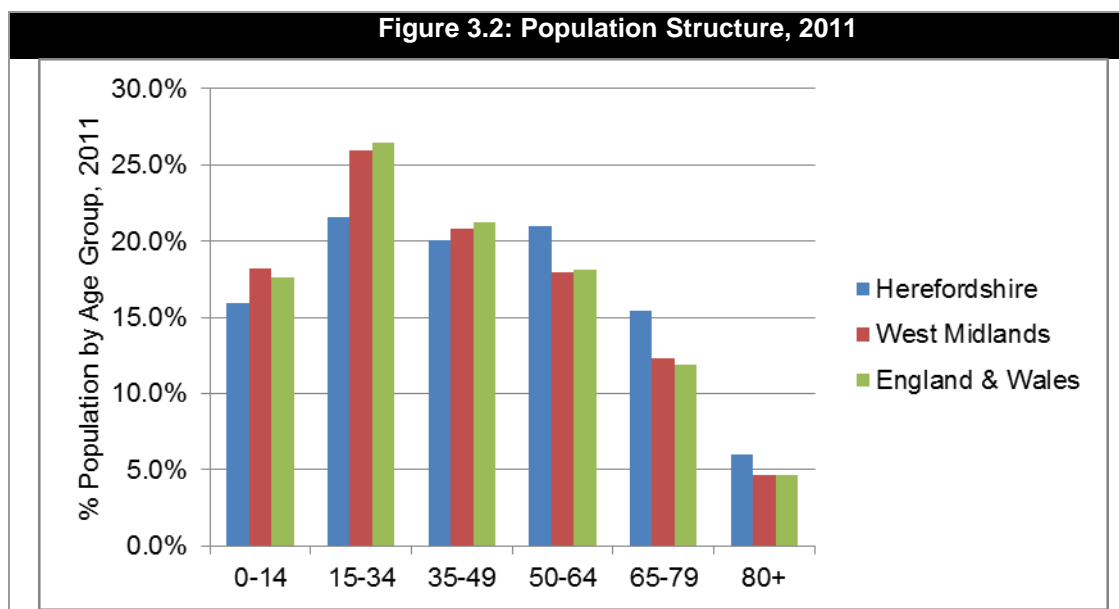
- 3.5 Herefordshire had an estimated population in mid 2011 of 183,600. The county's population grew more strongly than was the case across the West Midlands region or nationally between 1991-2001, but over the 2001-11 decade has grown more slowly increasing by 5.0% compared to 9.0% in the previous decade.

Figure 3.1: Population Growth, 1991-2011

	Herefordshire	West Midlands	England & Wales
1991	160400	5229700	50748000
2001	174900	5280700	52360000
2011	183600	5608700	56170900
% Change 1991-01	9.0%	1.0%	3.2%
% Change 2001-11	5.0%	6.2%	7.3%

Source: ONS Mid Year Population Estimates

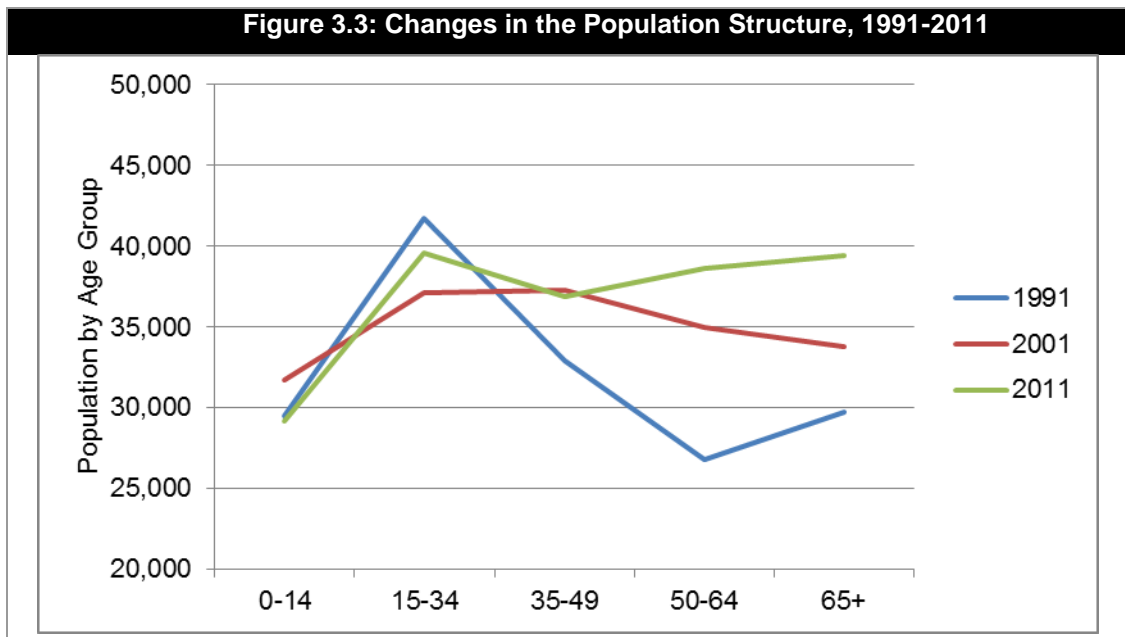
- 3.6 The population is not particularly diverse, with 93.7% of the population of White British origin compared to 79.2% across the West Midlands in 2011².
- 3.7 The population structure has an above average proportion in all age groups over 45 and a particularly low proportion aged 20-39 relative to the regional and national profiles.



Source: ONS Mid-Year Population Estimates

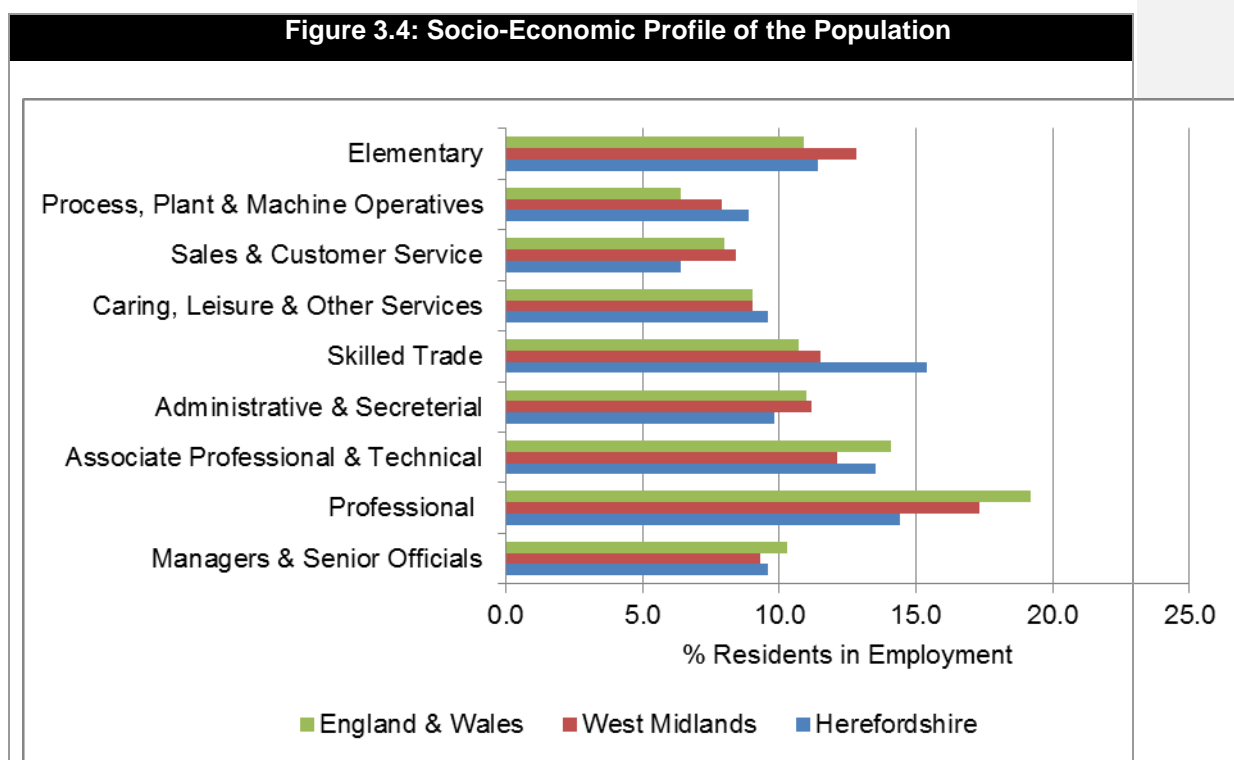
- 3.8 Over the last 20 years, the proportion of the population aged over 50 in particular has been increasing. Within this the strongest growth has been in the population aged 50-64. However over the 2001-11 period, there was an increase in the population aged 15-34 as well, with growth particularly in those aged 15-24.

² Census 2011



Source: ONS Mid Year Population Estimates

- 3.9 Of those in work within the County, there are a particularly high proportion of people who are employed in skilled trade occupations. The numbers of those employed in as process, plant and machine operatives, and in care/ leisure occupations is also above. In contrast, the numbers employed in professional occupations is notably below regional and national averages.



Source: Annual Population Survey, July 2011-June 2012

3.10 The ACORN Mosaic classification published by Experian indicates a very high proportion of the population falling into the following categories:

- Rural Solitude
- Small Town Diversity
- Professional Rewards
- Active Retirement

3.11 Of the 116 Lower Super Output Areas (LSOAs) in Herefordshire, eight fall within the 25% most deprived nationally based on the 2010 Index of Deprivation. Five of these fall within South Hereford, two in Leominster and one in Ross-on-Wye. Golden Post- Newton Farm was the most deprived area within the County and the only LSOA to fall in the 10% most deprived nationally in the 2010 Index of Deprivation.

Economic Performance and Commuting

3.12 Herefordshire has a relatively low value economy, with GVA per head in 2009 which was 25% below the UK average and 8% below the West Midlands average. With a high 85% self-containment of travel to work patterns in 2001, this is borne out in the wages of residents.

Gross weekly pay in 2011 at £385 for full-time workers was 18% below average for the region (£471) and 24% below the national average (£504)³. Between 2008-2011 gross weekly wages in the County have fallen -1% whilst they have grown by 5% at both the regional and national levels. Low wage levels are borne out in housing affordability issues. The Council's Local Economic Assessment suggests that rather than narrowing, the gap is widening with the earnings data confirming this.

- 3.13 The low value economy is partly a function of the County's economic structure. There are a high proportion of jobs in manufacturing (accounting for 16.0% of employee jobs compared to 11.9% across the West Midlands and 8.6% across England in 2010), but these are primarily in low and medium technology activities including food and beverage production, rather than higher value-added activities. The wholesale, retail and vehicle repair sector is also strongly represented (accounting for 19.8% of employee jobs compared to 17.7% across the West Midlands) as is the agricultural sector. Employee jobs in health and social work, at 15.0% is also high, relative to 12.8% across the West Midlands.
- 3.14 There is a low level of employment in finance and insurance (1.5%) and professional, scientific and technical activities (3.6%) which has been a key growth sector nationally in recent decades.
- 3.15 A key feature of the economic structure is a low representation of higher-value private sector businesses: this is a structural economic weakness which partly reflects the County's relative 'peripherality' in a national or regional context, together with the size of its population and key centre and the strength (or weakness) of the road and rail links. However this needs to be considered against supply-side regeneration measures, including proposals in the Core Strategy for employment land releases together with regeneration projects such as Edgar Street Grid which is anticipated to generate up to 900 jobs.
- 3.16 Evidence of the skills profile tends to suggest that the qualifications levels are reasonable: with 32% of the working-age population being qualified to NVQ Level 4 or above (equivalent to degree level) which is consistent with the West Midlands average, 24.8%, although below average nationally (38%)⁴. The level with NVQ3 and above is also similar to the regional average. This suggests that skills are not constraining the local economy (notwithstanding skills shortages in particular sectors or occupations).
- 3.17 Total employment increased in Herefordshire in the period 2001 – 2008 faster than growth in the resident working age population, resulting in an increase in the jobs density from 0.81 to

³ Source: ONS Annual Survey of Hours and Earnings

⁴ ONS Annual Population Survey, Jan-Dec 2011

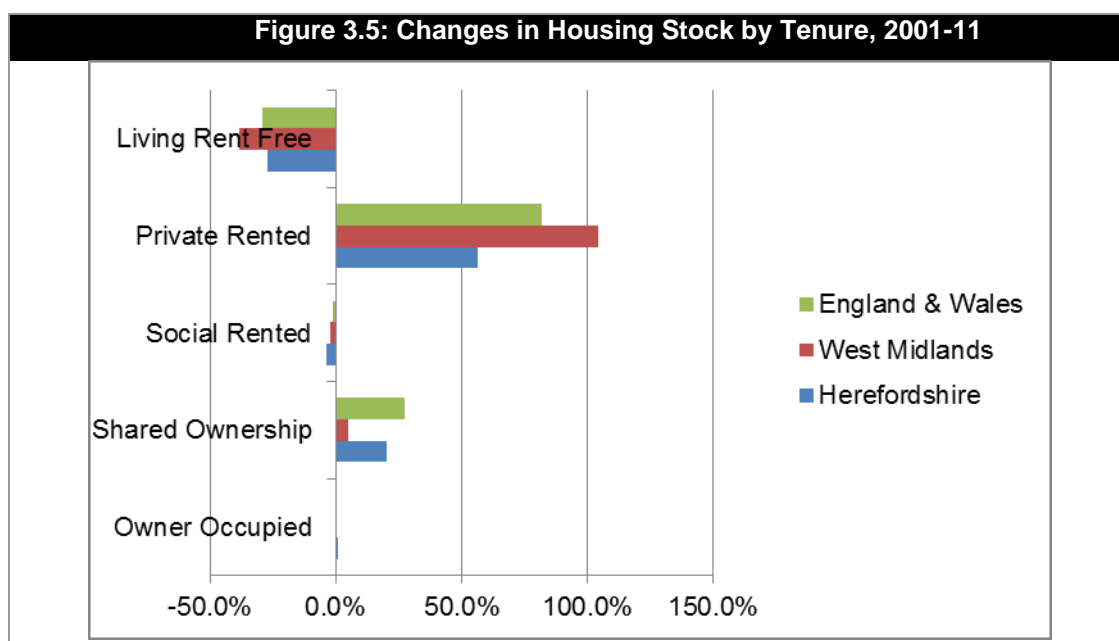
- 0.87. In 2008 the jobs density exceeded the regional average of 0.77 and, taking into account economic activity, the suggestion is that total employment actually exceeded the number of people in work. However the impact of the recession has led to a decrease in the jobs density from 0.87 in 2008 to 0.84 in 2010.
- 3.18 Evidence of commuting patterns from 2001 suggests that there was a moderate net outflow of people to work of 4,000, although the level of self-containment of travel to work patterns was relatively high. More up-to-date data on commuting dynamics will be provided in due course from the 2011 Census.
- 3.19 Levels of economic participation are strong. Economic activity in Herefordshire stood at 80.1% (as a proportion of the population aged 16-64) in 2010/11⁵ which, although it has fallen, was above both the regional and national averages (74.3% and 76.5% respectively). Similarly the employment rate at 73.2% in 2011-12 was above average (although this had fallen from a peak of 77.8% in 2008/9).
- 3.20 There is a high level of self-employment in the County which at 24.1% according to the Annual Population Survey in 2011-12 is substantially above the 13.2% across the West Midlands and 14.5% across England & Wales. This particularly reflects self-employment in the agricultural sector.
- 3.21 There are a notable number of seasonal workers in the agricultural sector. Herefordshire Council undertook a survey of farms in 2010 to estimate employment of overseas seasonal workers. This survey of 23 farms identified seasonal employment of c. 4,600 of which 50% were aged 25-34 and 27% 18-24. Seasonal employees were mainly from Bulgaria, Poland and Romania. However 20 of the 23 farms surveyed reported that they provided accommodation for all of the workers. Nonetheless, consultation with estate and letting agents has indicated that there is some impact from agricultural employment on demand within the Private Rented Sector in Herefordshire.
- 3.22 A total of 12.0% of the resident working-age population are in receipt of key out-of-work benefits in February 2012 (including job seekers allowance, incapacity benefit and employment and support allowance). This is below levels across the West Midlands and nationally (16.8% and 15.0% respectively). 2.5% of the resident working-age population was in receipt of Job Seekers Allowance in September 2012: again below GB and West Midlands averages (4.7% and 3.8% respectively). The level of Jobseekers Allowance claimants has remained relatively consistent since early 2012. Of the total of 2,705 claimants in September 2012, 40% had been claiming for over 6 months. Total unemployment is modelled at 5.9%.

⁵ ONS Annual Population Survey, Jul 2011-Jun 2012

- 3.23 Levels of part time working are above average, at 28% compared to 26% nationally. Part-time employment has grown over the last few years. In the short-term it is expected that there is some latent capacity in the local labour market, either through unemployment or underemployment. This will allow some employment growth without growth in the size of the labour force.

Current Housing Offer

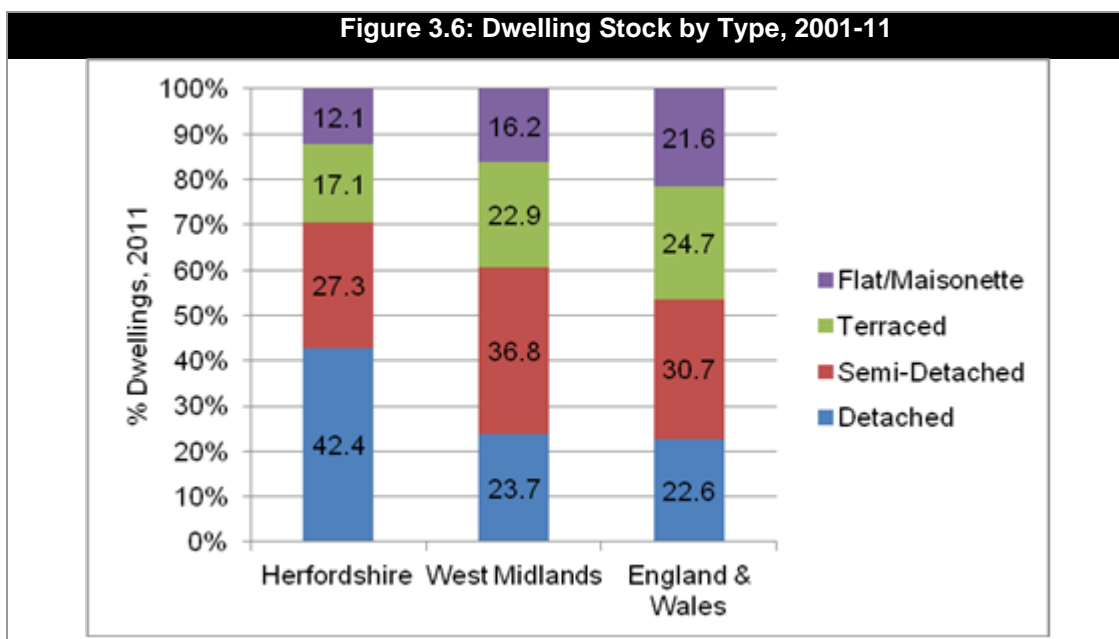
- 3.24 A higher proportion of housing in Herefordshire is owner occupied, however this has been falling. 70.8% of households were owner occupiers in 2001 in Herefordshire compared to 69.6% across the West Midlands and 68.7% across England. In 2011 this had fallen to 68.7% across Herefordshire, 65.6% across the West Midlands and 64.2% across England. The social rented sector accommodated a lower proportion of households in 2001 at 15.2% compared to 20.6% across the West Midlands and 19.3% across England. In 2011 this had fallen to 13.9% compared to 19.0% across the West Midlands.
- 3.25 Private renting in Herefordshire at 10.4% was marginally above the national average in 2001 (10.0%), and more notably above the regional average (7.3%). This has been a key growth sector over the last decade and accommodated 15.2% of households across the County in 2011, compared to 14.0% across the region and 16.8% across England.
- 3.26 Figure 3.5 profiles changes in the number of households living in different tenures of housing between 2001-11. Whilst the private rented sector has been a key growth sector in the housing market over this period, the scale of growth has been more moderate than across the West Midlands or nationally. There has been a modest (-3.3%) decline in households living in the social rented sector over this period; but a growth of 20% in shared ownership in the County. The number of owner occupying households has been fairly static.



Source: 2001 Census, 2011 Census

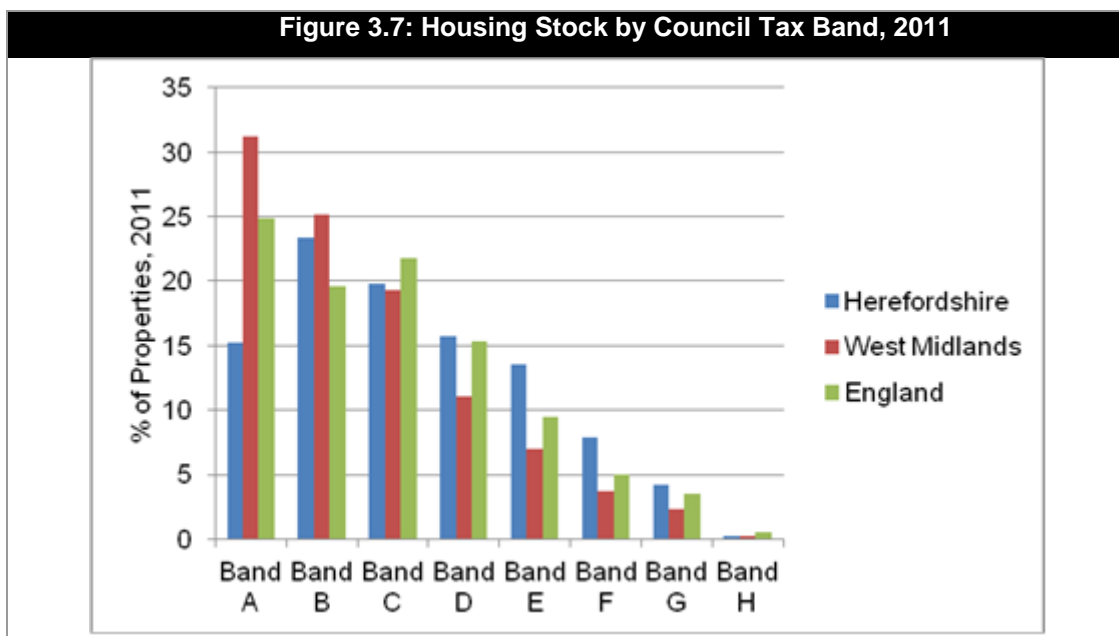
3.27 A particular feature of the County is a very high proportion of detached housing. In 2001 this represented 43.0% of the housing stock across the County compared to 23.9% across the West Midlands and 22.6% across England. By 2011 this proportion had declined slightly to 42.4%; whilst the proportion of flats/maisonettes had increased from 7.5% to 8.4% of the housing stock. Whilst in proportional terms the level of flats/maisonettes increased, in absolute terms growth in households in flatted accommodation (1,516 households) was less than the growth in those living in semi-detached (+1,544) or detached (+1,887) accommodation over the 2001-11 period.

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Source: 2011 Census

3.28 The County has a higher proportion of properties in Council Tax Bands E-G than the regional or national profile. These bands accommodate 25.9% of properties in Herefordshire in 2011 compared to 18.5% nationally. There are a low proportion of cheaper properties in Band A in particular.



Source: ONS 2011

3.29 Evidence from the 2005 Stock Condition Survey undertaken by PPS indicates an above

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average representation in the housing stock of pre-1919 dwellings, and those constructed post 1964. It identified that 23.9% of RSL stock and 33.7% of the private sector stock were non-decent. The Private Rented Survey also had the highest level of Category 1 hazards (17%) and households in fuel poverty (17.3%).

- 3.30 A total of 1270 Houses in Multiple Occupation (HMOs) were recorded in the Stock Condition Survey, representing 1.6% of the housing stock compared to 2.6% nationally.

Recent Housing Market Dynamics

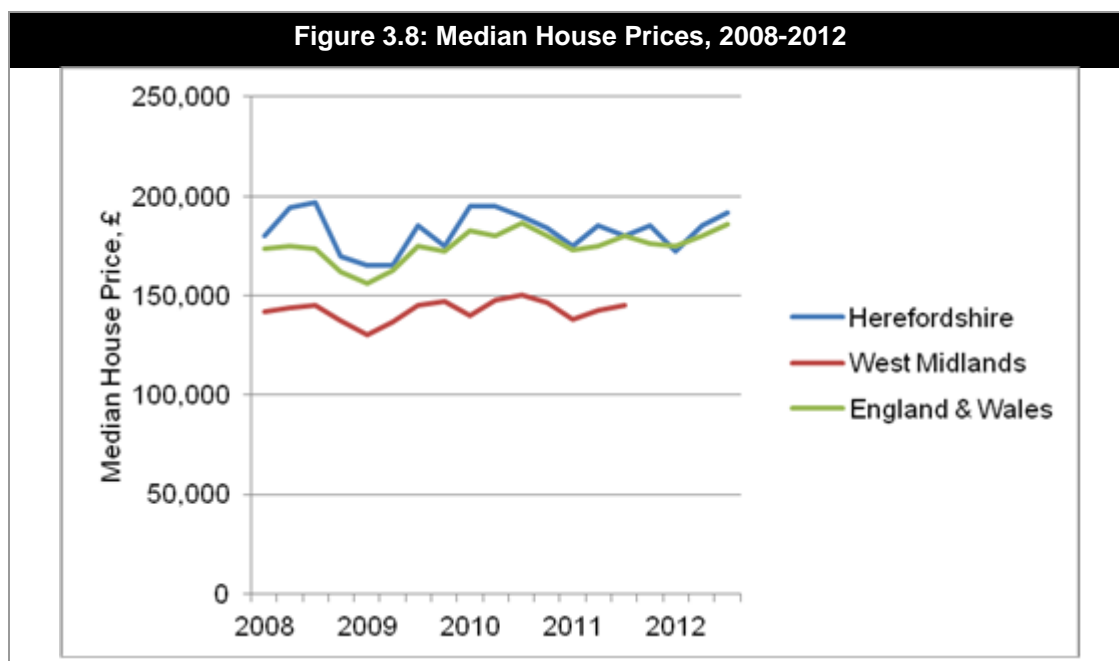
- 3.31 The housing market context has changed since 2007. Over the decade to 2007, housing demand grew strongly across the country – supported by a period of sustained economic stability and growth, historically low interest rates and increased choice and competition in the mortgage market. Housing supply was shown to be relatively inelastic, contributing to a period of sustained and strong price growth. The sustained growth in house prices together with mortgage availability supported growth in investment in the residential sector, and with it the size of the private rented sector. A combination of growing costs of home ownership (relative to earnings) and a decline in the size of the social sector (generally as right-to-buys outstripped new housing construction) contributing to increasing levels of housing need.

- 3.32 Market conditions have changed dramatically since 2007. The ‘Credit Crunch’ has severely constrained access to mortgage finance resulting in a substantial reduction in mortgage product availability, tightened lending controls and a reduction in loan to value ratios. This, coupled with market and subsequent economic uncertainty, have severely curtailed market activity and led to a substantial withdrawal of First-Time Buyers (the lifeblood of the market) and other marginal groups from the housing market. While there has been some improvement in first-time buyer volumes over the last year, levels remain well down on those experienced pre-2007.

- 3.33 There has been a notable reshaping of the dynamics between different segments of the housing market. Uncertainty coupled with restricted lending criteria have significantly restricted home purchases, but also impacted on the buy-to-let market. This has supported growing demand for private renting. Increased difficulties in accessing private housing have had a knock-on effect on the social sector, with growth in both waiting lists and housing benefit costs set against reductions in turnover and new supply.

House Prices

- 3.34 House prices in Herefordshire increased by 77% between 1996 Q1 – 2002 Q1 (representing an average increase of £41,750 in value) which was similar to nationwide trends but more rapid than house price growth across the West Midlands (62% for the same period). House price growth accelerated between Q1 2002 – Q3 2004, with average prices in Herefordshire increasing by 83% in this period (an average increase of £79,500 in value) which exceeded growth across the West Midlands (70%/ £55,600) and England and Wales (66%/ £62,500).
- 3.35 Following a period of relative price stability in late 2004 and early 2005 influenced by a deterioration in housing market confidence, house prices again increased but at a more moderate rate. Average prices grew by 12% in Herefordshire between Q4 2004 and Q3 2007 (gaining £21,000 in value, again similar to growth across England and Wales but higher than elsewhere in the West Midlands). They then remained broadly static over the following year to Q4 2008, regaining in the second half of the year losses in the first. In this initial period of the market downturn, prices in Herefordshire remained more robust than elsewhere (with a fall in prices of £5,000 recorded across the West Midlands and £6,500 nationally).
- 3.36 However we saw a sharp correction in house prices in late 2008, with median prices in Herefordshire falling by £32,000 between Q3 2008 – Q1 2009: a loss of -16% of their value. While there has been some subsequent growth, prices have yet to regain their peak values of £197,000 in Q3 2008.
- 3.37 House prices over the 2008-2012 period have been relatively stable – both in Herefordshire and at the regional and national levels. Median house prices in Q3 2012 in Herefordshire are consistent with those in Q2 2008. In contrast we have seen a moderate growth in house prices of 2.6% across England and Wales over this period driven by the market in London and the greater South East. Given inflationary pressures, house prices have declined in real terms.

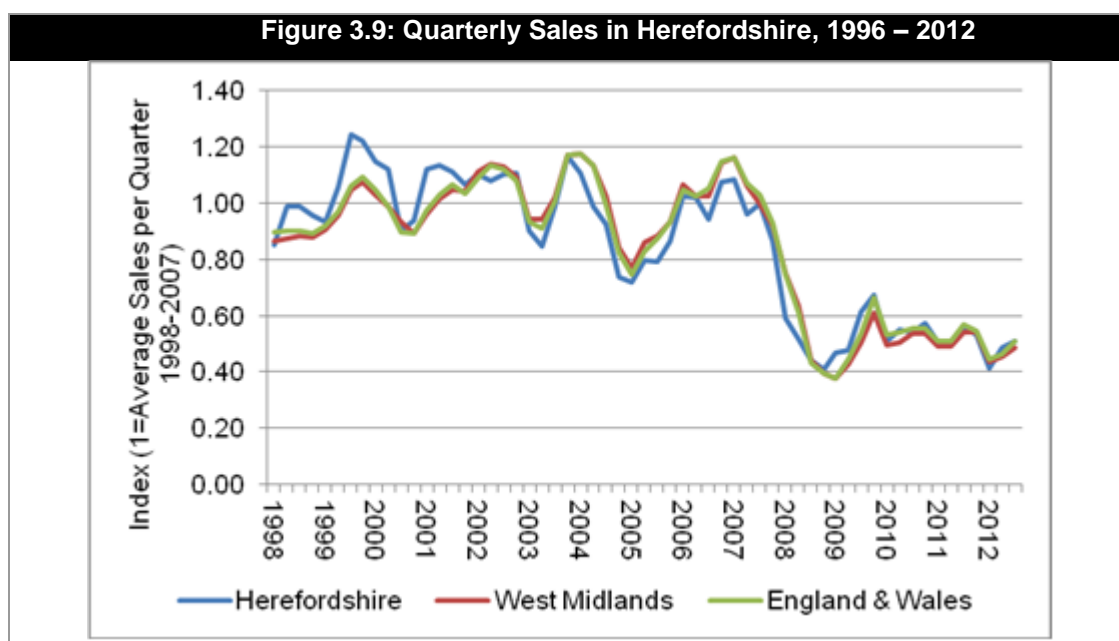


Source: HM Land Registry/CLG Table 582⁶

Sales

- 3.38 Transaction levels (sales) reflect the relative buoyancy of the market and provide an indication of 'effective demand' for market housing. As Figure 3.9 below shows, sales volumes declined dramatically in late 2007 and early 2008 with a reduction of around 60% in housing market activity. We saw some recovery in 2009 however in 2010 and 2011 the recovery stalled. Sales volumes over this period have remained over 40% down on the long-term trend in Herefordshire and almost 50% down across the West Midlands. Average sales volumes have been around half those achieved at the peak of the market.
- 3.39 The latest data available is for Q3 2012. Sales volumes at this point in Herefordshire were 49% down on the average sales between 1998-2007, consistent with the level across England and Wales, but performing better than the West Midlands where sales were on average down 52%. This reflects a market which is more biased towards households with existing equity and less dependent on first-time buyers (consistent the County's older age structure).

⁶ Regional data is not recorded by the CLG source from 2011



Source: HM Land Registry/ CLG Table 584

The Private Rented Sector

- 3.40 Private renting accommodated 15.2% of households across the County in 2011, compared to 14.0% across the West Midlands region and 16.8% across England.
- 3.41 The withdrawal of mortgage products by banks tightening lending practices, coupled with the market downturn have, however curtailed investment purchases since 2008. Tightening lending criteria have equally restricted volumes of first-time buyers⁷ supporting growth in demand within the private rented sector. In many areas this has been having an effect on the rental market, with greater demand than supply leading to growth in rents over the last couple of years (2009-11).
- 3.42 Reflecting the short-term nature of tenancies, turnover of properties in the private rented sector is generally high with evidence nationally suggesting a turnover rate of 32% of properties per annum⁸. The sector plays an important role in providing for housing for young professionals and families who cannot afford to buy, low income households (including some supported by Local Housing Allowance) and households looking for flexibility (including those who have recently moved jobs, recent divorcees etc.).

⁷ Supported by evidence from Council for Mortgage Lenders

⁸ English Housing Survey, 2009-10

- 3.43 Qualitative evidence on trends in the private rented sector has been gleaned from discussions with estate and letting agents. This confirms that the investment market is weak. The demand profile appears relatively stable, with some agents – particularly in the Bromyard area – suggesting that rents have been increasing over the past year; while in other parts of the County rents appear relatively stable. This follows evidence of rising rents in 2009 and 2010.
- 3.44 In due course the 2011 Census will provide more detailed information on the private rented sector in different parts of the County.

Local Intelligence from Estate and Letting Agents

- 3.45 As part of the research a cross-section of estate and letting agents were spoken to who operate across the Herefordshire HMA in September 2012. This was intended to provide a qualitative assessment of market conditions which can sit alongside the analysis of statistical data. It should however be recognised that this represents a snapshot view of market dynamics and perceptions in Autumn 2012.

Sales Market

- 3.46 Estate agents described current sales market conditions as being “steady” and “fairly slow” with a shortage of new instructions coming onto the market but generally market conditions which are slightly better than a year ago. Some agents indicated that sales were slower in September following a busier period in between March and July. Most agents said prices have been stagnant or have fallen slightly over the past year with agents (in Leominster) describing the last year as “difficult.”
- 3.47 The current profile of buyers in Herefordshire tends to be over the age of 30 in all areas, with some areas (such as Ledbury, Leominster and Ross on Wye) attracting a slightly older segment of buyers who tend to be between 40 and 65. Most buyers are either retired or have families and are looking for a larger family home. Very few people buying houses in 2012 are First-time Buyers.
- 3.48 Semi-rural and rural areas were said to be the properties most in demand. Country properties with acres were said to be popular in Bromyard and bungalows were said to be selling well in Ross on Wye).
- 3.49 Looking forward, the estate agents interviewed did not think that the sales market will improve dramatically in the near future. The majority of agents said that they did not believe to see changes over the next year. Most believed that there may be a slight fall in house prices or

that house prices would remain at the similar levels to what they are currently in the next year. Key influences on this were perceived to be the difficulties in accessing finance, especially for first time buyers, concern over job security and the price of living costs (petrol, food etc) and a belief that house prices would increase in the future. One agent did not believe that sales figures would pick up until 2016.

Lettings Market

- 3.50 The agents spoken to were much more positive about the lettings market compared to the sales market. Whilst one agent stated that lettings “aren’t flying off the shelf,” several agents described the lettings market as “strong” and even “buoyant” although, similarly to some comments of the sales market, some said that conditions were better 2-5 months ago. Many renters are renting on a short term basis with some renting in the area prior to buying in the area and being unable to buy at the moment.
- 3.51 Both the people looking to rent and the properties being let are more varied than in the sales market. The type of houses range from 1 bed roomed flats to larger houses. Agents noted that there is an undersupply of property to let generally. However, some agents stated that there is an oversupply of 1 and 2 bed roomed starter flats, particularly in Hereford City. Demand is strongest for 2-4 bed roomed properties and for rural, detached properties in the Kington area. Around Hereford, agents reported that houses with land were in short supply and retirement properties were said to be the “most difficult properties to shift.”
- 3.52 The profile of those renting is more varied than those in the sales market and contains a “younger segment” ranging generally from 20- 40 year olds.
- 3.53 Some agents (covering the Bromyard area) said that rents have been increasing over the past year but by a small percentage estimated to be 5-6%. Other agents stated that rents are have been fairly stable over the last year. There was a difference of options on whether agents thought that rents would increase in the future.
- 3.54 Some but not all indicate that there would be prospects for further growth in the rental property sector. Whilst some agents (e.g. in the Ledbury area) believed that rents would increase as they believed there to be a strong demand for rental properties which would continue. Other agents were less optimistic believing that is a limit to how much rents would increase and others noting that this depends on other factors predominantly linked to the UKK economy.

3.55 Agents noted that there is some but a limited amount of demand from investors. These investors tend to be small investors buying 1 or 2 properties costing approximately £120,000-180,000 and averaged around £130,000.

Considering Future Housing Market Dynamics

3.56 In looking at what might happen in the future, the ability of the banks to lend is likely to be affected by both future regulation of the sector, investors' appetite for mortgage-backed securities and the wider economic outlook. These will be critical to the revival of the housing market.

3.57 We can identify a number of key drivers which influence 'effective demand' for homes for sale. These include:

- Access to mortgage finance / loan-to-value ratios – impacting on levels of first-time buyers, those re-mortgaging properties or existing owner occupiers moving home, and investment purchases;
- Interest rates & the cost of servicing debt – with lower house prices and historically low interest rates, housing is now relatively affordable for those with the savings or who can access capital;
- Trends in real household incomes – which have been squeezed by inflationary pressures over the past couple of years, but play an important role in helping households save up a deposit. The balance between inflation and wage growth is important here;
- Economic performance and outlook – which feeds into market confidence and trends in incomes. There is also a relationship between unemployment and repossessions/ housing need.

3.58 Current conditions and the short-term outlook are clearly very different to those in 2003-8. In the 2003-8 period, the economy was stable and growing, inflationary was lower, and mortgage finance was much more readily available. These factors supported effective demand for market housing.

3.59 Looking forward, the Council for Mortgage Lenders (CML) predictions for 2012 are for transactions levels to remain flat. CML predict that the Government's new-build indemnity scheme will have an 'incremental rather than transformative' impact on the overall market, albeit that it may support a gradual improvement in completions.

3.60 Knight Frank's medium-term forecasts for the housing market (Spring 2012) – based on their 'principal forecast' are for a slow correction with sales returning to near long-term averages by 2016. On this basis we would see a recovery in market conditions in the medium rather than short-term. The principal forecast indicates continuing demand and growth in the private rented sector, with growing first-time buyer numbers in the medium-term.

3.61 However there are evident upside and downside risks to the forecasts. The upside risks are that we might see a stronger and faster recovery, linked for instance to:

- Resolution of the Eurozone debt crisis and stable global financial conditions/ growth;
- Faster improvements to the availability of mortgage finance.

3.62 The downside risks are associated with:

- Rises in interest rates, especially if strong inflation re-emerges, which could hinder improvements in effective demand;
- The collapse of a Eurozone economy/ currency, which could have serious impacts on the global financial system and result in a further 'credit crunch' which could have a further downward impact on sales (to potentially an unprecedented level). It could also trigger a further economic recession.

3.63 The upside risks at the current time look more likely.

3.64 Knight Frank forecast the new-build market improving in the medium-term as housebuilders' balance sheets improve, with increased policy certainty provided by Local Plans and the NPPF. However this needs to be balanced against reductions in funding for affordable housing.

3.65 The RICS Housing Market Survey in June 2012 showed a worsening trend in price expectations and the agreed sales net balance, with 22% more surveyors recording price falls rather than rises. The survey also suggested that market activity also contracted following the spike in March associated with the expiry of the stamp duty exemptions. The survey reported a decline in both new buyer enquiries and vendor instructions. The trend in sales volumes was also down.

3.66 The RICS Survey forecast that the outlook for the next three months remains broadly unchanged, with sales expectations turning slightly more positive but price expectations negative. Overall over the next year sales volumes are expected to remain static. East Midlands surveyors expected prices to fall.

3.67 RICS' Economic Overview (July 2012) forecasts UK housing transactions of 890,000 in 2012 compared to 868,000 in 2011 – a moderate 2.5% improvement.

3.68 Jones Lang LaSalle's *Residential Eye*⁹ reiterates the impact which a lack of finance and economic conditions are having on the housing market. They highlight that although transactions levels over the past four years have been the lowest of record they show little signs of improving – and that this is having a notable effect on levels of housing development.

⁹ JLL (2012) *Residential Eye – Summer 2012*

3.69 JLL's housing market forecasts are for static prices across the UK in 2012, with London performing well but house price falls in the Midlands and South. House price growth is forecast from 2013 onwards, with real term (i.e. above inflation) growth from 2014. For the UK as a whole their forecasts are more optimistic than Savills.

Figure 3.9: JLL Price Growth Forecasts, Q2 2012

	2012	2013	2014	2015	2016
Midlands & North	-2%	1%	3%	5%	7%
UK	0%	3%	5%	6%	5%

3.70 Transactions are forecast to increase from 925,000 across the UK in 2012 by 12% over the period to 2016. In 2016 they would thus likely remain below long-term averages. Housing completions in England are forecast by JLL to increase by a slightly stronger 27% over this four year period to 140,000. This is similar to average completions between 1997-2003.

Figure 3.10: JLL Transactions Forecasts, Q2 2012

	2012	2013	2014	2015	2016
UK Transactions	925000	950000	975000	1050000	1125000
UK Mortgage Lending	625000	650000	680000	750000	825000
England Housing Completions	110000	115000	120000	125000	140000

3.71 In addition to looking at the sales market, it is relevant to explore trends in the rental market. The private rented sector has been the key growth sector in the housing market over the last decade.

3.72 Savills Residential Property Focus Q2 2012 provides forecasts for the rental sector, setting out that:

"We [Savills] estimate that £200 billion of investment is required in the next five years, if the demand for private renting is to be met. But banks remain much more constrained in their buy to let mortgage lending, and it's expected that only £50 billion of the required investment will take the form of buy to let loans. Attention is therefore increasingly focused on the attractions of the private rental market for institutional and investment funds, and to a lesser extent, those private investors with equity."

3.73 In increasing institutional investment, a key factor is the relative return on the investment compared with other income-producing asset classes. Historically the net yields have been

comparatively weak. However, as Savills set out, the market fundamentals have been changing.

- 3.74 Rental demand has clearly been outstripping supply in recent years fuelling growth in rents. Savills for instance indicate that rents across the UK rose by an average of 5.2% in 2011. Evidence from local letting agents in Herefordshire has pointed to rental growth across many parts of the County in recent years. Moving forward Savills forecast that this will continue: *“rental demand is expected to continue to outstrip supply in the coming five years, keeping rents under upward pressure.”* The picture from letting agents in Herefordshire is more mixed.
- 3.75 The attractiveness of housing for investment purposes in the short-to-medium term is thus primarily related to the rental return on the investment (yield) rather than the capital growth in the value of the asset. As the forecasts for house prices set out show, the prospects of rapid growth in house prices look relatively weak. According to Savills, the average gross income yield now stands at 5.8% nationally. The yield from large scale investors buying properties in bulk can be higher still (where properties can be bought at a discount). Once maintenance costs and void periods are considered, Savills data indicates a typical net yield for a private landlord of around 4.1% across the UK.
- 3.76 Growth in the size of the sector is forecast. It has increased almost 50% in the five years to 2011 from 3.4 to 4.8 million households across the UK. Savills forecast that it will increase further to 5.9 million in 2016.
- 3.77 Savills' view is that over the next few years, the rental sector will become increasingly attractive for corporate investors. Jones Lang LaSalle forecast growth in both buy-to-let investment and corporate investment in the sector.
- 3.78 JLL point to the prospect of the removal of legislative barriers to residential Real Estate Investment Trusts (REITs) through the 2012 Finance Bill, as well as other changes to the status and interest cover of REITs as supporting the potential expansion of institutional investment in the sector. However they conclude that *“there is still a huge leap to be made before residential investment by large landlords and institutional investors becomes anywhere near significant for either the private rented sector or housing supply in the UK. As a result, we do not believe that the Government can expect institutions to help boost housebuilding volumes in any meaningful way unless radical new policies are put in place.”*
- 3.79 In our view, institutional investment in the Private Rented Sector is currently embryonic and in the short-term is likely to focus on core cities with sizeable and established rental sectors. It is thus less likely to influence Herefordshire relative to some other parts of the UK in the short-term until this market is more mature.

3.80 Drawing together these various forecasts, we can identify a number of scenarios for the housing market. These are summarised in Figure 3.11 below:

Figure 3.11: Scenarios for UK Housing Market

<p>Scenario 1: Slow correction to 2016</p> <ul style="list-style-type: none"> • Gradual improvement in sales & first-time buyers • Improving economic performance & price inflation from 2013 • Moderate interest rate increases in medium-term • Housebuilding returns to long-term trend over 4 years 	<p>Scenario 2: Rapid Improvements in Market Demand</p> <ul style="list-style-type: none"> • Eurozone crisis resolved quicker than expected; global growth • Wage growth and lower inflation support increasing household incomes • Improved availability of mortgage finance supports stronger housing market recovery
<p>Scenario 3: Eurozone Default</p> <ul style="list-style-type: none"> • Further credit crunch – leading to further reduction in sales & sharp price falls • Further rental growth in private rented sector ... feeding through to increasing housing need • Economic recession with high unemployment • Lending restrictions impact on new-build market 	<p>Scenario 4: Economic Resilience & Growth</p> <ul style="list-style-type: none"> • Improved macro-economic outlook and the local economy performs more strongly than other areas • Moderate employment growth supports reductions in unemployment and worklessness and continues to attract people to the area • Employment growth in key higher value-added sectors supports growth in household incomes

3.81 We consider that it is prudent for strategic planning purposes to take a generally more optimistic outlook, as should some of the downside factors come to fruition these will impact on housing delivery (e.g. it will take longer for a portfolio of allocated sites to be built out than anticipated). On the other hand, if planning is based on a more pessimistic scenario and some of the upside factors come to play this could have negative social and economic consequences (resulting from lack of supply of homes/ land which could for instance contribute to growth in house prices, wages etc.). This would favour Options 2 or 4.

3.82 In housing policy terms, the more pessimistic scenarios could have notable implications for both affordable housing delivery and for housing need.

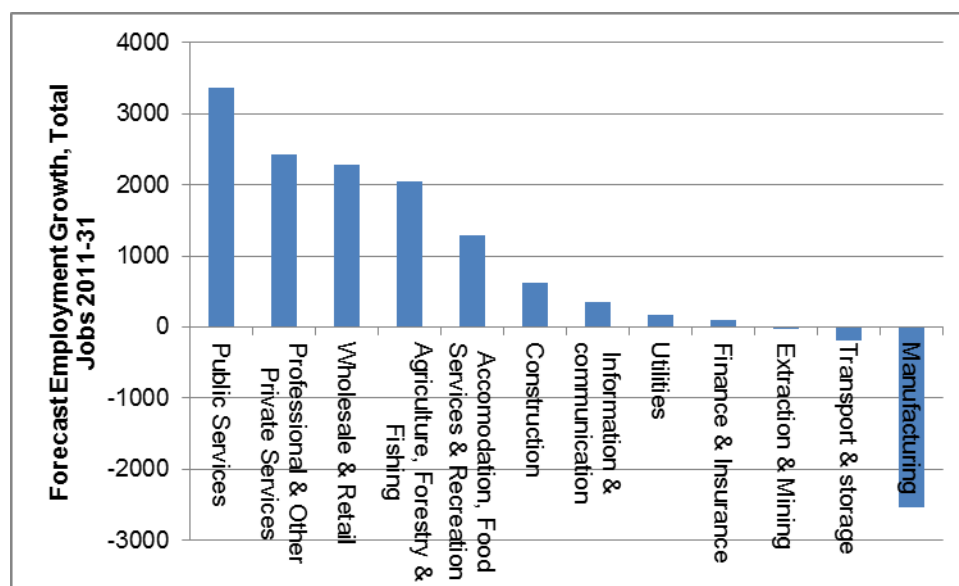
Potential Implications of Economic Growth of Demand for Homes

3.83 GL Hearn has also sought to consider the potential implications of economic growth in different parts of the County on demand for homes.

3.84 Experian econometric forecasts from November 2012 indicate growth in total employment across the County of 9,900 jobs between 2011-31. This represents employment growth of 0.6% per annum (compared to 0.5% annual growth forecast across the West Midlands). However it is focused more towards lower value sectors with forecast annual growth in economic output (GVA) of 1.6% per annum forecast on average over the 2011-31 period relative to 1.8% forecast for the region.

3.85 Figure 3.11 shows employment forecast by sector across the County. Taking account of these forecasts and the proportion of employment by sector in individual HMAs,

Figure 3.11: Forecast Employment Growth in Herefordshire by Broad Sector, 2011-31



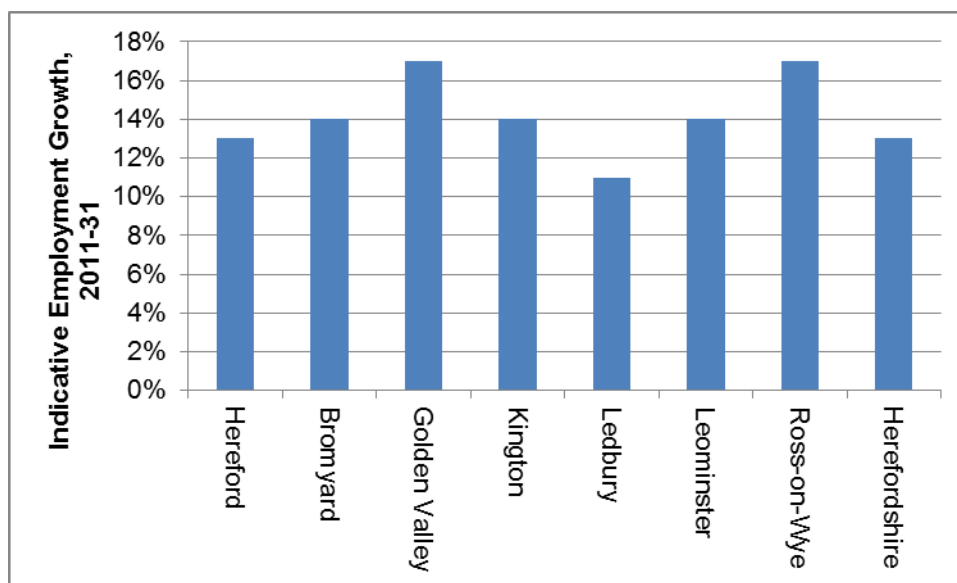
Source: Experian (Nov 2012 Forecasts)/ GL Hearn

3.86 GL Hearn has sought to use the Experian forecasts to estimate potential employment growth and the occupational profile of this for each of the seven local housing markets. These estimates are based on the proportion of employment in different economic sectors in each of

the local HMAs in 2010¹⁰. The indicative forecast of employment growth in each local housing market between 2011-31 is shown in Figure 3.12 below.

¹⁰ This draws on data published by Herefordshire Council's Research Team from the Business Register and Employment Survey 2010

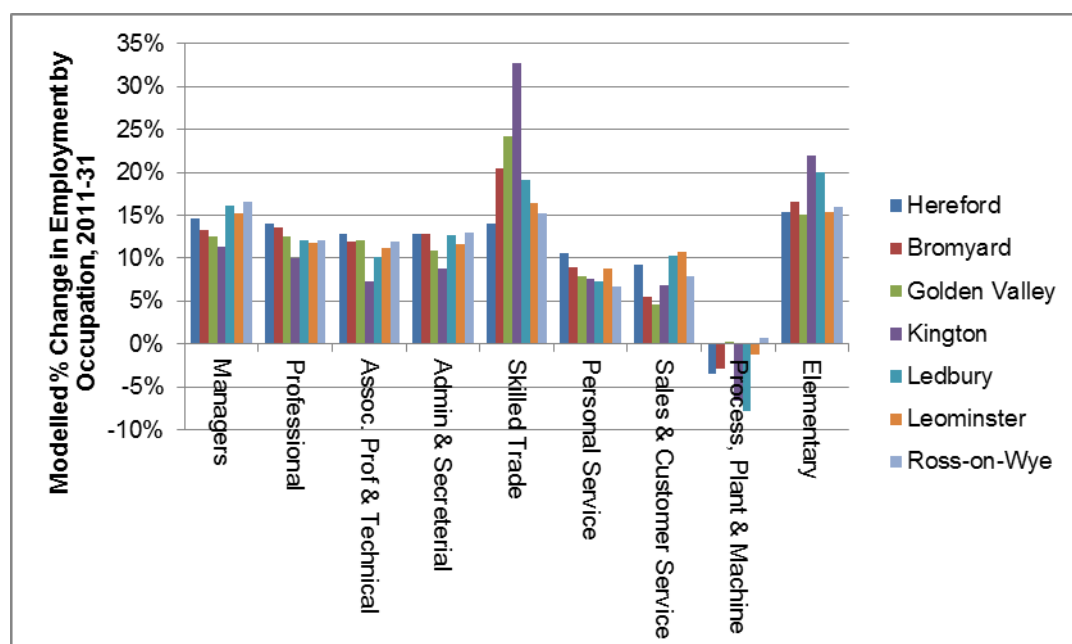
Figure 3.12: Indicative Forecast of Employment Growth by Local HMA, 2011-31



Source: Experian (Nov 2012 Forecasts)/ GL Hearn

- 3.87 These should be regarded as indicative estimates not least as there are a range of factors, including decisions of individual businesses, which can affect employment trends at a very local level. Employment growth can also be influenced by employment land supply.
- 3.88 Taking account of the economic structure in each of the local housing markets and projected growth in employment by sector, GL Hearn has modelled

Figure 3.13: Modelled Change in Employment by Occupation by Local HMA, 2011-31



Source: GL Hearn

3.89 This analysis particularly indicates that of changes in the profile of jobs by area:

- Employment growth overall is expected to be slightly more focused towards higher-paid occupations in the Golden Valley, Kington and Bromyard HMAs,
- Employment growth in the Kington HMA is more likely to be skewed towards skilled trades and elementary occupations;
- Across the county, relatively strong growth in elementary and skilled trade occupations is forecast.

Demand for Accommodation by Gypsies, Travellers and Showpeople

3.90 A Gypsy & Travellers Accommodation Assessment (GTAA) was undertaken by the Centre for Urban and Regional Studies (CURS) at University of Birmingham, published in 2008. This includes a survey and needs assessment covering Herefordshire.

3.91 The GTAA identifies a requirement for 83 additional pitches between 2007-12 and for 26 additional pitches between 2012-17. It recommends that a range of tenure options and site

sizes are provided, with pitches provided in locations with good access to schools and services to support social inclusion although the assessment was not site specific.

Other Vulnerable Groups

- 3.92 Herefordshire Council provides a range of services to provide support and suitable housing for a range of vulnerable groups. These include people with physical and learning disabilities, and mental health problems, as well as older residents.
- 3.93 The Council provides a Home Improvement Agency service to support independent living for vulnerable households, as well as providing a range of grants and a handypersons service.
- 3.94 The Council's Local Investment Plan, developed in conjunction with the Homes and Communities Agency, sets out priorities for investment (as summarised in Section 2). These include priorities for provision of additional general needs accommodation for single people and families with mental health issues; and for delivery of additional extra care and shared supported accommodation, as well as ground floor and adapted properties for people with learning disabilities.

Older Persons

- 3.95 The Council has undertaken specific research to consider the accommodation and support needs of its growing population of older persons. This was summarised in Section 2. In addition we have used our population projections to study likely change in the number of people who are expected to have a range of disabilities in the future – these figures are provided in the specific sections for each HMA.

BME Households

- 3.96 One additional group we can briefly study are Black and Minority Ethnic (BME) households. The population form a BME group across the County is relatively small and so data is not specifically provided in the individual HMA sections. Below we have therefore provided a few key statistics drawing on Census and Housing Register data.
- 3.97 From 2011 Census data we find that around 6% of the population of Herefordshire came from a non-White (British/Irish) background. This figure is significantly lower than found either regionally or nationally. The key BME group in Herefordshire is Other-White (which is likely to contain a number of Eastern European migrants) – the proportion in this group (at 3.9%) is higher than the equivalent figure for the West Midlands.

Figure 3.14: Black and Minority Ethnic Population (2011)

Ethnic Group	Herefordshire	West Midlands	England
White: British	93.7%	79.2%	79.8%
White: Irish	0.4%	1.0%	1.0%
White: Gypsy or Irish Traveller	0.2%	0.1%	0.1%
White: Other White	3.9%	2.5%	4.6%
Mixed: White and Black Caribbean	0.2%	1.2%	0.8%
Mixed: White and Black African	0.1%	0.2%	0.3%
Mixed: White and Asian	0.2%	0.6%	0.6%
Mixed: Other Mixed	0.2%	0.4%	0.5%
Asian: Indian	0.3%	3.9%	2.6%
Asian: Pakistani	0.0%	4.1%	2.1%
Asian: Bangladeshi	0.0%	0.9%	0.8%
Asian: Chinese	0.2%	0.6%	0.7%
Asian: Other Asian	0.3%	1.3%	1.5%
Black: African	0.1%	1.1%	1.8%
Black: Caribbean	0.1%	1.5%	1.1%
Black: Other Black	0.0%	0.6%	0.5%
Other ethnic group: Arab	0.1%	0.3%	0.4%
Any other ethnic group	0.1%	0.6%	0.6%
Total	100.0%	100.0%	100.0%
Total population	5.9%	19.9%	19.3%
% non-White (British/Irish)	93.7%	79.2%	79.8%

Source: ONS (2011 Census)

3.98 Since 2001 the BME population in the County can be seen to have increased significantly as can be seen in the table below. We have condensed some categories together due to a slightly different list of potential groups being used in the 2011 Census when compared with 2001 data. The data shows that whilst the overall population of Herefordshire has risen by 8,606 over the 10-year period the increase in BME groups (all groups other than White (British/Irish)) has been 7,327 (85% of the total increase).

3.99 Looking at particular BME groups we see that the largest rise in terms of population has been for White-Other people – increasing by 5,595 over the ten years which is nearly a tripling of the number of people in this category.

Figure 3.14: Change in BME groups 2001 to 2011 (Herefordshire County)

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	171,352	172,631	1,279	0.7%
White - Other	1,943	7,538	5,595	288.0%
Mixed	695	1,270	575	82.7%
Asian or Asian British	335	1,162	827	246.9%
Black or Black British	170	331	161	94.7%
Chinese and other	376	545	169	44.9%
Total	174,871	183,477	8,606	4.9%

Source: Census 2001 and 2011

- 3.100 The data presented above provides some indication of the size of the BME population and how this has changed over time. At present we do not have much additional up-to-date information about BME groups in the County (this will become available with future releases of Census data). One data source we have which is more up-to-date is the Housing Register.
- 3.101 At the time of carrying out the housing needs modelling there were 4,664 households on the register. Not all of these households have provided information about their ethnic group and in total ethnic group data is available for 4,543 households (97% of those registered). The data shows that of those for whom we have information some 91.8% are White (British/Irish). This would suggest that BME households are slightly more likely to be registered for housing than White (British/Irish) households although to some degree this will depend on household rather than population numbers (which may be lower for BME groups due to larger household sizes).
- 3.102 The data for individual BME groups is also interesting with White: Other and Black households looking to be over-represented on the Register and Mixed and Asian households tending to show very low levels of registration. At the time of the assessment there were only 16 Asian households on the Housing Register compared to 22 Black households despite the fact that the Asian population is more than three times the size of the Black population. Further analysis of the Housing Register reveals that the vast majority (73%) of BME households on the register live in the Hereford HMA

Figure 3.15: Housing Register by Ethnic Group

BME group	On Register		Total population	
	Total	%	Total	%
White: British/Irish	4,171	91.8%	172,631	94.1%
White: Other	281	6.2%	7,538	4.1%
Mixed	6	0.1%	1,270	0.7%
Asian	16	0.4%	1,162	0.6%
Black	22	0.5%	331	0.2%
Chinese and other	47	1.0%	545	0.3%
Total	4,543	100.0%	183,477	100.0%

Source: Housing Register and 2011 Census

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4 DEFINING LOCAL HOUSING MARKETS

4.1 Herefordshire forms part of a 'West' sub-regional housing market within the West Midlands region which covers Shropshire, Telford & Wrekin and Herefordshire¹¹. The sub-regional housing market was defined (to inform development of the Regional Housing Strategy) principally on the basis of price similarities (based on areas in which a similar home in a similar neighbourhood would command a similar price), together with consideration of travel to work patterns and wider socio-economic characteristics. The key characteristics of the housing market were identified as:¹²

- Relatively high house prices and pressure for second homes;
- Highly complex and frequently long-distance travel to work patterns;
- Limited strength of the functional/ labour market relationship with the Black Country conurbation.

4.2 The housing market has an older population structure and low BME population, a high proportion of detached (and semi-detached) housing. It has a high level of economic participation, with higher levels of self-employment and part-time working. The occupational structure shows high levels of professional and skilled trade occupations. Many of these characteristics are common to largely rural sub-regions which are more peripheral to major employment centres.

4.3 A Strategic Housing Market Assessment for the West HMA was undertaken by Outside Consultants and published in 2008. This sought to define local housing markets in Herefordshire and Shropshire, taking account of commonalities in key indicators such as tenure and house type profile, incomes and affordability, and house prices; as well as geographical proximity. The consultants overlaid a number of these indicators and tested initial conclusions with stakeholders. Alongside this work, Herefordshire Council have analysed travel to work patterns in the County. Bringing this work together, seven local housing markets in Herefordshire have been defined, which are:

- Hereford HMA
- Ross-on-Wye HMA
- Ledbury HMA
- Golden Valley HMA
- Bromyard HMA

¹¹ University of Sheffield (2005) Defining Housing Market Areas in the West Midlands

¹² University of Sheffield (2005) West HMA Sub-Regional Report

- Leominster HMA
- Kington HMA

4.4 The defined HMAs covering the County are broadly focused on Hereford and the market towns, except for the Golden Valley HMA which is predominantly rural.

4.5 The approach used takes account of house prices and rates of change in house prices; patterns of household movement (migration), and wider contextual data including travel to work patterns which demonstrate the functional relationships between where people live and work in accordance with Government Guidance¹³.

4.6 Whilst much of the analysis in the report focuses on the seven housing market areas it is also recognised in most of the HMAs that there is a distinction to be drawn between rural and urban parts of the area. We have therefore also sought to provide information about rural areas as compared with urban – rural areas are defined as the rural parts of each HMA with urban areas being the five market towns plus Hereford. Figure 4.1 below shows the make-up of each HMA and the parts considered for analysis to be urban/rural – the analysis has been based on wards and groups of wards.

Figure 4.1: Herefordshire Housing Market Areas

HMA	Urban/rural	Wards
Hereford	Urban	Aylestone, Belmont, Central, St Martins & Hinton, St Nicholas, Three Elms, Tupsley
	Rural	Burghill, Holmer & Lyde, Credenhill, Hagley, Hollington, Sutton Walls, Stoney Street, Backbury, Wormsley Ridge
Leominster	Urban	Leominster North, Leominster South
	Rural	Bircher, Upton, Golden Cross with Weobley, Mortimer
Ross-on-Wye	Urban	Ross-on-Wye West, Ross-on-Wye East
	Rural	Penyard, Llangarron, Kerne Bridge, Old Gore, Pontrilas, Valletts
Ledbury	Urban	Ledbury
	Rural	Hope End, Frome
Bromyard	Urban	Bromyard
	Rural	Bringsty, Hampton Court
Kington	Urban	Kington Town
	Rural	Castle, Pembridge & Lyonshall with Titley
Golden Valley	Rural	Golden Valley North, Golden Valley South

¹³ CLG (2008) *Identifying Sub-Regional Housing Markets – Advice Note*

- 4.7 The remainder of this report seeks to profile housing market conditions and drivers in each of these housing markets to inform policies regarding future housing provision and investment.

5 APPROACH TO ANALYSING THE HOUSING MARKET

5.1 In advance of presenting the detailed analysis for the seven individual housing markets, this section first outlines the overall methodology adopted, as this is consistent across each of the HMAs.

5.2 The Section dealing with each HMA addresses the following:

- **Geography** – outlining the size and location of the HMA, the settlement structure and access to services;
- **Current Housing Offer** – profiling the current housing offer, considering the number of properties, tenure profile, house type composition, levels of vacant and second homes;
- **Socio-Economic Characteristics** – addressing levels of employment and the economic structure, as well as concentration of income-deprived households;
- **Housing Need** – addressing both the affordability of market housing, and providing a housing need analysis to identify the shortfall of affordable housing within the HMA. The section also compares the profiles of household incomes and house prices to consider relative requirements for social rented and intermediate housing;
- **Housing Market Performance** – provides a profile of house prices and rents, and draws out conclusions from consultation with local estate and letting agents to identify key housing market dynamics;
- **Potential Population and Economic Growth** – outlines proposed development in the HMA and provides an assessment of potential changes in the occupational structure arising from projected economic performance;
- **Future Housing Requirements** – uses the Housing Market Model to numbers of homes of different sizes and profile of houses vs. flats required in each HMA, and within the main towns and rural areas within this. This analysis is provided separately for the market and affordable sectors based on the proposed tenure mix set out in the draft Core Strategy;
- **Vulnerable Groups** – summarises wider research addressing the needs of vulnerable groups;
- **Delivery Considerations** – concludes with key points relating to the delivery of housing within the HMA where appropriate.

5.3 This analysis was originally presented in the 2011 LHMA. This 2012 Update to the report has updated key elements of analysis where new data is available, specifically addressing:

- **Housing Market Performance** – updated and more detailed analysis of house price and sales trends including analysis of the distribution of sales, and house prices by type. GLH

has also provide an updated commentary of national market conditions and undertaken further selected discussions with estate and letting agents active in Hereford and the Market Towns;

- **Housing Need** – an updated analysis of affordable housing need has been undertaken, based on revised data from the HomePoint Housing Register, new demographic projections and an updated survey of housing costs in each of the 7 local housing market areas;
- **Future Housing Requirements** – updated modelling of housing mix taking account of data from the 2011 Census regarding population and headship and proposed housing requirements and the distribution of this to different parts of the County as set out in the 2011 Revised Core Strategy Preferred Options.

5.4 Analysis of the current housing and socio-economic characteristics at a local level remains largely unchanged to that in the 2011 LHMA Report. It makes limited sense to update this analysis in advance of the release of 2011 Census data.

Housing Need

5.5 Our analysis of housing need draws on a number of different sources of information, in particular analysis of the HomePoint Housing Register and demographic projections of newly forming households. All information used from this source is current as of October 2012.

5.6 As part of our analysis of Housing Register undertaken information in developing the original 2011 LHMA Report, we also took the opportunity to discuss this data with HomePoint. A number of potential issues were highlighted which are briefly worth discussing prior to our analysis of this source.

5.7 Firstly it was noted that households are registered in terms of bedroom eligibility on the basis of the bedroom standard whereby a standard number of bedrooms is allocated to each household in accordance with the age, sex and marital status of its members and their relationships to one another. Whilst this is perfectly reasonable, it was felt that with additional flexibility that the supply of family housing could be increased. For example a single older person household living in a three bedroom home would only be offered a one bedroom home (on the basis of need) and such households will often not bid for properties of this size.

5.8 The second point was relating to allocations, where it was noted that some local Registered Providers (RPs) have slightly different policies relating to bedroom eligibility. For example for larger families, one RP might consider a three bedroom property to be appropriate, whilst

another might suggest four bedrooms. This can cause some difficulty for particular households in understanding which properties it is appropriate for them to bid for.

5.9 The Housing Needs Analysis adopts the following key definitions relating to housing need, affordability and affordable housing:

- **Housing Need:** Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing and who cannot afford to meet their housing needs in the market. In this assessment we have based this measure on information from the Council's Housing Register.
- **Newly-Arising Need:** Newly arising (or future) need is a measure of the number of households who are expected to have an affordable housing need at some point in the future (measured annually). In this assessment we have used trend data from the Housing Register and also demographic projections about the number of new households forming (along with affordability) to estimate future needs.
- **Affordable Housing Supply:** An estimate of the likely future supply of affordable housing is also made (drawing on secondary data sources about past lettings of existing stock). The future supply of affordable housing is subtracted from the future need to make an assessment of the net future need for affordable housing.
- **Affordability:** Affordability is assessed using income data along with the cost of suitable market housing (to either buy or rent). Separate tests are applied for home ownership and private renting and are summarised below (both tests are fully in line with the advice given in the Practice Guidance¹⁴):
 - Assessing whether a household can afford home ownership - a household is considered able to afford to buy a home if it costs 3.5 times the gross household income.
 - Assessing whether a household can afford market renting - a household is considered able to afford market rented housing in cases where the rent payable would constitute no more than 25% of gross income.
- **Affordable Housing:** The NPPF¹⁵ defines affordable housing as including "social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market. Affordable housing should:
 - Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices;

¹⁴ CLG (2007) *Strategic Housing Market Assessments, Practice Guidance Version 2*

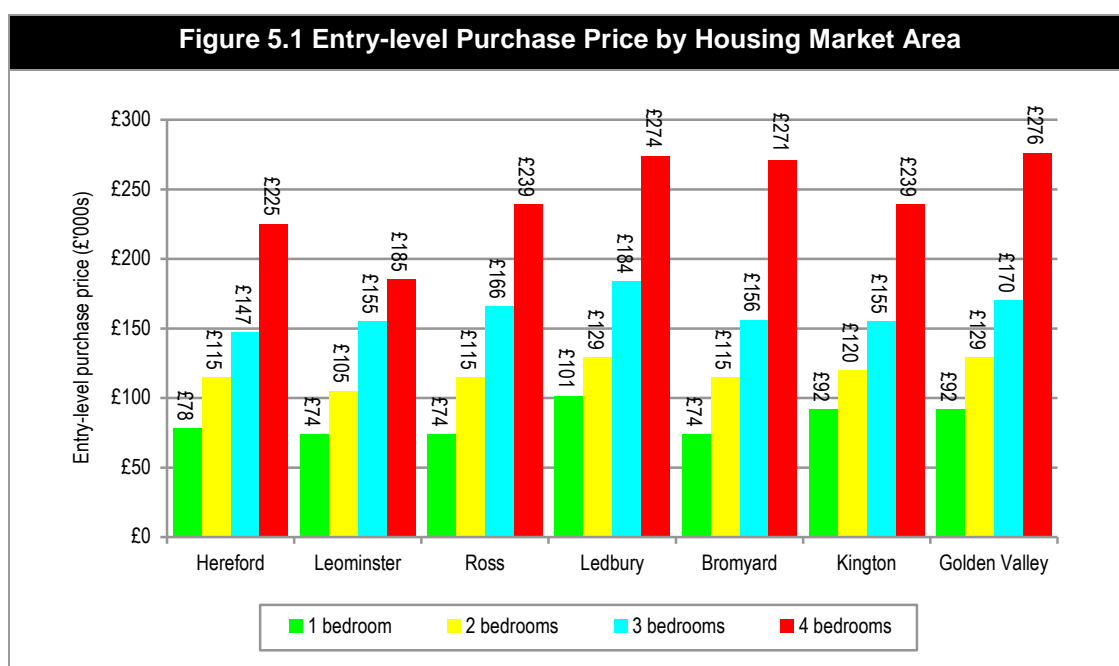
¹⁵ CLG (March 2012) *National Planning Policy Framework*

- Include provision for the home to remain at an affordable price for future eligible households or, if these restrictions are lifted, for the subsidy to be recycled for alternative affordable housing provision.
 - Within the definition of affordable housing there is also the distinction between social rented, affordable rented and intermediate housing (as set out below).
 - **Social Rented Housing** is defined in the NPPF as 'rented housing owned and managed by local authorities and registered social landlords, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under equivalent rental agreements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.
 - **Affordable Rented Housing** is defined in the NPPF as 'rented housing let by registered providers of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime, but is subject to other rent controls that require a rent or more than 80% of the local market rent.
 - **Intermediate Affordable Housing** is defined as 'housing at prices and rents above those of social rent, but below market price or rents. These can include shared equity products (e.g. HomeBuy), other low cost homes for sale and intermediate rent but does not include affordable rented housing'. It should be noted that at present the Council do not support shared equity as part of an affordable housing contribution.
- 5.10 The analysis undertaken herein is intended to provide a picture of housing needs for the seven housing market areas and Herefordshire as a whole. Herefordshire Council separately undertakes Housing Needs Surveys for specific parishes at a more local level. These are available on the Council's website¹⁶.
- 5.11 It should also be noted that the definition of affordability provided above (for purchase) is broadly consistent with the methodology employed by the Council to study the costs at which Low Cost Market Housing should be made available. The Council regularly monitors house prices (from Land Registry) and income levels (from ASHE) and works under the assumption that the price of a home should not exceed 3.5 times the average income for a single earner household and 2.9 times for dual earners (an assumption of between 10% and 20% deposit is also included in the Council's calculations). The Council's latest figures are contained within the technical guidance supporting the planning obligations SPD and cover the period from April 2012 to March 2013.

¹⁶ <http://www.herefordshire.gov.uk/>

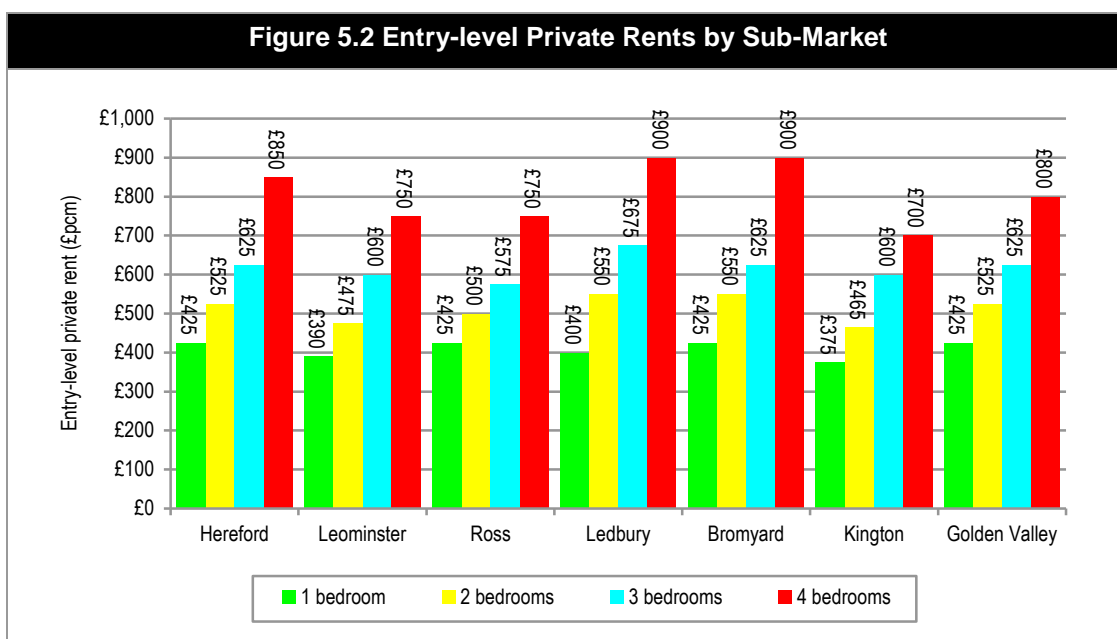
Local Price/Rent Survey

- 5.12 The first part of our assessment of housing need is to establish the entry-level costs of housing to both buy and rent in each Housing Market Area.
- 5.13 Our approach has been to carry out a desktop survey using internet sources (mainly Rightmove and Primelocation). For each area we looked at prices and rents for different sizes of property from one to four bedrooms within a five mile radius of the main town in each HMA. In some cases even the five mile radius was not sufficient for a reasonable sample of properties to be found and so the radius was extended until sufficient data was available. Extending the search radius was mainly required for smaller (one bedroom) homes and also four bedroom homes for rent. The survey was undertaken in Autumn 2012.
- 5.14 Figure 5.1 below shows estimated lower quartile property prices obtained from this search. The prices have been reduced slightly (on average by about 8%) to take account of the difference between asking prices and prices paid (based on regional data from Hometrack).
- 5.15 The data shows in most areas that prices start for a one bedroom home from about £75,000 to £90,000 with two-bedroom homes (likely to be the main focus for first-time buyers due to low supply of one bedroom homes) ranging from about £105,000 to £130,000. Larger (three and four bedroom) homes tended to show a wider range between different areas. Overall, the lowest prices were shown to be in Leominster with Ledbury typically recording the highest prices.



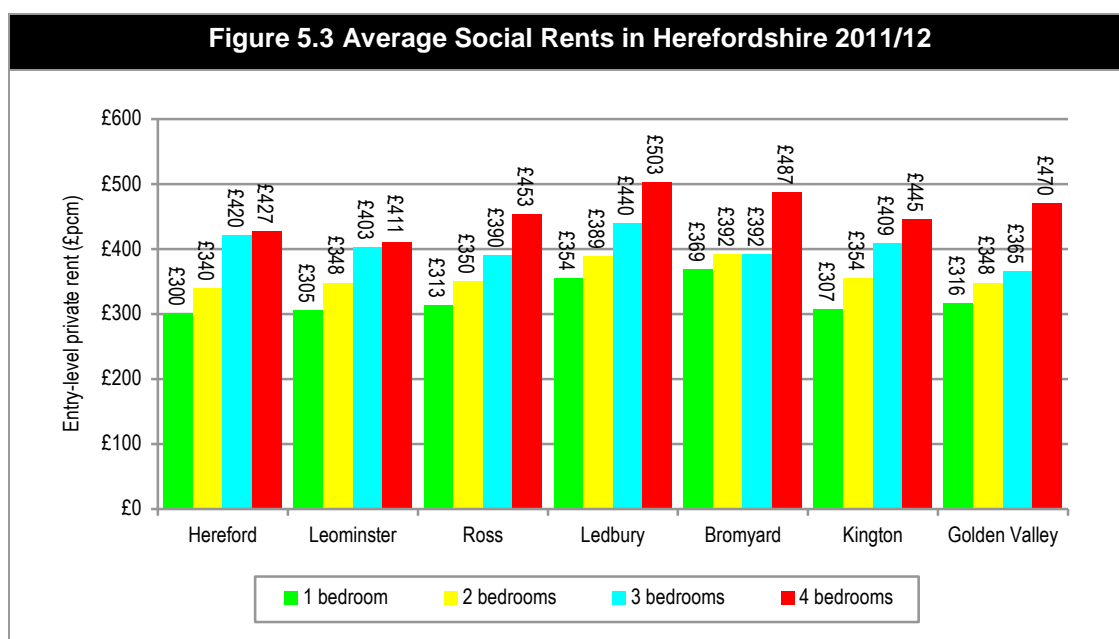
Source: Online Estate and Letting Agents Survey (October 2012)

- 5.16 The entry-level cost for private rented accommodation is presented in Figure 5.2 below. The figure indicates that entry-level rents range from about £400 per month for a one bedroom home up to around £900 per month (depending on location) for a four bedroom property. Overall, the variations in rents across the County are not as great as for house prices.



Source: Online Estate and Letting Agents Survey (October 2012)

- 5.17 The final type (tenure) of housing analysed as part of our market survey is social rented housing. To get information about housing costs in the social rented sector we have drawn on data provided through the HomePoint Housing Register about properties that have been let in the recent past.
- 5.18 Figure 5.3 below shows figures for 2011/12 for each of the different sizes of home (and in each sub-market). As can be seen the costs are significantly below those for private rented housing indicating a significant potential gap between the social rented and market sectors. The figures presented are for lettings made to new tenants and not overall rent levels in the social rented sector (i.e. they do not include rents paid by tenants who did not move home).



Source: HomePoint – October 2012

Gaps in the Housing Market

- 5.19 Figure 5.4 below estimates how current prices and rents in each of the seven Housing Market Areas might equate to income levels required to afford such housing. The figures are all based on a two bedroom home and clearly indicate a gap between the costs of ‘entry-level’ market housing and the social rented sector – demonstrating the potential for intermediate housing to meet some of the affordable need.

Figure 5.4 Indicative income required to buy/rent (2 bedroom)

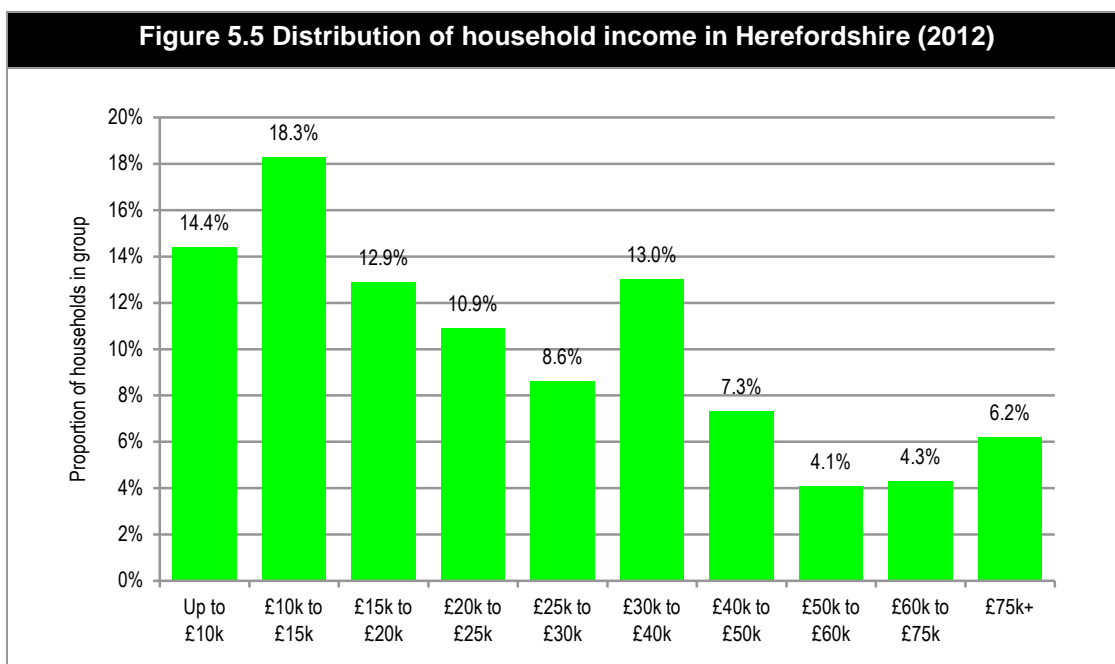
Location	Entry-level purchase price	Entry-level private rent	Affordable Rent (@80% of market)	Average Social Rent
Hereford	£32,860	£25,200	£20,160	£16,320
Leominster	£30,000	£22,800	£18,240	£16,700
Ross	£32,860	£24,000	£19,200	£16,800
Ledbury	£36,860	£26,400	£21,120	£18,670
Bromyard	£32,860	£26,400	£21,120	£18,820
Kington	£34,290	£22,320	£17,860	£16,990
Golden Valley	£36,860	£25,200	£20,160	£16,700

Source: Online Estate and Letting Agents Survey (October 2012) and HomePoint (October 2012)¹⁷

¹⁷ Calculations based on 3.5x household income for purchase and 25% of income to be spent on housing for rented properties. Figures for purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

Income levels

- 5.20 Following on from our assessment of local prices and rents it is important to understand local income levels as these (along with the price/rent data) will determine the affordability of housing and also provide an indication of the potential for intermediate housing to meet needs.
- 5.21 To assess affordability, a profile of incomes has been developed based on modelling a range of sources including the English Housing Survey (EHS), the Annual Survey of Hours and Earning (ASHE), CACI Paycheck information and ONS income estimates. The data has been modelled to provide an estimate of gross household incomes (before tax) including all benefits other than those used to meet housing costs (e.g. housing benefit/local housing allowance).
- 5.22 Figure 5.5 below shows the distribution of income for the whole of Herefordshire. The data shows that around a third of households have an income up to £15,000 and 15% more than £50,000. The overall average (mean) income of all households in the County was estimated to be £29,015 with a median figure of £22,002.
- 5.23 It should be noted that the income data used in this report is for all households and includes income from non-earned sources (i.e. the modelling is attempting to capture all household groups including those who are retired or unemployed as well as households with multiple earners). Herefordshire Council also publish income data based on individual's earnings (which will only include those in employment), the latest data for which from the Annual Survey of Hours and Earnings estimates an average (median) full time income in the County of about £20,600 in 2012.



Source: JGC Income Modelling (2012)

- 5.24 Our approach to assessing local incomes differs from that in the original LHMA report. Previous work used data provided by Experian and on reviewing this for the update it was considered that the income distribution suggested by Experian was not realistic (with too much bunching of ‘mid’ income households with relatively few households assessed as having incomes at the top and bottom end of the scale. This change does not appear to have had a significant impact on assessed levels of housing need although some more detailed output have been affected by this change (these are noted where relevant).
- 5.25 Figure 5.6 shows how the distribution of income varies for each of the seven Housing Market Areas (along with figures for the mean and median income). The data shows that the lowest incomes were expected to be found in Leominster, closely followed by Bromyard. The area with the highest average income was Ledbury – the mean in this area was estimated to be around 13% higher than in the Leominster HMA.

Figure 5.6 Income levels by Housing Market Area

Income band	Hereford	Leominster	Ross	Ledbury	Bromyard	Kington	Golden Valley	County
Up to £10k	14.6%	18.3%	12.1%	11.4%	13.3%	18.9%	13.1%	14.4%
£10k to £15k	18.9%	16.9%	18.8%	17.7%	17.1%	17.5%	18.6%	18.3%
£15k to £20k	13.0%	13.5%	12.1%	12.8%	13.6%	13.1%	13.1%	12.9%
£20k to £25k	10.3%	11.1%	12.2%	10.9%	11.3%	10.7%	11.5%	10.9%
£25k to £30k	9.2%	8.2%	8.0%	8.0%	8.3%	8.5%	8.5%	8.6%
£30k to £40k	12.6%	12.8%	13.5%	13.9%	13.2%	12.4%	12.8%	13.0%
£40k to £50k	7.1%	6.2%	7.9%	8.4%	7.9%	6.2%	7.5%	7.3%
£50k to £60k	4.2%	3.7%	4.2%	4.6%	4.2%	3.7%	4.3%	4.1%
£60k to £75k	4.2%	4.1%	4.5%	4.5%	4.4%	4.1%	4.1%	4.3%
£75k+	5.9%	5.0%	6.9%	7.8%	6.7%	4.8%	6.5%	6.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Estimated households	34,779	10,375	13,007	8,463	5,091	4,095	2,570	78,380
Mean	£28,560	£27,172	£30,240	£31,750	£29,855	£26,801	£29,261	£29,015
Median	£21,653	£20,629	£22,947	£24,048	£22,533	£20,352	£22,252	£22,002

Source: JGC Income Modelling (2012)

Price:Income Ratios and Affordability of Market Housing

- 5.26 By combining the income data above and our estimates of property prices it is possible to construct price:income ratios and also look at the proportion of current households who are unable to afford market housing.
- 5.27 Figure 5.7 shows the lower quartile property prices (for a two bedroom home) along with the lower quartile income (calculated from the above distributions) and uses this data to calculate a price:income ratio. Whilst this measure does not imply anything directly about levels of housing need it does provide a good measure of relative affordability levels in different parts of the area and is also a measure that can fairly easily be monitored in future (as recommended in the CLG's Strategic Housing Market Assessment Guidance).
- 5.28 The table shows that the price:income ratio varies from 8.65 in the Ledbury HMA to 10.23 in the Leominster HMA. The differences between areas are largely driven by different income levels.

**Figure 5.7 Price:Income Ratios by Housing Market Area
(prices based on 2 bedroom home)**

Location	Entry-level purchase price	Lower quartile income	Price:income ratio
Hereford	£115,000	£12,498	9.20
Bromyard	£105,000	£11,939	8.79
Ledbury	£115,000	£13,293	8.65
Ross	£129,000	£13,907	9.28
Kington	£115,000	£13,162	8.74
Leominster	£120,000	£11,728	10.23
Golden Valley	£129,000	£12,871	10.02

Source: Online Estate and Letting Agents Survey (October 2012), Income Modelling (2012)
Calculations based on 3.5x household income for purchase and 25% of income to be spent on housing for rented properties. Figures for purchase are based on a 100% mortgage for the purposes of comparing the different types of housing.

- 5.29 Following on from this measure we have used the data to make an estimate of the number of households able to afford market housing. Again, this measure does not in itself provide and direct indication of levels of housing need but will provide an indication of in which areas households may be more or less likely to be able to access market housing, without some form of subsidy (e.g. Local Housing Allowance).
- 5.30 To assess affordability we have used the likely income required to access a two-bedroom private rented property. Given the supply of homes we believe that a two-bed home can be considered as the entry-level size in all Housing Market Areas. Private rent costs are used as in income terms a lower income will be required when compared with buying a home. The distribution of income in each HMA are then used to estimate the likely proportion unable to afford that housing cost. The table below shows the income estimated to be required to afford market housing, the number of households unable to afford and the proportion of total households.
- 5.31 Figure 5.8 shows that across the County it is estimated that around 56% of households are unable to access market housing (i.e. private rental without benefits) on the basis of income levels. The area with the lowest proportion unable to afford is Ross (at 53%) with the highest figures being estimated in the Hereford HMA at 58%.

Figure 5.8 Estimated Proportion of Households Unable to afford Market Housing (2-bed Property) without Subsidy

HMA	Income required to access market	Households unable to afford market housing	Estimated total households (2012)	% of households unable to afford
Hereford	£25,200	20,354	35,187	57.8%
Leominster	£22,800	5,994	10,523	57.0%
Ross	£24,000	7,006	13,107	53.4%
Ledbury	£26,400	4,654	8,529	54.6%
Bromyard	£26,400	2,931	5,134	57.1%
Kington	£22,320	2,247	4,120	54.5%
Golden Valley	£25,200	1,455	2,585	56.3%
Total	-	44,641	79,185	56.4%

Source: Online Estate and Letting Agents Survey (October 2012) and Income Modelling (2012)

Housing Needs Methodology

5.32 The figures presented in this report for affordable housing needs have been based on secondary data sources including analysis of the HomePoint Housing Register. The housing needs modelling undertaken provides an assessment of housing need for a five year period (which is then annualised) with longer term estimates of likely requirements being provided through our Housing Market model (which looks at the impact of demographic change on requirements in both the affordable and market sectors). Each of the stages of the housing needs model calculation are discussed below.

Current Housing Need (Backlog)

5.33 The backlog of housing need (for affordable housing) has been based on the number of households registered on the Housing Register – at the time of the assessment there were 4,664 households registered for housing with HomePoint. This figure does not however represent our estimate of backlog need.

5.34 The Housing Register includes an assessment of the level of priority for housing of each household; this is split into four bands: Gold (with priority), Gold, Silver and Bronze. The first three of these bands are considered to be households with a genuine need and have been assessed in line with the CLGs 'reasonable preference categories' to determine housing need. The reasonable preferences categories are in-turn similar to the categories used in CLGs Strategic Housing Market Assessment guidance. The table below shows the number of households in each band along with the relevant HMA.

5.35 The HMA in which a household is placed has been based on postcode information regarding their correspondence address other than those of no fixed abode or Out of County (which may have a correspondence address within Herefordshire but are separately identified on the HomePoint Register).

5.36 The data shows that overall around 63% of households fall into one of the reasonable preference category bands with figures varying from 50% in Bromyard to 63% in Hereford and Ledbury. Virtually all households of no fixed abode are in a reasonable preference category whilst those living outside the county are relatively less likely to be given preference.

5.37 In taking the HomePoint analysis forward we have assigned those of no fixed abode and Out of County to specific sub-areas. This has been done on the basis of correspondence addresses where possible and on a pro-rata basis where no locational data is available.

Figure 5.9 Housing Register priority banding by HMA

HMA	Gold (with priority)	Gold	Silver	Bronze	Total	Total gold/silver	% gold/silver
Hereford	156	348	958	849	2,311	1,462	63.3%
Leominster	19	72	189	180	460	280	60.9%
Ross	13	54	189	173	429	256	59.7%
Ledbury	3	49	111	95	258	163	63.2%
Bromyard	1	24	60	86	171	85	49.7%
Kington	1	28	68	73	170	97	57.1%
Golden Valley	0	10	18	26	54	28	51.9%
No fixed abode	29	119	203	8	359	351	97.8%
Out of County	11	27	175	239	452	213	47.1%
Total	233	731	1,971	1,729	4,664	2,935	62.9%

Source: HomePoint Housing Register October 2012

5.38 Therefore in total there are 2,935 households who are considered to be in housing need. We have further discounted this figure to take account of households already living in social rented or other affordable housing. This is because such households (although they are in need) will release an affordable home when they move and there will therefore be no net requirement for additional affordable housing to be provided.

5.39 Figure 5.10 below therefore shows an estimate of the net backlog of need taking account of transfers. The number of households where no locational information was available have been spread pro-rata with those households for whom we do have such information and so the need figures in the table (other than the total) do not match those in the table above.

5.40 Figure 5.10 shows an estimated transfer supply of 972 homes – this leaves a 1,963 in a priority group who are not currently resident in affordable housing. The modelled income data (suitably adjusted to take account of lower incomes of households who are registered) suggests that of the 1,963 households we would expect around 87% to not be able to afford lower quartile housing costs without the need to claim housing benefit – the overall backlog need is therefore 1,708 households. The need is highest in the Hereford HMA (1,105) and lowest in Bromyard, Kington and Golden Valley.

Figure 5.10 Estimated backlog need by HMA

HMA	In priority group	Transfers	Non-transfers	% unable to afford	Backlog need
Hereford	1,819	559	1,260	87.7%	1,105
Leominster	350	118	232	85.7%	199
Ross	306	106	200	84.8%	170
Ledbury	195	94	101	86.0%	87
Bromyard	113	39	74	87.7%	65
Kington	118	46	72	86.2%	62
Golden Valley	34	10	24	86.5%	21
Total	2,935	972	1,963	87.0%	1,708

Source: HomePoint Housing Register October 2012

5.41 Whilst the analysis above has excluded transfers it is worth briefly considering the potential mismatch of the sizes of homes required compared to the sizes likely to be released. The table below, Figure 5.11, shows that for the whole County the two are fairly in balance.

5.42 In total 70.6% of households require 1 or 2 bedroom homes compared with 69.8% currently living in this size of accommodation. There is evidence of a very small mismatch for larger (4+ bedroom) homes although the number of households involved is quite negligible in the context of the overall analysis. Therefore the exclusion of transfers from our analysis will not impact on the housing needs figures to any notable degree although it is possible that there are some small localised mismatches.

Figure 5.11: Size requirements of Transfers		
Size of accommodation	Size occupied	Size required
0/1 bedroom	25.9%	39.8%
2 bedrooms	43.9%	30.8%
3 bedrooms	26.0%	24.6%
4+ bedrooms	4.2%	4.8%
Total	100.0%	100.0%

Source: HomePoint Housing Register October 2012

Newly Arising Need

5.43 To estimate newly arising (projected future) need we have looked at two key groups of households based on the CLGs SHMA guidance. These are:

- Newly forming households
- Existing households falling into need

5.44 For newly forming households we have estimated (through our demographic modelling) the number of new households likely to form over the five year period and then applied an affordability test. The number of newly forming households are limited to households forming who are aged under 45. This methodology is recognised in guidance as a robust method for assessing the number of newly forming households.

5.45 Whilst the methodology estimates the number of newly forming households it is recognised that some of these will actually move away from the County to secure housing. However, there will also be new households moving to the area for other local authorities. It is therefore assumed that the number of in and out-migrant households will roughly be in balance. This assumption is in line with guidance.

5.46 In terms of affordability we have been able to use our HMA level income data to provide a localised estimate of the likely proportion of households unable to afford market housing. Our assessment suggests that overall around 68% of new households will be unable to afford market housing. There is some variation by HMA with 35% of new households in Ross estimated to be able to afford compared with only 30% in the Hereford HMA.

Figure 5.11: Estimated level of Housing Need from Newly Forming Households (Five Year Period)

HMA	Number of new households	% unable to afford	Total in need
Hereford	3,122	70.2%	2,191
Leominster	1,003	66.6%	668
Ross	976	64.5%	630
Ledbury	656	67.1%	440
Bromyard	407	69.3%	282
Kington	317	67.0%	212
Golden Valley	152	67.5%	102
Total	6,632	68.2%	4,525

Source: GL Hearn/JGC Projection Modelling

5.47 The second element of newly arising need is existing households falling into need. To assess this we have again used the HomePoint Housing Register data. We have looked at all applications made over the past five years who still remain on the register as of January 2011. This reflects the unmet need from households joining the register over the past five years. From this we have again excluded households in the Bronze Band as well as any newly forming households (e.g. those currently living with family).

5.48 Figure 5.12 below therefore shows our estimate of likely new need from existing households over the next five years by HMA. The data shows an additional need arising from 1,359 households, with over half of these being in the Hereford HMA.

Figure 5.12: Estimated Level of Housing Need from Existing Households (Five Year Period)

HMA	Number of existing households falling into need	% of need
Hereford	804	59.2%
Leominster	169	12.4%
Ross	148	10.9%
Ledbury	101	7.5%
Bromyard	56	4.1%
Kington	67	4.9%
Golden Valley	15	1.1%
Total	1,359	100.0%

Source: HomePoint Housing Register October 2012

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Supply of Affordable Housing

- 5.49 The supply of affordable housing has been based on information provided by HomePoint about properties that have been let over the past five years. Overall, there have been 4,135 lettings over the past five years (an average of 827 per annum). The number of lettings has been roughly constant over this time and so is likely to be a reasonable guide to the future supply of affordable housing.
- 5.50 Within the supply of affordable housing are figures for intermediate housing; these are split into shared ownership, low cost market housing and intermediate rent. In total, some 1.8% of the supply is intermediate housing, ranging from 0.4% in Kington to 5.0% in Bromyard.
- 5.51 Figure 5.13 below shows the affordable housing supply over the past five years in each HMA. Around half of the total is in Hereford with the lowest supply being found in Kington and Golden Valley.

Figure 5.13: Estimated Supply of Affordable Housing (five years) by HMA

HMA	Shared ownership	Low cost market	Intermediate rent	Social Rented	Total	% intermediate
Hereford	25	1	4	1,985	2,015	1.5%
Leominster	14	0	5	658	677	2.8%
Ross	2	0	1	492	495	0.6%
Ledbury	3	0	0	336	339	0.9%
Bromyard	0	4	12	302	318	5.0%
Kington	0	0	1	231	232	0.4%
Golden Valley	1	0	0	58	59	1.7%
Total	45	5	23	4,062	4,135	1.8%

Source: HomePoint Housing Register January 2011

Net Housing Need

- 5.52 Figure 5.14 below shows our overall calculation of housing need. The data shows an overall need for affordable housing of 3,457 units over the next five years. Around three-fifths of the need (60.3%) is expected to arise in the Hereford HMA with the lowest level being found in Bromyard (85 units over the next five years) and Golden Valley (79 units). Overall, the data confirms that there is a requirement for additional affordable housing to be provided in all parts of the County.

5.53 The estimated level of housing need (of 3,457) is slightly higher than was estimated in the original LHMA (2,837). This looks to be largely attributable to a higher estimate of new household formation rates and is due to the analysis in this report considering new households forming up to the age of 45 rather than a figure of 35 previously used.

Figure 5.14: Estimated level of housing need (2012-17)

HMA	Backlog Need	Newly-Forming Households	Existing Households falling into Need	Total Need	Supply	Net Need
Hereford	1,105	2,191	804	4,099	2,015	2,084
Leominster	199	668	169	1,035	677	358
Ross	170	630	148	947	495	452
Ledbury	87	440	101	628	339	289
Bromyard	65	282	56	403	318	85
Kington	62	212	67	341	232	109
Golden Valley	21	102	15	138	59	79
Total	1,708	4,525	1,359	7,592	4,135	3,457
Urban areas	1,357	2,949	1,058	5,364	3,108	2,256
Rural areas	350	1,576	301	2,228	1,027	1,201
Total	1,708	4,525	1,359	7,592	4,135	3,457

Source: HomePoint Housing Register October 2012, Projection Modelling

5.54 This analysis does not take account at this point of affordable housing with planning consent which is expected to be delivered over the 2012-17 period.

Role of the Private Rented Sector in Meeting Housing Need

5.55 CLG Housing Market Assessment Guidance requires consideration of the extent of the private rented sector (through the Local Housing Allowance (LHA) system) and its ability to meet the needs of households in need to be estimated. We have therefore used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of May 2012 it is estimated that there were 4,010 benefit claimants in the private rented sector in the County.

5.56 The data in Figure 5.15 below shows that in all areas studied the number of LHA claimants has increased over the two and a half year period although the proportionate increase in Herefordshire is low relative to other locations. This finding is to some degree consistent with 2011 Census analysis which shows a smaller increase in the size of the private rented sector

relative to other areas. The time period for analysis has been used due to this being the longest time series available from the DWP source.

Figure 5.15: Number of people claiming LHA in private rented sector (August 2009 and May 2012)

Area	August 2009	May 2012	Absolute change	% change
Herefordshire	3,310	4,010	700	21.1%
West Midlands	106,880	137,710	30,830	28.8%
Great Britain	1,272,640	1,645,730	373,090	29.3%

Source: Department of Work and Pensions

- 5.57 This information does not tell us how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. Nationally (from the 2010/11 English Housing Survey) it is estimated that the turnover of private rented properties is around 35% (the highest of any tenure category). In addition, comparing EHS data with DWP data suggests that the number of households claiming is around 75% of the number of claimants (this arises due to multiple claimants living in the same dwelling). If these figures are applied to Herefordshire then this would equate to around 1,050 lettings per annum.
- 5.58 Over the five year projection period used for analysis we also need to take account of households making multiple moves within the private rented sector. Again assuming a turnover rate of 35% we estimate that this would mean that over five years some 2,660 households will have their needs met through the private rented sector.
- 5.59 It is not however appropriate to treat this sector as a form of affordable housing and net it from the overall annual housing needs estimate of 3,457 affordable homes (2012-17). Neither the SHMA Guidance (CLG, 2007) nor the NPPF (CLG, 2012) recognise this sector as affordable housing.
- 5.60 However, it should be recognised that, in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown in this study, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.
- 5.61 The extent to which the Council wishes to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. However it should be recognised that the Private Rented Sector does not

provide secure tenancies and that standards within the sector are likely to be lower than for social rented properties. Furthermore there are households with specific housing needs who may not be able to find suitable accommodation within the Private Rented Sector.

- 5.62 Given the role played by the private rented sector in providing housing for those unable to afford and unable to access affordable housing (due to lack of supply), the housing needs analysis per se does not provide a strong basis for considering overall future housing requirements.

Need for Different Types of Affordable Housing

- 5.63 Having studied housing costs, incomes and housing need the next step is to make an estimate of the proportion of need that should be met through provision of different housing products. We therefore use the income information presented earlier in this section to estimate the proportion of households who are likely to be able to afford intermediate housing and the number for whom only social rented housing will be affordable.

- 5.64 The main data sources for establishing housing need are the Housing Register and projections of newly-forming households. In both cases income levels are likely to be significantly below local averages. In the case of those on or joining the Housing Register it would be fair to assume that these households have similar characteristics to current social housing tenants (given that they are applying for a social tenancy) whilst newly-forming households also tend to have lower incomes than average.

- 5.65 Drawing on data from the Survey of English Housing (now English Housing Survey) over a number of years we have been able to establish that the average incomes of social tenants is around 48% of the figure for all households whilst newly forming households typically have an average income of 78% of the average. These figures are remarkably consistent over time.

- 5.66 In Herefordshire we have therefore adjusted the overall household income data to reflect the lower averages for the two groups of interest. The adjustments have been made by changing the income bands such that income levels are 48% and 78% of the all household average. In doing this we are able to calculate the proportion of households unable to afford who might be able to afford intermediate housing (to rent) and those who can only afford a social rent¹⁸.

- 5.67 To study the gap between market prices/rents and the costs of social rented and affordable rented housing we have looked at two bedroom homes (which are likely to be the main point

¹⁸ Households ability to buy shared ownership or equity properties will be influenced by their savings as well

of market entry for newly forming households). To set out market entry income level we have taken figures relating to the private rented sector (as per the overall affordability test set out earlier in the section).

- 5.68 To assess the income required to access intermediate housing we have taken a figure of 80% of market rents (which would also equate to a typical maximum affordable rent level). The table below shows figures for our assumed market entry income level and the income below which social rented housing will be required. Any household with an income in the gap between these two figures is assumed to be able to afford intermediate housing.
- 5.69 Generally the figures do not vary much between different HMAs – this is due to the price/rent survey not uncovering particularly great price differentials between different areas for private rented homes. An income above £22,000 to £26,000 is deemed sufficient to afford market housing with households with incomes below about £18,000 to £21,000 deemed likely to require social rented housing.

Figure 5.16: Income Range for Access to Intermediate Housing		
HMA	Income required to access market housing	Income required at 80% of market
Hereford	£25,200	£20,160
Leominster	£22,800	£18,240
Ross	£24,000	£19,200
Ledbury	£26,400	£21,120
Bromyard	£26,400	£21,120
Kington	£22,320	£17,860
Golden Valley	£25,200	£20,160

Source: Online Estate and Letting Agents Survey (January 2011) and RSR 2011

- 5.70 Figure 5.17 below shows the estimated number of households in need able to afford each of intermediate and social/affordable rented housing. The gross number in need cannot be directly translated into targets for different types of affordable housing as this will in part depend on the relative supply of each of social rented and intermediate housing. The table also provides information about supply to estimate the overall intermediate housing requirement and how this varies by sub-area.
- 5.71 Figure 5.17 shows that overall there is likely to be a requirement for 2,589 additional units of social/affordable rented housing and 868 intermediate. This is a split of 75%:25% in favour of social/affordable rented housing. In proportionate terms the data suggest a greater

requirement for intermediate housing in Bromyard and Kington with Hereford and Golden Valley having greater requirements for social/affordable rented homes.

Figure 5.17: Estimated level of housing need (five years) by intermediate/social/affordable rented housing

HMA	Intermediate			Affordable/Social Rented		
	Total need	Supply	Net need	Total need	Supply	Net need
Hereford	490	30	460	3,610	1,985	1,625
Leominster	133	19	114	902	658	244
Ross	126	3	123	820	492	328
Ledbury	81	3	78	547	336	211
Bromyard	50	16	34	353	302	51
Kington	43	1	42	298	231	67
Golden Valley	17	1	16	121	58	63
Total	941	73	868	6,651	4,062	2,589

Source: HomePoint Housing Register October 2012, Projection Modelling

5.72 Figure 5.18 below separates out affordable rent from social rent – this distinction was not made in above as we do not have information about the likely supply of social rent vs. affordable rent in the future. It is possible that some social relets will be at an affordable rather than a social rent. To derive the figures below we have made an assumption that the proportion of supply in the affordable/social rent category is broadly equivalent to the proportion of need in each category. The table suggests that within the social/affordable category there should be roughly a 70:30 split in favour of social renting.

Figure 5.18: Estimated level of housing need (five years) by intermediate/social/affordable rented housing (percentages)

HMA	Intermediate	Affordable rent	Social rent	Total
Hereford	22.1%	24.2%	53.8%	100.0%
Leominster	31.9%	14.6%	53.5%	100.0%
Ross	27.3%	20.1%	52.5%	100.0%
Ledbury	27.1%	17.7%	55.3%	100.0%
Bromyard	40.1%	35.8%	24.1%	100.0%
Kington	38.4%	5.3%	56.3%	100.0%
Golden Valley	20.8%	21.8%	57.4%	100.0%
Total	25.1%	21.7%	53.1%	100.0%
Urban areas	25.1%	21.8%	53.1%	100.0%
Rural areas	25.1%	21.6%	53.3%	100.0%
Total	25.1%	21.7%	53.1%	100.0%

Source: HomePoint Housing Register October 2012, Projection Modelling

- 5.73 This is however based on analysis of housing needs. It is to some extent an artificial distinction as the client group for these tenure categories is similar, and households would be able to claim Housing Benefit in Affordable Rented homes. In setting and applying policies, this analysis should be brought together with evidence of development viability.
- 5.74 Compared with the initial LHMA this update suggests a greater role for social rented housing to meet needs. The original LHMA suggested that 44% of additional affordable housing should be social rented compared with 53% shown above. This difference is largely driven by our amendment of income distributions in the County with a greater proportion of households estimated to have lower incomes than previously modelled. This has the impact of increasing the number assessed as only able to afford social renting. At a HMA level we have also seen notable differences with all areas other than Hereford now projected to have a higher requirement for social rented housing – this is linked to the income distribution in each location along with the supply of different types of affordable housing.

Housing Need Size Requirements

- 5.75 In addition to studying the level of housing need the information from the HomePoint database can be used to establish the sizes of accommodation required and also the supply of different sizes. The information is available for both the backlog of need and the existing households falling into need categories and we have separately studied each of these.
- 5.76 Figure 5.19 below sets out the existing supply of affordable housing in each of the HMAs by number of bedrooms.

Figure 5.19: Estimated supply of affordable housing by size and HMA					
HMA	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	Total
Hereford	814	809	359	33	2,015
Leominster	256	222	192	7	677
Ross	234	167	81	13	495
Ledbury	129	142	62	6	339
Bromyard	153	107	52	6	318
Kington	68	99	59	6	232
Golden Valley	19	31	8	1	59
Total	1,673	1,577	813	72	4,135

Source: Derived from HomePoint Housing Register October 2012

Backlog

5.77 Figure 5.20 shows the size requirements of the backlog of housing need. The majority of households only require one bedroom and in total only 13.1% require three or more bedrooms. If however we include transfer cases (which were excluded from the main housing needs model) then we see a slightly different profile of size requirements. The table below shows that a greater proportion of households require larger accommodation and fewer need one bedroom homes.

Figure 5.20: Size requirements for Backlog Need				
Size requirements	Backlog need		Backlog need (including transfers)	
	Total number	%	Total number	%
1 bedroom	1,177	60.0%	1,564	53.3%
2 bedrooms	530	27.0%	829	28.2%
3 bedrooms	217	11.1%	456	15.5%
4+ bedrooms	39	2.0%	86	2.9%
Total	1,963	100.0%	2,935	100.0%

Source: HomePoint Housing Register October 2012

Existing Households falling into Need

5.78 When we look at our category of existing households falling into need (which is based on registrations to the Housing Register over the past five years that have not been re-housed) we see a somewhat different pattern. Generally, this category of need has a greater proportion of households needing larger accommodation with a total of 28.2% needing three or more bedrooms and 4.5% four or more. Excluding transfer cases shows a slightly lower requirement for larger homes but this is still much bigger than the equivalent figures for our backlog need.

Figure 5.21: Size requirements for Existing Households falling into Need					
Size requirements	New need existing households (excluding transfers)			New need existing households (including transfers)	
	Total number	%	Total number	%	
1 bedroom	295	42.1%	625	39.9%	
2 bedrooms	227	32.4%	499	31.9%	
3 bedrooms	148	21.1%	371	23.7%	
4+ bedrooms	30	4.3%	70	4.5%	
Total	700	100.0%	1,565	100.0%	

Source: HomePoint Housing Register October 2012

Supply of Affordable Housing

- 5.79 Turning to the supply of affordable housing we can look at the size of properties that have been let over the past five years –this is shown in the table below. The table shows that the main supply has been one bedroom accommodation with only 1.7% having four or more bedrooms.

Figure 5.21: Supply of Affordable Housing by Size		
Size of accommodation	Number	%
1 bedroom	1,673	40.5%
2 bedrooms	1,577	38.1%
3 bedrooms	813	19.7%
4+ bedrooms	72	1.7%
Total	4,135	100.0%

Source: HomePoint Housing Register October 2012

Combining the Information

- 5.80 Below we have provided a table, Figure 5.22, combining the information from the various analyses above. The table takes a simple crude average of all of the different measures of need and compares this with the supply of affordable housing. These figures have been grossed up to the figures in the main housing needs model to provide a suggested net need level by size – some caution should however be exercised when using this data as the stages of the model are not directly comparable with our main analysis (the size model includes transfer cases and does not provide information about the requirements of newly forming households).
- 5.81 The data suggests that the main requirement will be for one bedroom accommodation; however, as the last column shows the pressure is greatest on four (or more) bedroom stock with the supply only estimated to be able to meet around 27% of the need.

Figure 5.22: Overall Estimated Housing Need by Size						
Accommodation size	Gross Need	Supply	Net Need	% of net need	Supply as % of Gross Need	
1 bedroom	3,683	1,673	2,010	58.1%	45.4%	
2 bedrooms	2,236	1,577	659	19.1%	70.5%	
3 bedrooms	1,404	813	591	17.1%	57.9%	
4+ bedrooms	269	72	197	5.7%	26.7%	

Total	7,592	4,135	3,457	100.0%	54.5%
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Source: Derived from HomePoint Housing Register October 2012 & Demographic Projections

5.82 We can also provide this information for each HMA and this is shown in the table below. The table shows some interesting differences between sub-areas with Leominster and Bromyard showing a large requirement for four or more bedroom homes and Leominster (and Kington) a high need for smaller accommodation. Further information about longer-term size requirements can be found as part of our demographic model later in this section.

Figure 5.23: Overall Estimated Housing Need by Size and HMA						
HMA	1-bed	2-bed	3-bed	4+ bed	Total	
Hereford	57.3%	18.6%	18.5%	5.7%	100.0%	
Leominster	77.1%	21.6%	-10.4%	11.7%	100.0%	
Ross	54.4%	18.4%	28.2%	-1.1%	100.0%	
Ledbury	46.8%	22.3%	22.7%	8.2%	100.0%	
Bromyard	45.8%	29.9%	8.4%	15.9%	100.0%	
Kington	64.7%	23.1%	12.2%	0.0%	100.0%	
Golden Valley	61.6%	-5.0%	37.8%	5.6%	100.0%	
Total	58.1%	19.1%	17.1%	5.7%	100.0%	
Urban areas	58.3%	17.3%	18.6%	5.7%	100.0%	
Rural areas	57.8%	22.3%	14.2%	5.6%	100.0%	
Total	58.1%	19.1%	17.1%	5.7%	100.0%	

Source: Derived from HomePoint Housing Register October 2012 & Demographic Projections

Future Housing Requirements by Type and Size

Introduction

5.83 This section follows on from our analysis of housing need by looking at longer-term implications of demographic change on the whole housing market (both market and affordable housing). To understand future changes we have developed a demographic model which shows how the profile of the population is expected to change across Herefordshire (and for individual HMAs) over the 20-year period from 2011 to 2031.

5.84 The model was originally developed to inform the 2011 Local Housing Market Assessment and has been updated to take account of new information from the 2011 Census about the population profile and the number of households in the County.

5.85 Figure 5.24 below shows the wards that make up each of the HMAs for the purposes of this analysis and also the housing numbers for each area where relevant. The table shows that targets have been set for the six urban areas with a figure of 5,300 homes to be split between rural parts of the county – the estimate of housing requirements for each of these has been derived in earlier demographic analysis (which has been updated for the purposes of this report). In total, between 2011 and 2031 it is proposed for 16,500 additional dwellings to be provided.

Figure 5.24: Herefordshire Housing Market Areas and Proposed Housing Provision

HMA	Sub-area	Proposed/ Modelled Housing Provision
Hereford	Hereford	6,500
	Hereford rural	1,870
Leominster	Leominster	2,300
	Leominster rural	730
Ross-on-Wye	Ross-on-Wye	900
	Ross-on-Wye rural	1,150
Ledbury	Ledbury	800
	Ledbury rural	565
Bromyard	Bromyard	500
	Bromyard rural	365
Kington	Kington	200
	Kington rural	317
Golden Valley	NA	304
TOTAL	-	16,500

5.86 The emerging Core Strategy does not split the target for rural areas between the different HMA, and these have therefore been estimated for modelling purposes based on the existing level of households in each.

Household Numbers

5.87 Figure 5.25 below sets out the increase in households derived from our modelling exercise. The table shows estimated household numbers in both 2011 and 2031 and also the increase in households that this represents. The total figures are slightly below the figures for the housing growth as the modelling has included a small (2.5%) vacancy allowance in translating household growth into a housing requirement.

5.88 Figure 5.25 shows that the number of households is expected to increase from 78,380 in 2011 to 94,478 in 2031 – an increase of 16,098 or 20.5%. Of the sub-areas, only Leominster

and Hereford show growth levels above the county average (44% and 26% respectively) whilst the lowest figure shown is for Golden Valley (at 11.5%). In all HMAs the rural areas show lower housing requirements than urban areas.

Figure 5.25: Herefordshire estimated housing requirements by HMA and Sub-Area

HMA	Sub-area	2011 households	2031 households	Change 2011-2031	% change
Hereford	Hereford	24,718	31,059	6,341	25.7%
	Hereford rural	10,062	11,886	1,824	18.1%
Leominster	Leominster	5,128	7,372	2,244	43.8%
	Leominster rural	5,247	5,959	712	13.6%
Ross	Ross-on-Wye	4,685	5,564	878	18.7%
	Ross-on-Wye rural	8,321	9,443	1,121	13.5%
Ledbury	Ledbury	4,556	5,336	781	17.1%
	Ledbury rural	3,907	4,458	551	14.1%
Bromyard	Bromyard	2,693	3,181	488	18.1%
	Bromyard rural	2,398	2,754	356	14.8%
Kington	Kington	1,431	1,626	195	13.6%
	Kington rural	2,664	2,973	309	11.6%
Golden Valley	NA	2,570	2,867	297	11.5%
TOTAL	-	78,380	94,478	16,098	20.5%

5.89 Figure 5.26 below shows this same information but for the whole of each HMA (i.e. adding the urban and rural parts together where appropriate). In addition we have added rows for all urban and rural areas separately. Overall, the data confirms the higher housing requirements in Hereford and Leominster with the Golden Valley HMA showing the lowest change in households/housing requirements.

Figure 5.26: Herefordshire Estimated Housing Requirements by HMA and Urban/Rural Classification

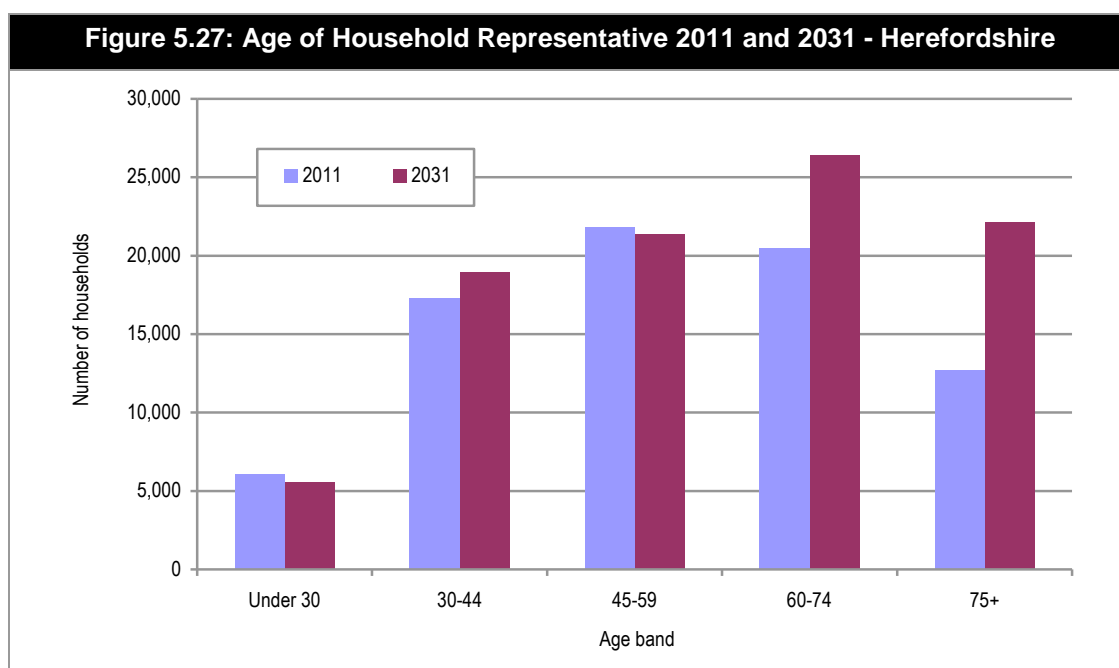
HMA	2011 households	2031 households	Change 2011-2031	% change
Hereford	34,779	42,945	8,166	23.5%
Leominster	10,375	13,331	2,956	28.5%
Ross	13,007	15,006	2,000	15.4%
Ledbury	8,463	9,794	1,332	15.7%
Bromyard	5,091	5,935	843	16.6%
Kington	4,095	4,599	504	12.3%
Golden Valley	2,570	2,867	297	11.5%
TOTAL	78,380	94,478	16,098	20.5%
Urban	43,211	54,138	10,927	25.3%
Rural	35,169	40,340	5,171	14.7%
TOTAL	78,380	94,478	16,098	20.5%

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Changing Demographic Profile

5.90 With the change in the number of households will come a change in the make-up of the population - This is due to both overall changes in the number of people and also due to the changing age structure – particularly relating to the ageing population. Detailed information derived from our modelling exercise has been used to estimate what impact demographic change might have on housing requirements and below we set out some broad data to show how local demography is expected to change under the household numbers derived and presented above.

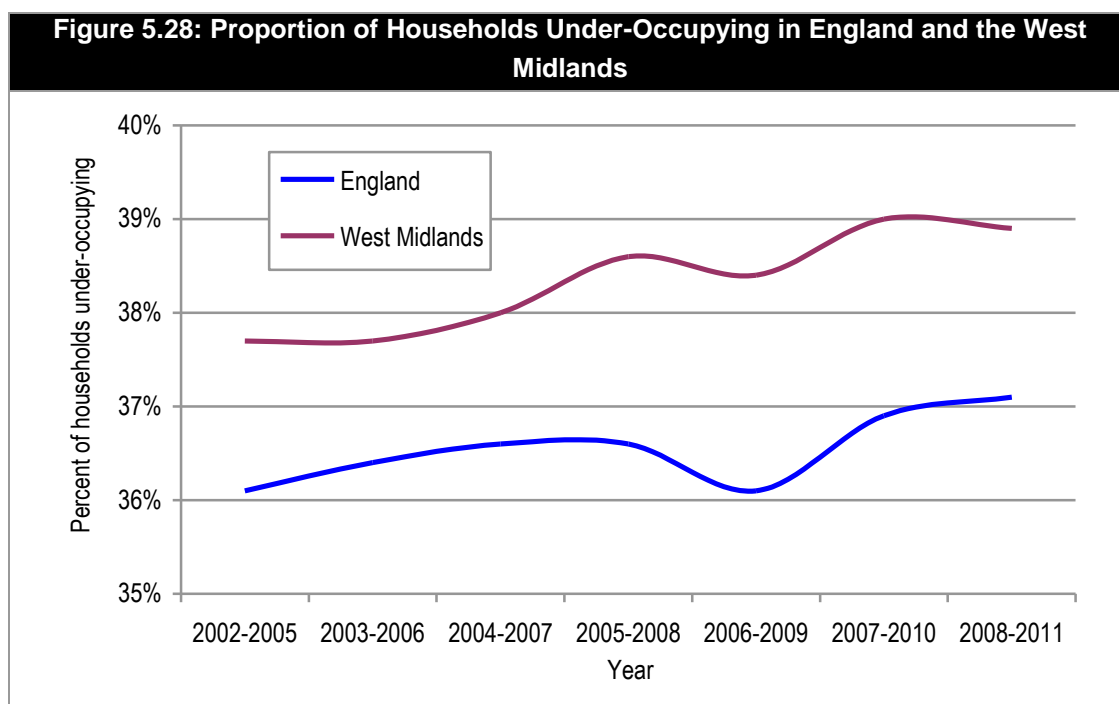
5.91 Figure 5.27 shows the number of household representatives in each of five broad age bands in 2011 and 2031. The data shows that there are only expected to be notable increases in household representatives in the oldest age bands – this reflects the ageing population in Herefordshire (in common with many parts of the country).



5.92 We now use this information to consider in more detail the implications of demographic drivers on demand for different housing products. The analysis uses the information available about the size and structure of the population to consider what impact this may have on the types and sizes of housing required in the future.

Housing Market Requirements - Methodology

- 5.93 As with converting population data into households it is not a simple task to convert the net increase in the number of households in to a suggested profile for additional housing to be provided. The main reason for this is that in the market sector households are able to buy or rent any size of property (subject to what they can afford) and therefore knowledge of the profile of households in an area does not directly transfer into the types of property to be provided. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain.
- 5.94 For example, there is no reason why a single person cannot buy (or choose to live in) a four bedroom home as long as they can afford it and hence projecting an increase in single person households does not automatically translate in to a need for smaller units.
- 5.95 Figure 5.28 below demonstrates this using data from the Survey of English Housing about the proportion of households who under-occupy their dwellings. It can be seen that nationally over a third of households under-occupy with a slightly higher figure in the West Midlands. Over the past few years levels of under-occupancy have increased although in both cases (England and the West Midlands) this change is only around 1%.



Source: Survey of English Housing 2002-2011

- 5.96 The data therefore suggests that it would be reasonable for our projection to assume that households will continue to occupy dwellings in the same way in the future as they do currently. Our projections for housing types are developed on this basis.

- 5.97 The general methodology is therefore to use the information derived in the projections about the number of Household Reference Persons (HRPs), i.e. heads of households, in each age and sex group and apply this to the profile of housing within these groups. The data for this analysis has been formed from a commissioned table by ONS (Table C1213) - an extract of this is shown in the figure below. In addition, a further table (C1212) was commissioned from ONS to provide this data at ward level – to allow information to be built up into the seven HMAs and the market towns within these (where relevant).
- 5.98 The extract shows the number of male owner occupiers in selected age groups along with the size of accommodation that they occupy. By estimating how the number of HRPs in each age group changes over time we are also able to estimate the profile of housing that they would be likely to occupy.
- 5.99 The table shows for example that 27.3% of male HRPs aged 25 to 29 live in a home with six or more rooms, for the 45 to 49 age group this figure rises to 64.2%. The age profile of HRPs will therefore have an impact on the sizes of homes we would expect to be occupied. From the Commissioned Table information is available for all HRP age bands up to 85+ and for both sexes. In addition, information is available about the types of accommodation occupied (which we have split into houses and flats).

Figure 5.29: Extract from ONS Commissioned Table C1213 – Male HRPs in Owner-Occupied Housing by Size of Dwelling - Herefordshire

Dwelling size	Age of Household Reference Person									
	25-29		30-34		35-39		40-44		45-49	
	No.	%	No.	%	No.	%	No.	%	No.	%
1 room	29	1.2%	27	0.7%	33	0.6%	28	0.6%	21	0.4%
2 rooms	117	5.0%	81	2.0%	91	1.7%	58	1.2%	74	1.5%
3 rooms	247	10.5%	266	6.7%	275	5.2%	154	3.1%	181	3.8%
4 rooms	669	28.5%	719	18.2%	637	12.1%	460	9.2%	382	8.0%
5 rooms	643	27.4%	1,079	27.3%	1,273	24.1%	1,069	21.4%	1,049	21.9%
6 rooms	385	16.4%	872	22.0%	1,164	22.1%	1,061	21.3%	958	20.0%
7 rooms	128	5.5%	442	11.2%	652	12.4%	787	15.8%	724	15.1%
8+ rooms	126	5.4%	469	11.9%	1,151	21.8%	1,367	27.4%	1,392	29.1%
Total	2,344	100.0%	3,955	100.0%	5,276	100.0%	4,984	100.0%	4,781	100.0%

Source: ONS Commissioned Table C1213

- 5.100 When using the data from the Census we have made some adjustments to provide the best possible outputs. The main problem is that the Census only collects information about the number of rooms in a home rather than the number of bedrooms (which is more useful in considering dwelling sizes). Data about the number of rooms in a dwelling has therefore been adjusted to provide an estimate of the number of bedrooms. The table below shows the

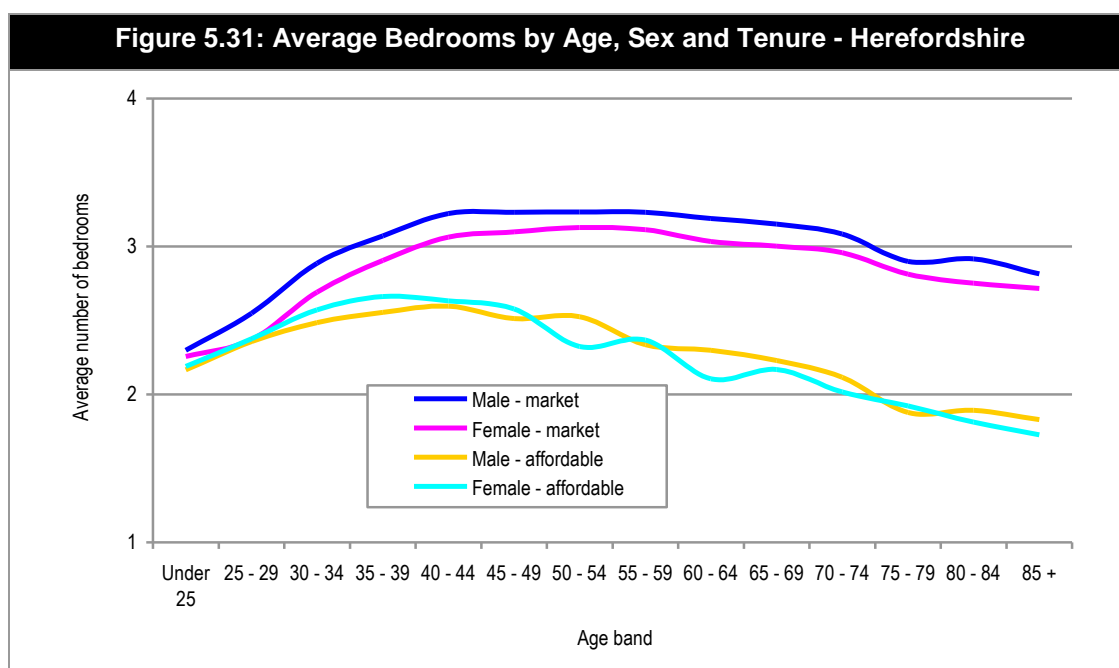
assumptions used to make this conversion. Information in the table has been based on a range of surveys where information about both bedrooms and rooms was collected.

Figure 5.30: Relationship between the Number of Rooms and Number of Bedrooms

Number of rooms	Number of bedrooms				Total
	1 bedroom	2 bedrooms	3 bedrooms	4+ bedrooms	
1-3 rooms	76%	24%	0%	0%	100%
4 rooms	3%	79%	18%	0%	100%
5 rooms	0%	15%	83%	2%	100%
6 rooms	0%	5%	82%	13%	100%
7 rooms	0%	1%	40%	59%	100%
8+ rooms	0%	0%	12%	88%	100%

Source: JGC analysis of survey data

5.101 Figure 5.31 below shows an estimate of how the average number of bedrooms varies by different ages of HRP and different sexes. The figure shows that in the market sector the average size of accommodation rises over time to typically reach a peak around the 40-54 age groups; in the affordable sector this peak appears earlier (in the 35-39 age group). After sizes peak the average dwelling size decreases – possibly due to a number of people down-sizing as they get older. It is also notable that the average size for affordable housing dwellings are lower than those for market housing whilst in market housing male HRPs live in larger accommodation for all age groups – there is no discernable trend between the sexes in the affordable sector.



Source: Derived from ONS Commissioned Table C1213

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5.102 A second adjustment is fairly minor and involves the house type 'other' (typically mobile homes, houseboats or temporary structures). This category does not fit comfortably in to either the flat or house category used in our analysis. For the purpose of our projections we have therefore excluded this group of dwellings. The 2001 Census suggests that less than 1% of dwellings fall in to the category of other and so this assumption will again have no real impact on our outputs.

Baseline Position

5.103 As of 2011 it is estimated that there were 78,380 households living in the County. Analysis of these households based on headship rates and the size, type and tenure of homes provides us with the following estimate of the profile of the housing stock in 2011.

5.104 The table shows that it is estimated that around 15% of households live in affordable housing with 85% being in the market sector. The data also suggests that homes in the market sector are generally bigger than in the affordable sector with 78% having three or more bedrooms compared to 43% for affordable housing. The data about the split between flats and houses suggests that around 7% of homes in the market sector are flats compared with 34% of affordable housing.

Figure 5.32: Estimated Profile of Dwellings in 2011 by Size and Types

Size/type of housing	Market		Affordable		Total	
	Number	%	Number	%	Number	%
1 bedroom	3,350	5.1%	2,726	22.6%	6,076	7.8%
2 bedrooms	11,161	16.8%	4,083	33.9%	15,244	19.4%
3 bedrooms	31,451	47.4%	4,643	38.5%	36,094	46.0%
4+ bedrooms	20,368	30.7%	598	5.0%	20,966	26.7%
Total	66,330	100.0%	12,050	100.0%	78,380	100.0%
Houses	61,943	93.4%	7,942	65.9%	69,885	89.2%
Flats	4,387	6.6%	4,108	34.1%	8,495	10.8%
Total	66,330	100.0%	12,050	100.0%	78,380	100.0%
% in tenure	84.6%		15.4%		100.0%	

Source: Derived from ONS Commissioned Table C1213

Tenure Assumptions and Projections

5.105 Our projections are derived from the modelling process described above. In addition we have also made assumptions relating to the proportion of future housing that will be in the affordable sector. As the housing needs analysis showed there is a significant requirement for additional affordable homes in all parts of the County although realistically delivery will be

driven by viability rather than levels of need. We have therefore taken information from the Council's Affordable Housing Viability study to inform future tenure split in each of the seven HMAs.

5.106 Below we have listed the assumptions applied to our data on the basis of viability. As can be seen the amount of affordable housing likely to be viable varies in different locations from 25% in Leominster to 40% in Bromyard, Ledbury and Ross-on-Wye. Rural areas are assumed to have the same level of affordable housing as their associated market town. The proportions set out are consistent with the Council's emerging Core Strategy and are based on an assessment of economic viability of housing development. A 'best fit' approach has been used to relate the value zones identified within the viability study¹⁹, the Council's emerging Core Strategy policies and the HMA boundaries. The approach adopted assumes that while some sites may not contribute through S106 Agreements this may be counter-balanced by delivery of affordable housing on RSL sites and rural exceptions sites.

Figure 5.33: Levels of Affordable Housing assumed by HMA

HMA	% affordable
Hereford	35%
Leominster	25%
Ross	40%
Ledbury	40%
Bromyard	40%
Kington	35%
Golden Valley	35%

5.107 Figure 5.34 below sets out the estimated number of households in 2011 and 2031 split between market and affordable housing. It can be seen that even by assuming the proportions of affordable housing set out above the total proportion of affordable housing by 2031 still only represents 18.6% of the total stock – below the national average of around 19%. The modelling process (given different targets in different areas) shows a delivery of 34.5% of housing as affordable under the above percentages county-wide.

5.108 It is recognised that a range of factors will affect affordable housing delivery. Affordable housing delivery through Section 106 may fall short of the targets, recognising that it may not be viable on all sites and that some small sites fall outside of the policy. The application of UDP policies will also have had an impact in the early years of the plan. This however is expected to be counter-balanced by delivery through rural exceptions policies, direct

¹⁹ Three Dragons & Roger Tym & Partners (2010)

development by Registered Social Landlords and potential acquisition of properties to meet affordable housing needs.

Figure 5.34: Estimated Split between Market and Affordable Housing 2011 to 2031

Year	Market housing	Affordable Housing	Total	Affordable as % Total Stock
2011	66,330	12,050	78,380	15.4%
2031	76,880	17,597	94,478	18.6%

Findings: Market Housing

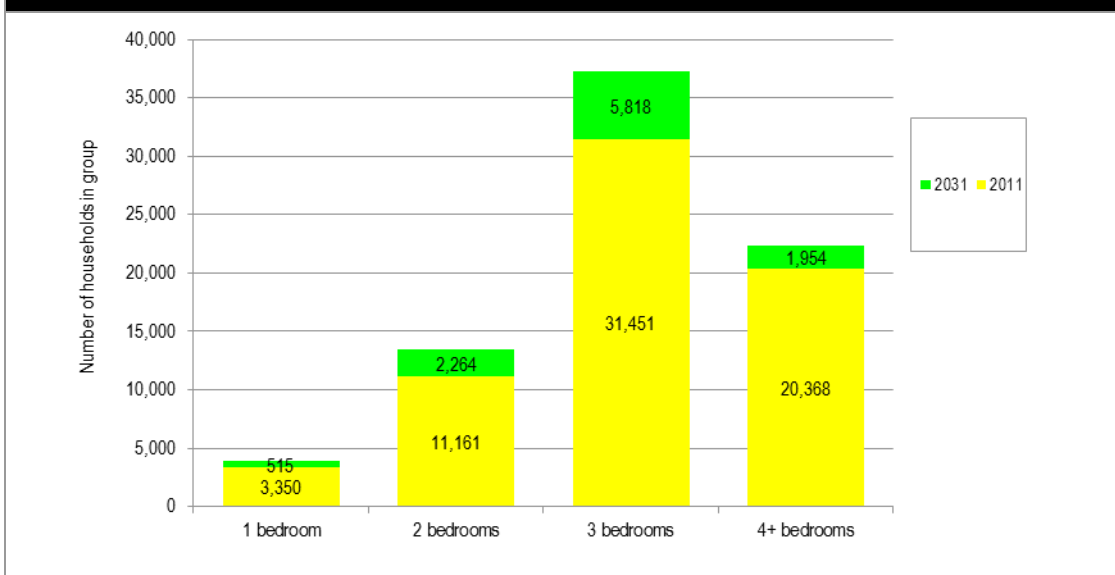
5.109 Figure 5.35 below shows estimates of the sizes and types of market housing in 2011 and projected to be required in 2031. Data in the final column has been multiplied by 1.025 to take account of the vacancy rate built into the projections for housing requirements (rather than just household change). The data suggests a requirement for 10,814 additional market units with the **majority of these being three bedroom homes**. In addition the data suggests that **the majority of housing required will be in the form of houses or bungalows**.

Figure 5.35: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Herefordshire)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	3,350	3,865	528
2 bedroom	11,161	13,425	2,320
3 bedroom	31,451	37,268	5,963
4+ bedroom	20,368	22,322	2,003
Total	66,330	76,880	10,814
Houses	61,943	72,163	10,476
Flats	4,387	4,718	339
Total	66,330	76,880	10,814

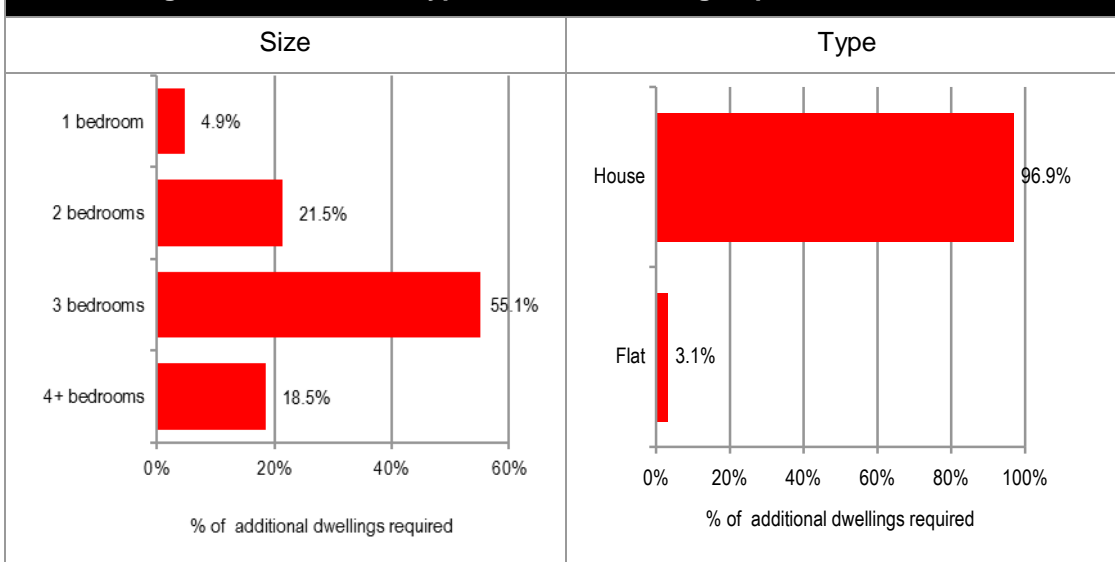
5.110 Figure 5.36 below show how our estimated market requirement compares with the current stock of housing in the County (figures shown are for households).

Figure 5.36: Impact of Demographic Trends on Market Demand by House Size, 2011 to 2031



5.111 Across the whole of the County it is estimated that 74% of additional market housing should be 'family' sized (3 or more bedrooms) and 26% smaller units (mainly two bedrooms). In addition the analysis suggests a requirement for only 3% of additional homes to be flats (which compares with about 7% of the current stock).

Figure 5.37: Size and Type of Market Housing required 2011 to 2031



5.112 While the model provides outputs relating to house types, it is recommended that greater emphasis is put on the findings in regard to household size.

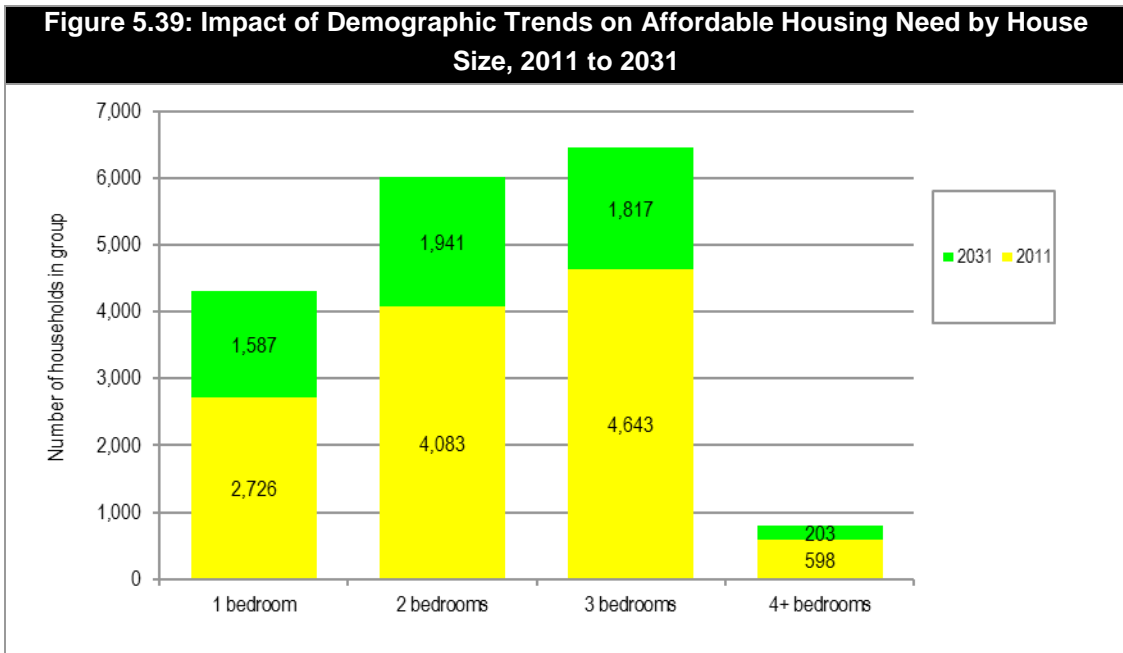
Findings: Affordable Housing

- 5.113 Figure 5.38 below shows a similar analysis for affordable housing. The data suggests that there is a fairly even split in requirements between one, two and three bedroom homes with only a small requirement for four bedroom accommodation. Given that the size profile in the affordable sector is generally smaller than in the market sector it is not surprising that the data suggests that a significant proportion of additional homes should be flats.
- 5.114 This analysis provides a longer-term view of requirements for affordable housing than other sources of information such as the Housing Register which is based on a 'snapshot' of current need. In addition the methodology employed here recognises typical occupancy patterns in the affordable sector and is not based on strict definitions of need (such as the bedroom standard). It is therefore not surprising that the findings differ somewhat from Housing Register data which showed in 2012 a majority need for one bedroom homes compared to relatively little need for three or more bedrooms.

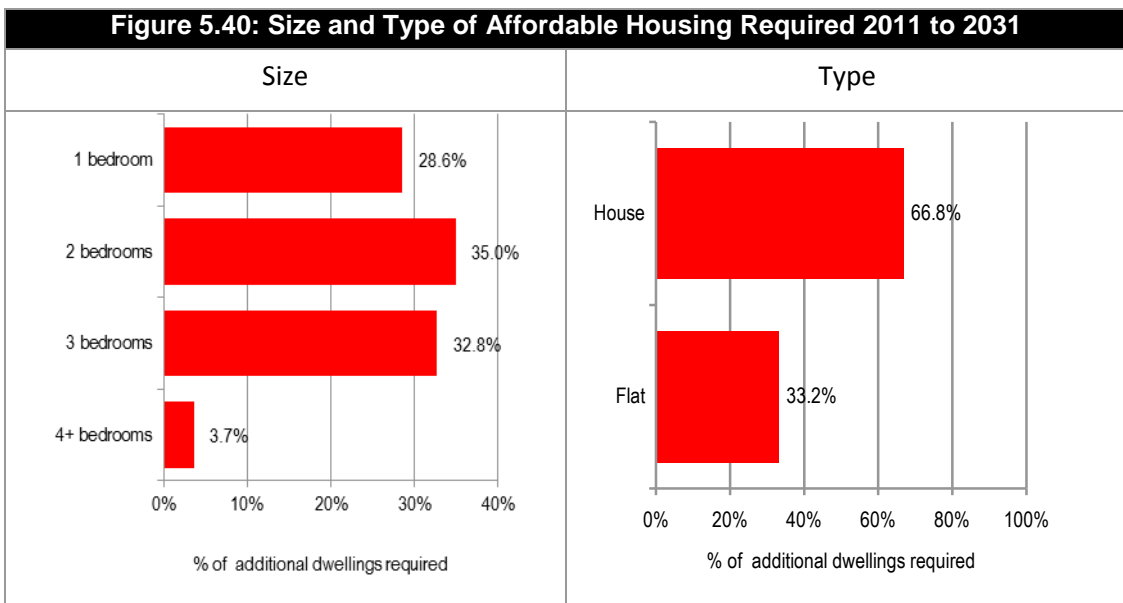
Figure 5.38: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Herefordshire)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	2,726	4,312	1,626
2 bedroom	4,083	6,024	1,989
3 bedroom	4,643	6,460	1,863
4+ bedroom	598	801	208
Total	12,050	17,597	5,686
Houses	7,942	11,647	3,797
Flats	4,108	5,950	1,889
Total	12,050	17,597	5,686

- 5.115 Figure 5.39 below shows how our estimated affordable requirement compares with the current stock of housing in the County. As with market housing, there is a general shift towards a requirement for more smaller homes – however, the data does indicate that a range of different property sizes is required.



5.116 Across the whole of the County it is estimated that 36.5% of additional affordable housing should be 'family' sized (3 or more bedrooms) and 63.5% smaller units (mainly two bedrooms).



Size requirements by Housing Market Area

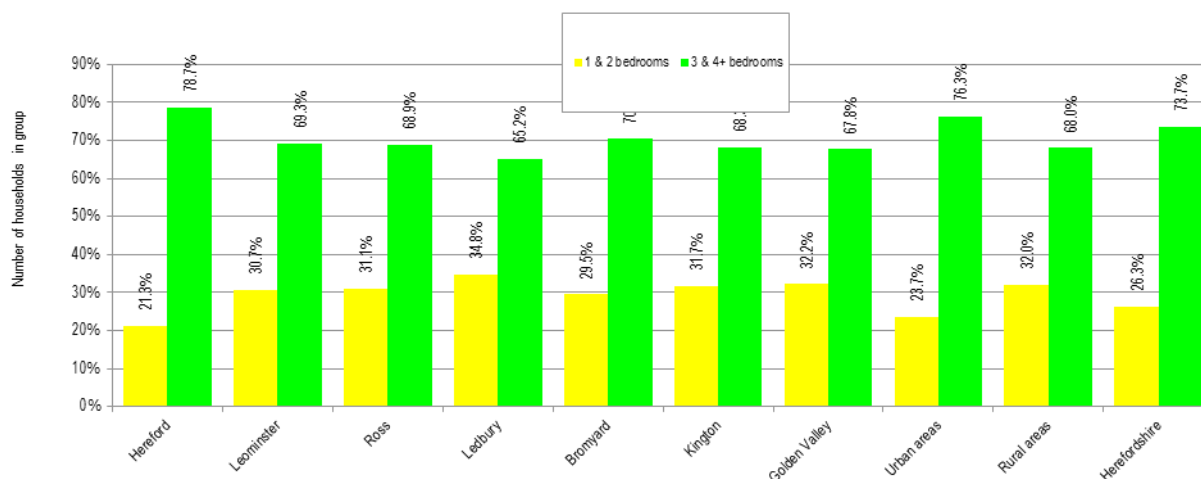
5.117 As well as providing information about housing requirements across the whole County it is useful to look at how these vary by HMA. Below we have provided two figures which look at market and affordable housing in each HMA by size. The figures have been split into smaller

(1 and 2 bedroom) and larger (3+ bedroom) units as this helps to ease comparison between areas.

Market Sector

5.118 Figure 5.41 shows that generally different HMAs in Herefordshire have similar requirements in terms of property sizes. The requirement for larger (3 and 4+ bedroom) homes varies from 65.2% in Ledbury to 78.6% in Hereford. The difference are likely to be largely due to the overall level of additional house building expected in each location as a higher level of building (relative to the current number of households) is expected to generate additional in-migration. In keeping with other parts of the country, any increase in in-migration is concentrated amongst the economically active age groups of the population – this population is more likely to be part of a family (and have children) and therefore have a requirement for larger homes.

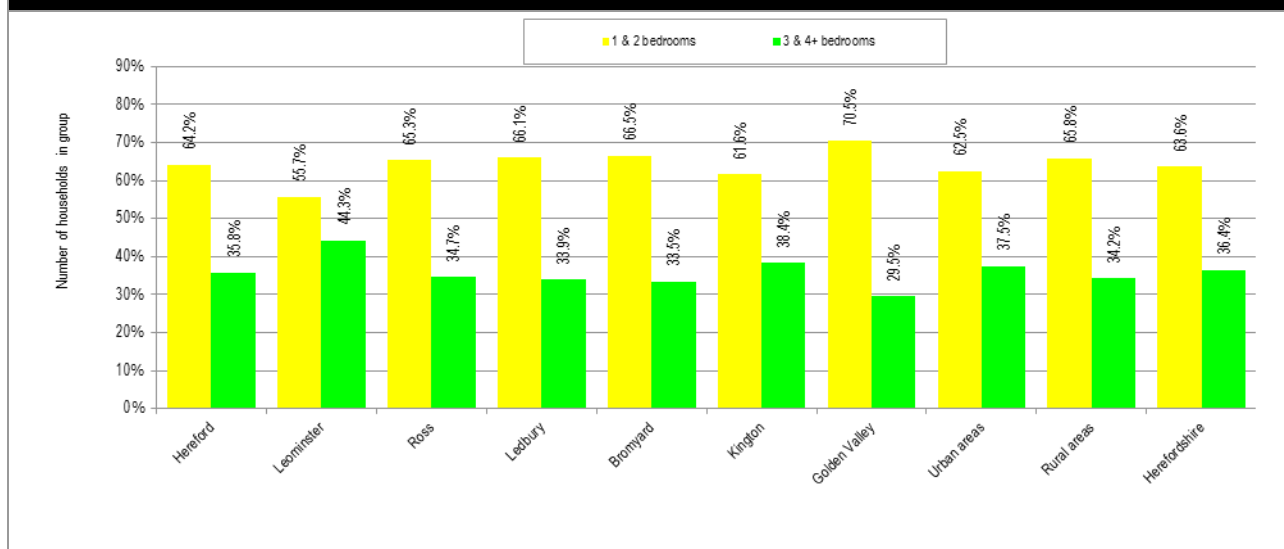
Figure 5.41: Size of Market Housing Required 2011 to 2031 by Housing Market Area



Affordable Sector

5.119 Figure 5.42 below shows the same information but for the affordable housing sector. As with market housing the different HMAs have similar requirements in terms of property sizes. The requirement for smaller (1 and 2 bedroom) homes varies from 55.7% in Leominster to 70.5% in Golden Valley. Again the difference between areas is likely to some degree be explained by the overall level of additional house building expected in each location although the ageing population will also have an impact – data earlier in this section showed that as households get older there is some degree of downsizing.

Figure 5.42: Size of Affordable Housing Required 2011 to 2031 by Housing Market Area



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6 HEREFORD HOUSING MARKET

Geography

- 6.1 The Hereford Local Housing Market is located in the centre of the County, centred on Hereford City. It is the largest of the local housing markets, with a population of 79,800 in mid 2010 (over two and a half times that of the Ross HMA) – primarily reflecting the substantial size of Hereford relative to the County's other towns.
- 6.2 The HMA includes the City of Hereford and surrounding areas as indicated in Figure 1.1. Several of the villages are large enough to be considered as proposed rural service centres, namely Bartestree / Lugwardine, Canon Pyon, Credenhill, Madley, Marden, Wellington. Rural hubs within the Hereford HMA are Moreton on Lugg, Withington, Sutton St. Nicholas, and Stretton Sugwas. Fownhope can be proposed as a local service centre²⁰.

Current Housing Offer

- 6.3 The HMA contained 36,700 properties²¹ in 2012 representing 45% of total properties in Herefordshire.
- 6.4 In 2001 68.6% of households were owner-occupiers, which was below average for the County (70.8%). Levels of private renting were also below average, with 8.1% of households private renting and 3.9% living rent free in 2001 (compared to 9.1% and 4.1% respectively for the County). This is partly a function of higher levels of social renting; the sector accommodating 18.5% of households in the Hereford HMA compared to 15.2% across Herefordshire in 2001.
- 6.5 There is a particular concentration of social rented properties in the South Wye Area where they accommodated a third (33%) of households in 2001. Central and Aylestone wards also have an above average proportion of social rented properties (22-23%).
- 6.6 Levels of owner occupation are higher on the west side of the City and in the north-east (the latter reflecting newer development in the 1980s and 1990s), as well as in the rural parts of the HMA. More than 40% of households in some of the rural wards owned their housing outright in 2001.

²⁰ For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

²¹ Council Tax Records, Nov 2012

- 6.7 Second homes represented 0.4% of properties (148 properties total) compared to 0.9% across Herefordshire. This is the lowest of any of the HMAs. A low 1.8% of properties were vacant.
- 6.8 Across the HMA detached and semi-detached housing are the predominant house types, however relative to other parts of Herefordshire, this HMA contains a lower proportion of detached housing and higher proportion of other house types. 23% of the housing stock was terraced in 2001 and 14% flats.
- 6.9 Since 2001 we would expect the proportion of flats to have increased, while the private rented sector is also likely to have grown in size.
- 6.10 The City's housing stock is varied ranging from Victorian and Edwardian properties of varying sizes, to areas dominated by semi-detached and terraced housing – some of which is of a poorer quality, reinforced concrete construction – through to some modern flats and terraced housing around the City Centre.

Socio-Economic Characteristics

- 6.11 Hereford is the County's largest employment centre with a total of around 30,500 employee jobs in the City in 2010 and a total of 37,700 across the Local Housing Market. Hereford (partly linked to its size) is the prime location for business within the County and attracts a mix of international, national and regional companies.
- 6.12 A location quotient analysis of the employment base indicates a concentration of employment in the Local Housing Market in 2010 in manufacturing, real estate activities, health and social work, and wholesale/retail trade²².
- 6.13 A higher proportion of the HMA's population (as at mid 2010) is of working-age (62%) compared to the County average (61%), with a lower proportion of retirement age (19% compared to 22%).
- 6.14 The City does however contain some notable concentrations of deprivation. Four of the City's LSOAs fall within the 20% most income-deprived in England using the 2010 Index of Deprivation, concentrated in the Hunderton area in the South of the City.

²² Herefordshire Council analysis of BRES 2010 data

Housing Needs

- 6.15 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 6.16 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

- 6.17 Figure 6.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £78,000, and from £115,000 for a 2-bed property. Entry level private rented range from £425 PCM for a 1-bed property and £525 for a 2-bed, through to £850 PCM for a 4-bed home.

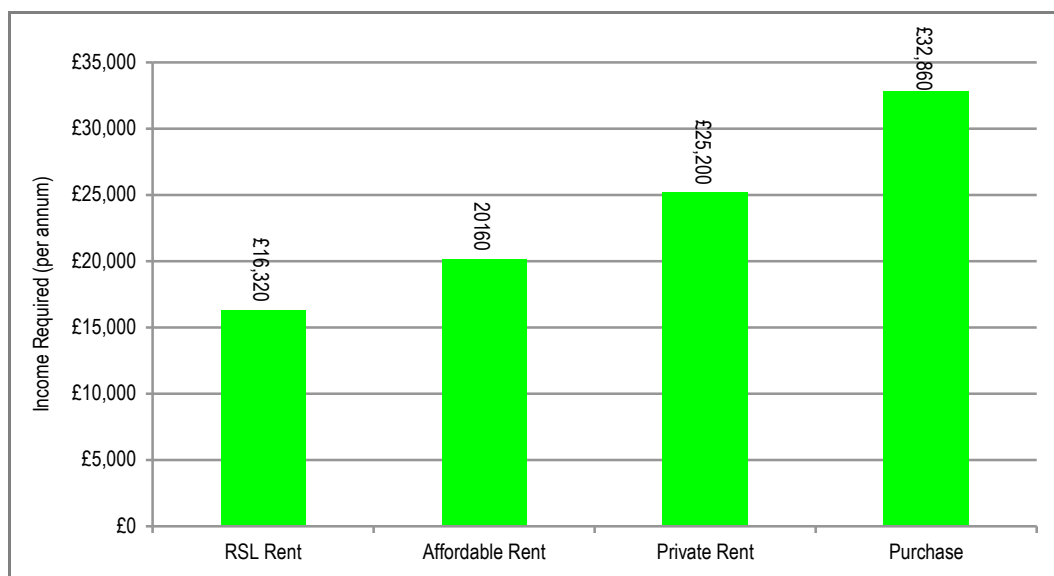
Figure 6.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£425	£525	£625	£850
Entry-Level Purchase Price	£78,000	£115,000	£147,000	£225,000

Source: Online Estate & Letting Agents Survey (October 2012) n

- 6.18 Figure 6.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spent on housing for rented properties in accordance with CLG Best Practice Guidance. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

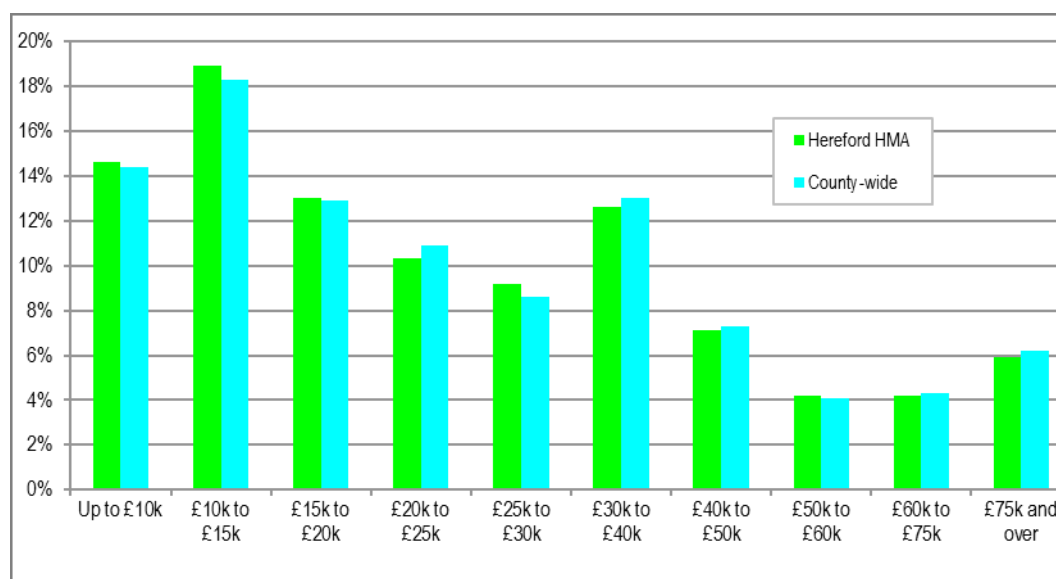
Figure 6.2: Indicative Income Required to Buy-Rent 2-bed Property



Source: Online Estate & Letting Agents Survey (October 2012) & RSR 2011

- 6.19 To assess affordability it is necessary to compare housing costs against income. Figure 6.3 profiles the distribution of household incomes in the Hereford HMA, and compares this with the distribution county-wide. The median income in the Hereford HMA at £21,653 pa is slightly below the County average (£22,002 pa).
- 6.20 In the Hereford HMA, the ratio of lower quartile house prices to lower quartile household incomes is 9.20; which is about average for the County.
- 6.21 As Figure 6.3 indicates, Hereford has an above average proportion of households with incomes of up to £20,000 relative to the County-wide profile.

Figure 6.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling based on Experian, 2010

6.22 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 6.4 below.

Figure 6.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Hereford HMA	Herefordshire
Income Required to Access Market Housing	£25,200	-
Number Unable to Afford	20,354	44,641
Estimated Households (2012)	35,187	79,185
% of Households Unable to Afford	57.8%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

6.23 It is estimated that 58% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 70% of households aged under 45.

6.24 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

- 6.25 An estimate of housing need within the HMA has been made taking account of the following:
- Current housing need – total households who are currently in housing need, drawing on information from the Council’s Housing Register (Home Point);
 - Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
 - Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.
- 6.26 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council’s Facts and Figures website.²³
- 6.27 Current housing need (the backlog) is calculated using the HomePoint housing register. It is estimated at 1,105 households, net of transfers.
- 6.28 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Hereford HMA new household formation is estimated at 3,122 over the next five years. It is estimated that 70% of newly-forming households in the HMA are unable to afford market housing. This is above the Herefordshire average of 68%.
- 6.29 It is estimated that 804 existing households will fall into need over the next 5 years.
- 6.30 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector, as well as the supply of shared ownership, intermediate rent and low cost home ownership homes.

²³ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

6.31 Net affordable housing need in the HMA is calculated below:

Figure 6.5: Estimated Level of Housing Need 2012-17

		Hereford HMA
A	Backlog of Need	1,105
B	Newly-Arising Need (5 Year)	2,995
C	Total Need (= A + B)	4,099
D	Affordable Housing Supply (5 Year)	2,015
E	Net Need (5 Year) (= C - D)	2,084
F	Affordable Housing Requirement PA (=E / 5)	417
	Additional Homes Proposed PA	418
	Need as % of Proposed Supply	100%

6.32 It is estimated that there is an **annual need for 417 units of affordable housing in the Hereford HMA**. This compares with an estimated supply of 418 new homes per annum (2011-31). The level of need represents virtually 100% of the projected supply.

6.33 This figure should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.

6.34 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.

6.35 It is estimated that an income of £25,200 is required to access market housing, but that an income of £20,160 is required to access intermediate housing within the Hereford HMA.

6.36 Within the Hereford HMA it is estimated that 22% of households in need will be able to afford intermediate housing, with 78% requiring social/affordable rented housing (54% social rent; 24% affordable rent).

6.37 The profile of housing need by size is 57% 1-bed properties, 19% 2-bed, 19% 3-bed and 6% with four or more bedrooms. This provides a short-term assessment of requirements for different sizes of affordable housing.

Housing Market Performance

6.38 The Zoopla House Price Index, as at October 2012, indicates that the average house price paid for standard property in Hereford over the last three years was £205,790: 2% below the County average (£210,672). The average price in the last 12 months (to Oct 2012) was £206,385. House prices in the City are cheaper than in any of the other market towns, or in the rural areas.

6.39 Taking all property sales between April- September 2012 inclusive, the average property price in this HMA was £193,700 as compared to £213,900 for Herefordshire as a whole. On this measure, Hereford HMA has the lowest median price out of the 7 HMA's

6.40 GL Hearn has analysed the distribution of sales in the HMA over this period. The sales profile is biased more towards semi-detached and terraced properties, with lower sales of flats/maisonettes relative to other areas.

6.41 Areas to the north of the river generally command higher house prices than those to the south. Areas in the north of Hereford perceived to be in the catchment area of particular schools or to have good access to the City Centre are in high demand compared with areas south of the river.

6.42 The two wards south of the River Wye have a higher percentage of social housing (33% of total stock), than the 5 wards which are north of the river, where 15% of the stock consists of social housing. Much of the older social housing stock south of the river is of PRC construction (Pre-cast Reinforced Concrete) which will eventually need replacement.

6.43 Discussions with estate agents undertaken as part of the 2011 Assessment also indicated that villages to the south and east of the City, with a range of facilities, good public transport links or easy access to the M5 motorway were also popular. Specific mention was made of Fownhope, Woolhope, Hampton Bishop, Mordiford and Bartestree.

6.44 Evidence from discussions with estate and letting agents undertaken in January 2011 points to the following conclusions regarding local market conditions²⁴:

- The market is currently fairly static in terms of values, having fallen since 2007 (c. 15% from the peak of the market). Mortgage finance constraints are having a significant affect on the local housing market, and there is a shortage of first-time buyers.
- Sensibly priced, modern family housing is popular in the City. Access to good schools is a key driver of demand. There is a recognised glut of flats in the City Centre, and values have reduced since the top of the market.
- There is a clear north/ south dynamic within the City, with higher value areas to the north of the River. This reflects the housing stock, access to schools etc. A Polish community has developed around Hinton in the west of the City, accommodated in larger but relatively affordable ex-local authority homes.
- There is a ageing demographic to the population, and demand from the 'grey' market including retirement age couples moving to the area.
- The market for larger properties in the rural parts of the HMA is buoyant, particularly for properties with land.
- The lettings market has been relatively steady over the last six months, with the majority of demand coming from young professionals and families, and low income households who cannot afford to buy. The most popular property types are 1 and 2 bed, but there is currently a shortage of 3- and 4-bed properties for rent. The investment market is relatively weak.

6.45 A further set of discussions were picked up with estate and letting agents in October 2012 to inform the LHMA Update. Estate agents in Hereford City described the sales market as being "quiet" particularly from September onwards. Agents said there were few first time buyers, with most buyers being above the age of 30. Prices were described as either being "stagnant" or "falling slightly" over the past few months. The agents spoken to envisage that the market will stay the same the same over the next few months. Most buyers were said to be looking for 3/ 4 bed roomed properties.

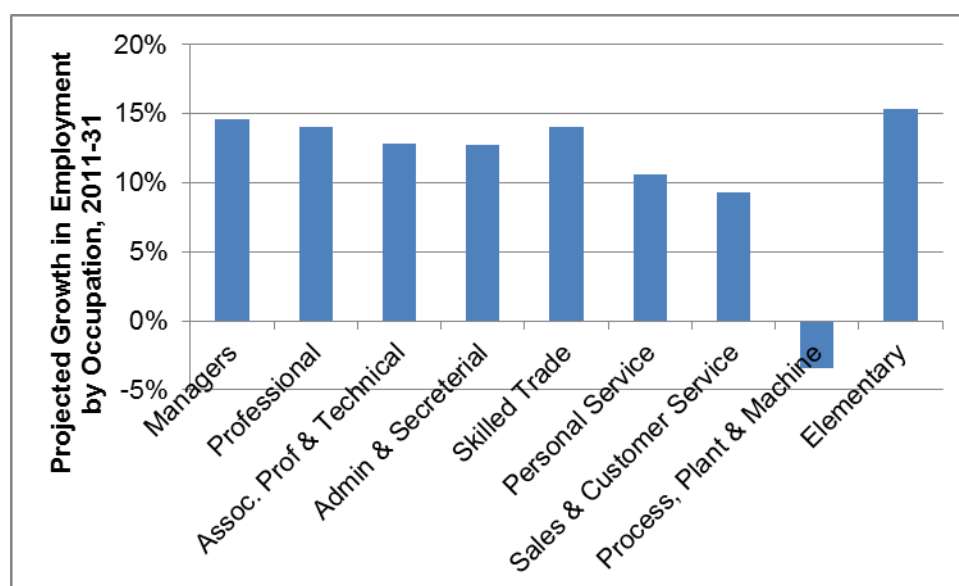
6.46 The lettings market showed more activity in Hereford City. It has a more varied profile of people, including younger couples from the age of 20. The lettings market showed 2-4 bed properties let most recently with there being an oversupply of 1- 2 bed flats. Agents noted a shortage of 2 bed properties in the rental market and said that retirement properties are the most difficult property type to shift.

²⁴ Estate agents consulted were Russell Baldwin & Bright; Jackson International; Sunderland & Thompsons; Brightwells; Connells; Andrew Grant; Cobb; Flint & Cook; Belvoir Lettings; Northwood Lettings

Potential Population and Economic Growth

- 6.47 It is proposed to deliver 6,500 new dwellings in Hereford City over the period between 2011-31 representing housing growth of 26% or about 1.3% per annum. It is estimated that 1,870 new dwellings will be delivered in the rural parts of the HMA, representing housing growth of 18%. The total housing growth of 8,370 envisaged represents growth of 23% -.
- 6.48 The economic modelling undertaken suggests employment might grow in Hereford by around 4,700 over the 2011-31 period. This should be regarded as indicative and does not take into account policy or regeneration ambitions including the Edgar Street Grid Project or the Enterprise Zone.
- 6.49 Taking account of the sectoral breakdown of employment in Hereford, we project the following changes in the profile of employment by occupation.

Figure 6.6: Prospective Change in Occupational Profile in Hereford, 2011-31



Source: GLH

- 6.50 Forecast employment growth is spread across a range of occupations, with growth projected in both managerial/ professional occupations, skilled trades and elementary occupations in particular. The level of economic growth forecast in Herefordshire is greater than in other areas in the county, and we can expect employment growth to be a stronger driver of housing demand in the City.
- 6.51 The baseline projections do not take account of potential economic interventions. The Preferred Core Strategy proposes allocation of 15 ha of employment land at locations north

and west of the town, supported by delivery of the relief road which will improve strategic road access. There is further development potential at Rotherwas Industrial Estate which has now been awarded Enterprise Zone status. In addition, delivery of regeneration proposals in the City Centre offer the potential for additional job creation, including retail/ service jobs as part of the retail expansion proposals; and the potential for growth in employment in education. The Hereford Futures retail development project for instance has the potential to generate an additional 890 jobs in retail, leisure and office-based employment²⁵ with estimates that the Hereford Futures 'growth package' could create up to 1,400 jobs (gross) by 2020²⁶.

6.52 The City's substantial growth/ regeneration programme will support job creation in construction; whilst housing growth can be expected to support job creation in a range consumer-related services. The county is also one of 4 UK Government pilots for superfast broadband with significant investment planned in technology networking: it is expected that this will also support economic growth.

6.53 In overall terms, we would expect employment growth to support job creation at a range of levels over the plan period, but with a focus on 'mid market' housing needed to support the local economy.

Future Housing Requirements

6.54 As the largest town within the County, Hereford has a varied profile of house types and exhibits demand characteristics for housing at a variety of different levels within the market.

6.55 Relative to some of the other towns within the County, the demand profile is stronger from those who live and work locally, than from those outside of the area. The retirement market appears less pronounced but still an important component of demand.

6.56 Despite the higher level of affordable housing supply, there is a substantial level of housing need. However a substantial volume of new supply is proposed.

6.57 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and

²⁵ Draft Herefordshire Local Economic Assessment

²⁶ Hereford Futures Regional Growth Fund Application

type of housing occupied by households in different age groups by gender within the HMA, projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.

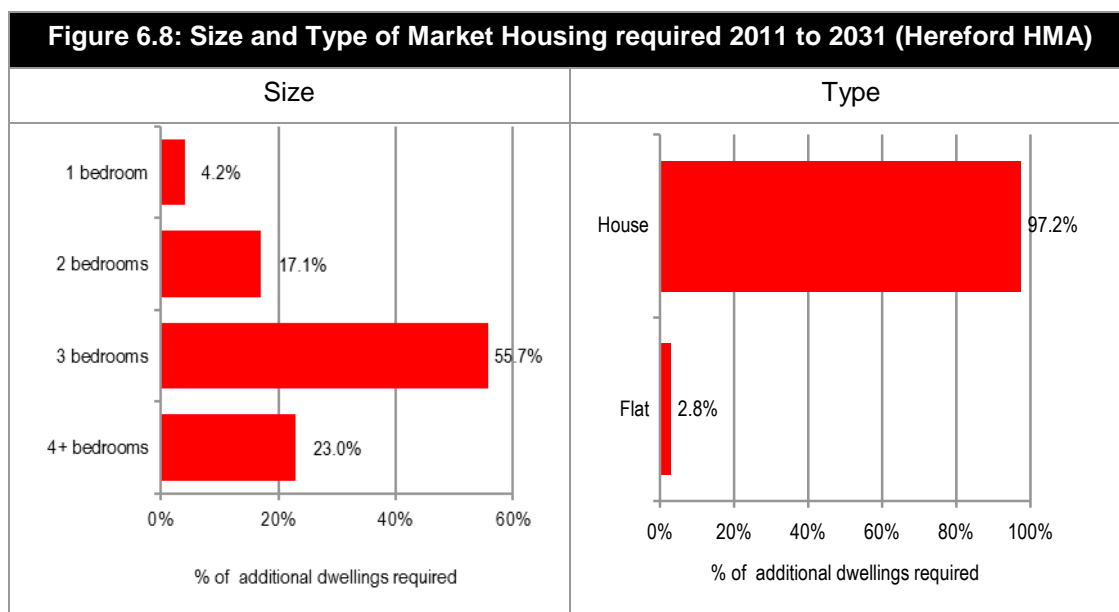
- 6.58 The model takes account of development viability and funding (and the level of existing stock) and assumes that 35% of net new housing delivered over the 2011-31 plan period is affordable housing.

Demand for Market Housing

- 6.59 It is assumed that 35% of additional housing delivered over the plan period is affordable, with 65% market housing. On this basis a requirement for 5,440 additional market units is identified with the majority of these being three bedroom homes. The majority of housing required will be in the form of houses (or bungalows).

- 6.60 Overall the data suggests that around three-quarters of additional market housing should be family (3+ bedroom) accommodation and around a quarter smaller units. Of the total, it is suggested that around 3% should be in the form of flats.

Figure 6.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Hereford HMA)			
Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	1,734	1,955	227
2 bedroom	4,881	5,791	933
3 bedroom	13,915	16,869	3,028
4+ bedroom	7,627	8,849	1,253
Total	28,157	33,465	5,440
Houses	25,868	31,025	5,285
Flats	2,289	2,440	155
Total	28,157	33,465	5,440



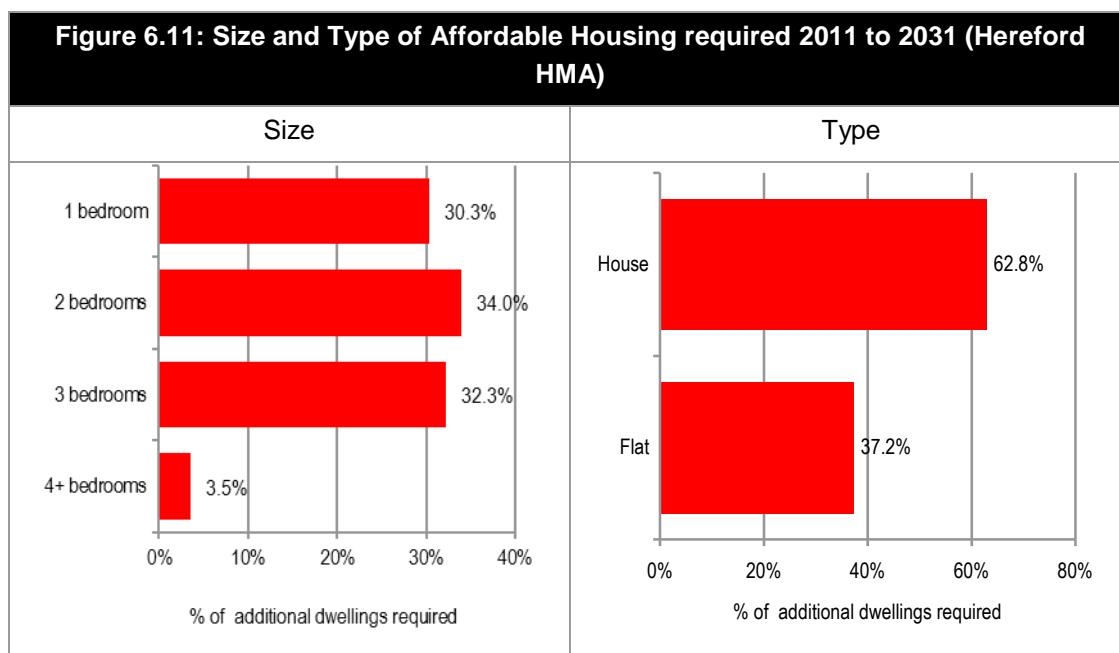
Affordable Housing

- 6.61 The table and figure below show estimates of the sizes and types of affordable housing required in the whole of the Hereford HMA. The data suggests a requirement for 2,929 additional affordable units (35% of all housing) with the majority of these being two and three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).
- 6.62 Overall the data suggests that over a third of additional affordable housing should be family (3+ bedroom) accommodation and just under two-thirds smaller units. Of the total, it is suggested that just over a third should be in the form of flats.

Figure 6.10: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Hereford HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	1,515	2,380	886
2 bedroom	2,241	3,212	995
3 bedroom	2,571	3,495	947
4+ bedroom	295	394	101
Total	6,622	9,480	2,929
Houses	3,982	5,776	1,839
Flats	2,640	3,704	1,091
Total	6,622	9,480	2,929

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Urban/Rural Split

6.63 The tables below show the above information split between the urban and rural part of the Hereford HMA. Overall, the data shows that of the estimated housing requirement in the HMA some 78% is in the urban area (6,500 of 8,370 units over the 2011 to 2031 period). This is based on assumptions regarding the distribution of new housing provision.

6.64 In the market sector the data suggests that in both urban and rural areas the main requirement is for three bedroom homes although there is a noticeable difference for four bedroom accommodation – with a relatively low requirement shown in the rural area. This is based on a lower expected level of in-migration, and the changing age structure of the population.

6.65 Additionally, the urban area shows a higher requirement for flats than the rural part of the HMA.

6.66 In the affordable sector the data suggests a larger requirement for family accommodation in the urban area compared with rural parts of the HMA.

Figure 6.12: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Hereford HMA)

Type/size	Hereford Urban		Hereford Rural		Hereford HMA	
	Number	%	Number	%	Number	%
1 bedroom	166	3.9%	61	5.0%	227	4.2%
2 bedroom	654	15.5%	279	22.9%	933	17.1%
3 bedroom	2,366	56.0%	662	54.5%	3,028	55.7%
4+ bedroom	1,040	24.6%	213	17.5%	1,253	23.0%
Total	4,225	100.0%	1,215	100.0%	5,440	100.0%
Houses	4,081	96.6%	1,204	99.1%	5,285	97.2%
Flats	144	3.4%	11	0.9%	155	2.8%
Total	4,225	100.0%	1,215	100.0%	5,440	100.0%

Figure 6.13: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Hereford HMA)

Type/size	Hereford Urban		Hereford Rural		Hereford HMA	
	Number	%	Number	%	Number	%
1 bedroom	670	29.5%	216	33.0%	886	30.3%
2 bedroom	753	33.1%	242	37.0%	995	34.0%
3 bedroom	771	33.9%	176	26.9%	947	32.3%
4+ bedroom	81	3.6%	20	3.1%	101	3.5%
Total	2,275	100.0%	654	100.0%	2,929	100.0%
Houses	1,311	57.6%	528	80.6%	1,839	62.8%
Flats	964	42.4%	127	19.4%	1,091	37.2%
Total	2,275	100.0%	654	100.0%	2,929	100.0%

Delivery Considerations

- 6.67 The scale of development planned in Hereford which amounts to household growth of 1.3% per annum over the plan period. This has been reduced since the original LHMA Report was prepared (growth of 1.7% per annum was proposed at this point) with the housing requirement reduced from 425 to 325 homes per year.
- 6.68 Strategic residential development is no longer proposed at Whitecross, The level of housing proposed at Holmer West has been halved to 500 homes.
- 6.69 For the Hereford HMA, economic growth will be important in supporting housing demand. It will also influence the housing mix, and particularly the balance between 'retirement moves' and those working. Economic growth potential at Hereford has been bolstered by the designation at the Enterprise Zone at Rotherwas Industrial Estate.

- 6.70 To support delivery rates it will be important that there is an element of product differentiation between the types of homes being delivered at different locations, both between the City Centre and Urban Extensions, and between different urban extensions. Multiple developers will need to be delivering homes alongside one another.
- 6.71 In our view the urban village is likely to have a greater focus on smaller households, albeit that flatted provision will need to be carefully phased vis-à-vis other central sites in Hereford.
- 6.72 In our view, the Lower Bullingham extension is likely to have a greater proportion of 2 and 3 bedroom properties, and less four bed reflecting the potential value profile in this location. In contrast a higher proportion of larger homes (4+ bed) can be expected at Three Elms in NW Hereford & Holmer West in North Hereford. These judgements should however be left to the market.
- 6.73 Larger urban extensions provide the opportunity to incorporate bespoke accommodation for older people, recognising the changing demographic within the HMA. This is also true of the Edgar Street Grid regeneration project.
- 6.74 The funding and delivery of the Western Relief Road to the City will be important in supporting housing delivery proposals as well as economic growth.

The Ageing Population

- 6.78 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.
- 6.79 Figure 6.14 below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that Hereford HMA has about 31% of its population aged 55 and over, this is low in the context of the County as a whole but is still a higher proportion than is seen either regionally or nationally.

Figure 6.14: Older person population (2011)

Age group	Hereford	Herefordshire	West Midlands	England
Under 55	69.3%	64.5%	71.3%	72.0%
55-64	12.2%	14.1%	11.7%	11.6%
65-74	9.6%	11.3%	9.1%	8.6%
75-84	6.4%	7.2%	5.7%	5.5%
85+	2.5%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	30.7%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

6.80 Projecting forward we see that the older person population is expected to increase significantly with 49% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to more than double whilst the population aged under 55 is expected to drop slightly.

Figure 6.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	57,023	55,220	-1,803	-3.2%
55-64	10,023	12,467	2,444	24.4%
65-74	7,915	12,289	4,374	55.3%
75-84	5,303	8,339	3,036	57.2%
85+	2,040	4,601	2,561	125.5%
Total	82,304	92,916	10,612	12.9%
Total 55+	25,281	37,696	12,415	49.1%

Source: Projection modelling

6.81 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

6.82 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the

number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to increase by 91% with the numbers with mobility problems increasing by 77% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 6.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	1,084	2,068	984	90.8%
Mobility problems	2,832	5,014	2,181	77.0%

Source: POPPI Website and projection modelling

6.83 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 17% of households registered are aged 55 and over with a figure of 10% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 31% of all people being aged 55 and over).

6.84 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 6.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	2,335	82.7%	57,023	69.3%
55-64	219	7.8%	10,023	12.2%
65-74	162	5.7%	7,915	9.6%
75-84	82	2.9%	5,303	6.4%
85+	24	0.9%	2,040	2.5%
Total	2,822	100.0%	82,304	100.0%
Total 55+	487	17.3%	25,281	30.7%

Source: Housing Register and demographic modelling

7 LEOMINSTER HOUSING MARKET

Geography

- 7.1 The Leominster Housing Market Area includes the market town to the south, and stretches northward to the border with Shropshire. With a population of 23,300 it has the third largest population out of the HMA's. Within the Leominster HMA, there are several rural service centres as well as the market town itself – Kingsland, Leintwardine, Orleton and Weobley. Wigmore is a local service centres²⁷.
- 7.2 Access to services is only slightly lower than for Herefordshire as a whole: 74.1% of households are within 2km of a post office (82.8% for Herefordshire) and 69.1% of households are within 4km of a free cashpoint (71.1% for Herefordshire).²⁸

Current Housing Offer

- 7.3 The HMA contains 11,064 properties²⁹ representing 13% of total properties in Herefordshire.
- 7.4 In 2001, 71.5% of households were owner occupiers which was slightly above average for the County (70.8%). While levels of private renting were above average at 10.8% compared to 9.1% across Herefordshire, the level of social renting was below average (13.2% compared to 15.2% across the County). Private renting can be expected to have increased since 2001.
- 7.5 At a ward level, there was a notable level of private renting in Golden Cross ward in 2001 at 14%. Social rented housing was focused within the town, with 17% social renting in Leominster North ward and 21% in Leominster South ward. Owner occupation in the latter was thus below average, relative to the County.
- 7.6 Second home ownership above the County average at 1.2% of homes. 1.8% of the housing stock was vacant in 2010³⁰.
- 7.7 Across the HMA the level of detached housing in 2001 was slightly above the County average (48% against 43%) and correspondingly there was a slightly below average proportion of flats/maisonettes (at 7.5%).

²⁷ For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

²⁸ Source: Commission for Rural Communities, 2007

²⁹ Source: Council Tax Records, November 2012

³⁰ Source: Council Tax Records, November 2012

Socio-Economic Characteristics

- 7.8 The Leominster HMA had an estimated population of 23,300 in 2010 of which 11,300 falls within the market town of Leominster. In employment terms, the HMA supported around 10,200 employee jobs in 2010 of which 5,500 are in Leominster. It is thus an important employment centre in the County, second only to Hereford as a source of employment.
- 7.9 Reflecting these employment opportunities, the proportion of people working at home in this HMA in 2001 was only slightly higher than in Herefordshire as a whole (18.4% of the working population as compared to 15.2%). However more residents of this HMA travelled 10km or more to get to work (33.2% as compared to 26.9%)³¹, reflecting the large geographical area covered by this HMA.
- 7.10 A location quotient analysis of the employment base indicates a concentration of employee jobs in 2010 in the HMA in the construction sector, arts entertainment and recreation, and real estate activities.
- 7.11 The 2010 Index of Deprivation identifies that Leominster-Ridgemoor (in the north east of the town) and Leominster Grange (adjoining this to the South) fall within the most deprived 20% of areas nationally. Both fall within the most deprived 20% of areas in terms of income deprivation, with Leominster Ridgemoor within the most deprived 10% of areas nationally. Leominster Ridgemoor is in the most deprived 20% of areas in terms of barriers to housing and services; whilst Leominster Grange is in the most deprived 20% of areas in regard to the living environment.

Housing Need

- 7.12 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 7.13 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

- 7.14 Figure 10.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £74,000, and from £105,000 for a 2-bed

³¹ Source: 2001 Census

property. Entry level private rented range from £390 PCM for a 1-bed property and £475 for a 2-bed, through to £750 PCM for a 4-bed home.

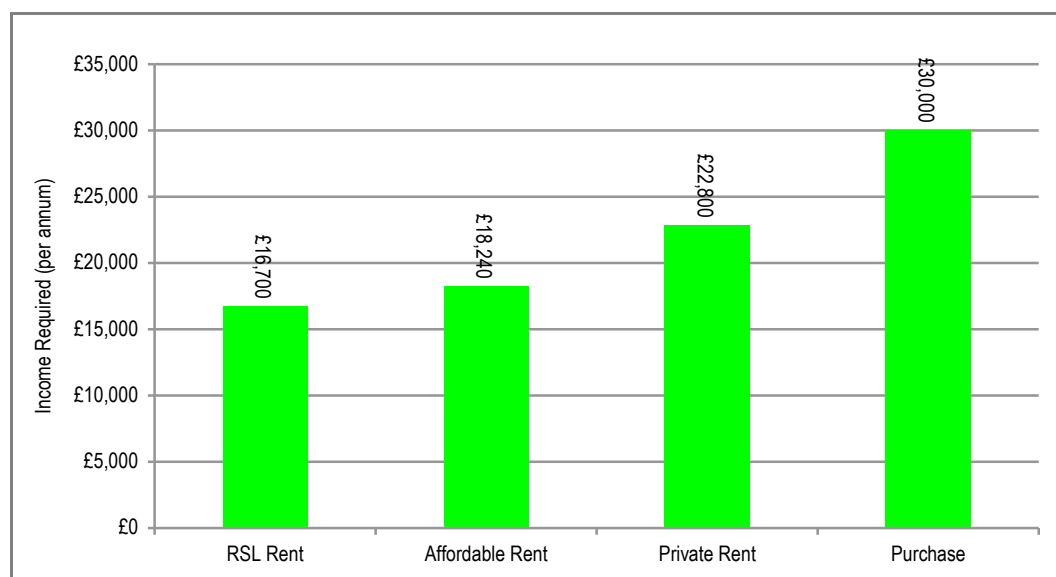
Figure 7.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£390	£475	£600	£750
Entry-Level Purchase Price	£74,000	£105,000	£155,000	£185,000

Source: Online Estate & Letting Agents Survey (Oct 2012)

7.15 Figure 7.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spend on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

Figure 7.2: Indicative Income Required to Buy-Rent 2-bed Property

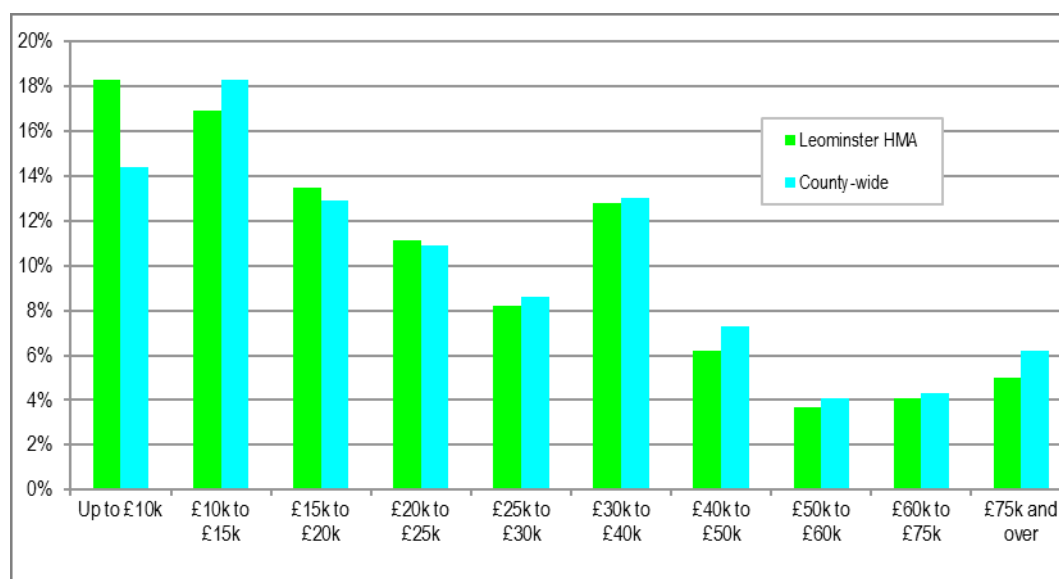


Source: Online Estate & Letting Agents Survey (Oct 2012) & RSR

7.16 To assess affordability it is necessary to compare housing costs against income. Figure 10.3 profiles the distribution of household incomes in the Leominster HMA, and compares this with the distribution county-wide. The median income in the Leominster HMA at £20,629 pa is the second lowest of the HMAs after Kington, and 6% below the County average (£22,002 pa).

7.17 As Figure 7.3 indicates, while the income distribution is similar to the County-wide profile, there are a higher proportion of households with incomes of less than £10,000.

Figure 7.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian 2010 data

7.18 In the Leominster HMA, the ratio of lower quartile house prices to lower quartile household incomes is 4.71.

7.19 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 7.4 below.

Figure 7.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Leominster HMA	Herefordshire
Income Required to Access Market Housing	£22,800	-
Number Unable to Afford	5,994	44,641
Estimated Households (2012)	10,523	79,185
% of Households Unable to Afford	57.0%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

7.20 It is estimated that 57% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 67% of households aged under 45.

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7.21 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

7.22 An estimate of housing need within the HMA has been made taking account of the following:

- Current housing need – total households who are currently in housing need, drawing on information from the Council's Housing Register (Home Point);
- Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
- Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.

7.23 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council's Facts and Figures website.³²

7.24 Total current housing need (the backlog) is estimated at 199 households, net of transfers.

7.25 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Leominster HMA new household formation is estimated at 1,003 over the next five years. It is estimated that 67% of newly-forming households in the HMA are unable to afford market housing. This is below the Herefordshire average of 68%.

7.26 An estimated 169 existing households are expected to fall into housing need over the next five years.

7.27 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector.

7.28 Net affordable housing need in the HMA is calculated below:

³² <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

Figure 7.5: Estimated Level of Housing Need 2012-17

		Leominster HMA
A	Backlog of Need	199
B	Newly-Arising Need (5 Year)	837
C	Total Need (= A + B)	1,035
D	Affordable Housing Supply (5 Year)	677
E	Net Need (5 Year) (= C - D)	358
F	Affordable Housing Requirement PA (=E / 5)	72
	Additional Homes Proposed PA	151
	Need as % of Proposed Supply	48%

- 7.29 It is estimated that there is an **annual need for 72 units of affordable housing in the Leominster HMA**. This compares with an estimated supply of 151 new homes per annum (2011-31). The level of need represents 48% of projected supply.
- 7.30 This figure should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 7.30 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 7.31 It is estimated that an income of £22,800 is required to access market housing, but that an income of £18,240 is required to access intermediate housing within the Leominster HMA.
- 7.32 Within the Leominster HMA it is estimated that 32% of households in need will be able to afford intermediate housing, with 68% requiring social/affordable rented housing (53% social rent; 15% affordable rent).
- 7.33 In the short-term, there appears to be a surplus of 3-bed properties within this HMA, and a particular requirement for 1-bed properties.

Housing Market Performance

- 7.34 The Zoopla House Price Index indicates that the average house price paid for a standard property in Leominster over the last three years was £198,955, 6% below the County average and the lowest of any of the market towns. The average house price in the last 12 months (to September 2012) was £190,021 – notably lower than in any of the other market towns.
- 7.35 The average price of a home sold in the HMA in the period April – September 2012 was £204,100. This was below the County average of £214,000. The average price of a terraced home in the HMA was above average in this period, whilst prices for other house types were generally below average.
- 7.36 A high 48% of sales over the April – September 2012 period were of detached housing, with 26% of semi-detached and 21% of terraced properties; and 6% of flats.
- 7.37 Evidence from discussions with estate agents in January 2011³³ points to the following conclusions regarding local market conditions:
- The sales market in 2010 was stronger than in the previous two years. There is a mixed profile of buyers, both local and from further afield. One agent reported less demand from buyers moving from the South than there used to be, however this continues to represent an important segment of demand.
 - Demand from people moving into the area is typically for properties valued between £350,000 - £1 million, and this has been a strong segment of the market as the area is considered relatively 'good value' for households with a wide area of search. Local demand is currently principally for homes valued between £180,000 - £200,000.
 - Recent flatted schemes, such as the development at Ryelands Road, have not performed well, with 1-bed flats unpopular particularly as people would prefer a small house.
 - Stock in less popular areas such as Middlemarsh can be difficult to sell. This is particularly true of 1 and 2 bed properties.
 - The lettings market was described as very strong with properties letting very quickly. This has been buoyed by demand from overseas migrants, particularly from other parts of the EU. Stock is spread all over the town and in surrounding areas.
 - There is a general undersupply of properties to let, but this is particularly true of two- and three-bed properties.

³³ Nicholas Craddock & McCarneys

- The investment market has picked up, with more investors reported to be looking for property in the last 6-8 months. They are particularly seeking properties valued between £70,000 - £100,000 which produces a strong yield.
- 7.38 Agents also reported in 2011 that the Persimmon development on Hereford Road (St Boltophs Green) had sold generally well. It contained a higher proportion of larger properties, but has struggled towards the end of the development. It was suggested that this related to the timing relative to housing market performance, with the final phase on sale as the market turned.
- 7.39 A further set of discussions were picked up with estate and letting agents in October 2012 to inform the LHMA Update. Most agents said prices have been stagnant or have fallen slightly over the past year with agents in Leominster describing the last year as “difficult.” Buyers tended to be in their late 40s and early 50s, with family homes being popular. Agents have seen property prices not changing a great deal in the past few months and do not believe that sales prices will increase greatly in the future.
- 7.40 The letting market was said to be stronger in Leominster with the profile of people and the type of property (ranging from 1 bed flats to 4 bed houses) being more varied than in the sales market. Agents estimated that rents had increased 5% over the past year. Investment properties tend to be from small investors, averaging £130,000.

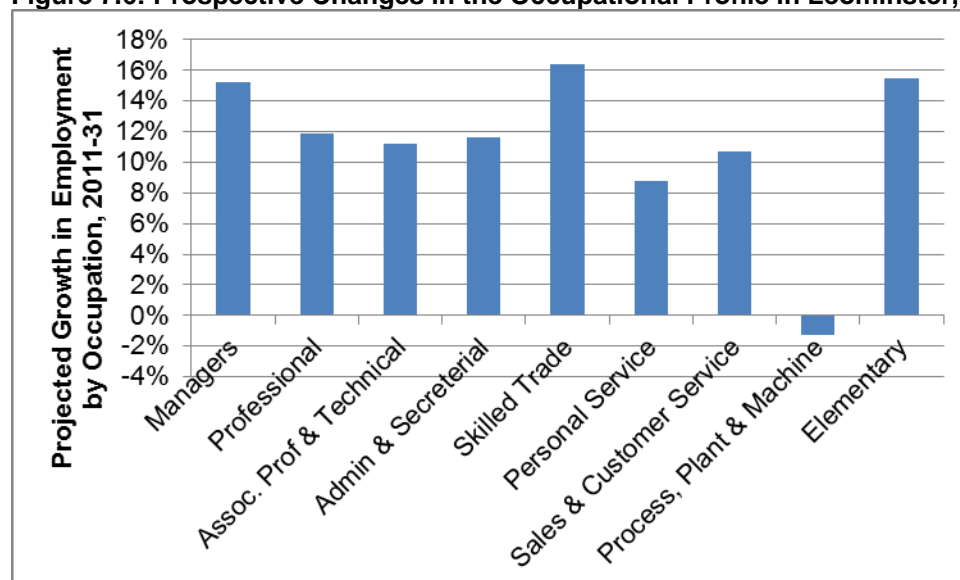
Potential Population and Economic Growth

- 7.41 The Core Strategy Revised Preferred Options propose provision of 2,300 homes at Leominster of which a substantial proportion are to be delivered through an urban extension to the south west of the town which will support delivery of a southern relief road. In addition there is an outstanding allocation at Barons Cross Camp. Delivery of this volume of homes over the plan period, 2011-31, would represent housing growth of 2.2% per annum. This is substantially above levels in other parts of the County (albeit less than the 2.5% growth rate proposed in the initial Preferred Options).
- 7.42 Within the rural parts of the HMA, it is estimated that 730 homes would be delivered over the 2011-31 plan period, representing household growth of 14%. The Core Strategy Revised Preferred Options would support household growth of 28% over the 20 year period is higher than in any of the other HMAs.
- 7.43 Modelled estimates of employment growth in Leominster are for 14% growth over the plan period between 2011-31, taking account of the economic structure of the HMA. This is under

baseline conditions and does not take into account policy or supply-side measures. The level of growth forecast is similar to the County average.

- 7.44 Considering the sectoral breakdown of employment, we project the following changes in the town's occupational structure:

Figure 7.6: Prospective Changes in the Occupational Profile in Leominster, 2011-31



Source: GLH

- 7.45 Our projections show stronger relative growth in elementary and skilled trade occupations, but with growth across a range of occupational groups. This is set against a reduction in employment of process, plant and machine operatives. We would expect this to support demand for a range of housing typologies.

Future Housing Requirements

- 7.46 Demand within the HMA can be expected to result from local households, from (moderate) economic growth and from households moving to the area.
- 7.47 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and type of housing occupied by households in different age groups by gender within the HMA,

projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.

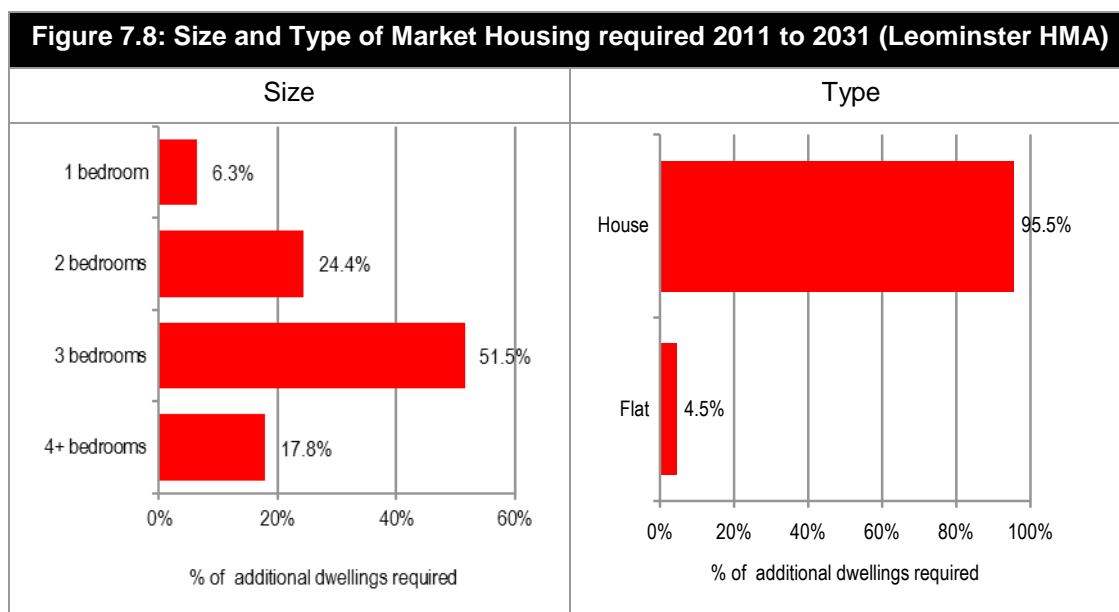
- 7.48 The model takes account of development viability and funding (and the level of existing stock) and assumes that 25% of net new housing delivered over the 2011-31 plan period is affordable housing. This reflects existing housing values (which influence development viability) and levels of housing need.

Demand for Market Housing

- 7.49 Figures 7.7 and 7.8 below show estimates of the sizes and types of market housing required in the whole of the Leominster HMA. The data suggests a requirement for 2,272 additional market units with the majority of these being three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

- 7.50 Overall the data suggests that around two-thirds of additional market housing should be family (3+ bedroom) accommodation and around a third smaller units. Of the total, it is suggested that around 4.5% should be in the form of flats. Market evidence has suggested a limited market for flats in this HMA particularly in the short-term

Figure 7.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Leominster HMA)			
Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	447	587	144
2 bedroom	1,642	2,183	554
3 bedroom	4,266	5,408	1,170
4+ bedroom	2,631	3,026	405
Total	8,986	11,203	2,272
Houses	8,544	10,661	2,170
Flats	442	542	103
Total	8,986	11,203	2,272



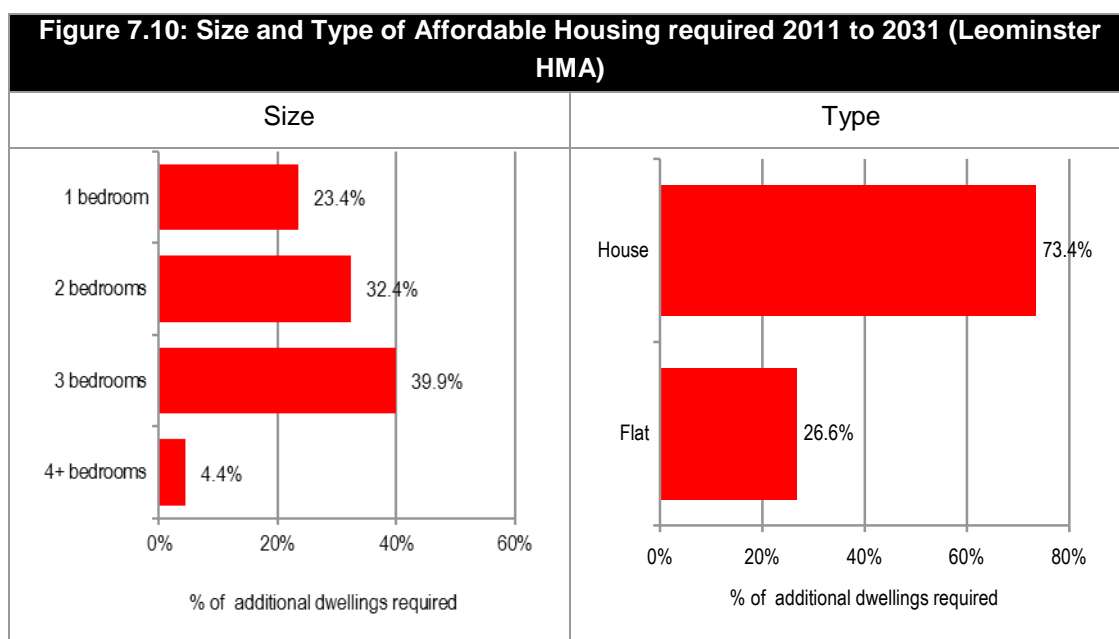
Sizes of Affordable Housing

7.51 Figures 7.9 and 7.10 below show estimates of the sizes and types of affordable housing required in the whole of the Leominster HMA. The data suggests a requirement for 757 additional affordable units (25% of all housing) with the majority of these being two and three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

7.52 Overall the data suggests that over two-fifths of additional affordable housing should be family (3+ bedroom) accommodation and just under three-fifths smaller units. Of the total, it is suggested that just over a quarter should be in the form of flats.

Figure 7.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Leominster HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	291	463	177
2 bedroom	440	679	245
3 bedroom	575	870	302
4+ bedroom	84	116	33
Total	1,389	2,128	757
Houses	1,051	1,593	556
Flats	338	535	201
Total	1,389	2,128	757



Urban/Rural Split

- 7.53 Of the estimated housing requirement in the HMA some 76% is in the urban area (2,300 of 3,030 units over the 2011 to 2031 period) reflecting the proposed distribution of housing provision in the Core Strategy Revised Preferred Options.
- 7.54 In the market sector the data suggests that in both areas the main requirement is for three bedroom homes although there is a noticeable difference for four bedroom accommodation – with a relatively low requirement shown in the rural area. Additionally, the urban area shows a higher requirement for flats than the rural part of the HMA. In the affordable sector the data suggests a similar profile in terms of size requirements in both urban and rural areas.

Figure 7.11: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Leominster HMA)

Type/size	Leominster Urban		Leominster Rural		Leominster HMA	
	Number	%	Number	%	Number	%
1 bedroom	112	6.5%	32	5.8%	144	6.3%
2 bedroom	412	23.9%	142	25.8%	554	24.4%
3 bedroom	846	49.1%	324	59.1%	1,170	51.5%
4+ bedroom	354	20.5%	50	9.2%	405	17.8%
Total	1,725	100.0%	548	100.0%	2,272	100.0%
Houses	1,623	94.1%	547	99.9%	2,170	95.5%
Flats	102	5.9%	1	0.1%	103	4.5%
Total	1,725	100.0%	548	100.0%	2,272	100.0%

Figure 7.12: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Leominster HMA)

Type/size	Leominster Urban		Leominster Rural		Leominster HMA	
	Number	%	Number	%	Number	%
1 bedroom	133	23.1%	44	24.1%	177	23.4%
2 bedroom	188	32.6%	57	31.5%	245	32.4%
3 bedroom	225	39.0%	78	42.6%	302	39.9%
4+ bedroom	30	5.2%	3	1.8%	33	4.4%
Total	575	100.0%	183	100.0%	757	100.0%
Houses	385	66.9%	171	93.9%	556	73.4%
Flats	190	33.1%	11	6.1%	201	26.6%
Total	575	100.0%	183	100.0%	757	100.0%

Delivery Considerations

7.55 The rate of housing growth proposed at Leominster is likely to be influenced by delivery of employment development; whilst provision of a range of house types/products will be important to support sales volumes.

7.56 It is expected that larger sites will deliver a high proportion of the housing requirement established for this HMA. A focus on two- and three- bedroom properties for these areas appears appropriate, however there may be demand for a larger number of properties with four or more bedrooms (relative to that indicated) depending on the nature of employment growth and future trends in demand from households moving to the area.

The Ageing Population

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7.57 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.

7.58 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that Leominster HMA has about 39% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Figure 7.14: Older person population (2011)

Age group	Leominster	Herefordshire	West Midlands	England
Under 55	61.3%	64.5%	71.3%	72.0%
55-64	14.9%	14.1%	11.7%	11.6%
65-74	12.5%	11.3%	9.1%	8.6%
75-84	8.0%	7.2%	5.7%	5.5%
85+	3.3%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	38.7%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

7.59 Projecting forward we see that the older person population is expected to increase significantly with 34% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to more than double whilst the population aged under 55 is expected to see a more moderate increase.

Figure 7.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	14,604	16,729	2,125	14.5%
55-64	3,559	3,545	-14	-0.4%
65-74	2,980	3,856	876	29.4%
75-84	1,913	3,115	1,201	62.8%
85+	785	1,820	1,035	131.7%
Total	23,842	29,065	5,223	21.9%
Total 55+	9,238	12,336	3,098	33.5%

Source: Projection modelling

7.60 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

7.61 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the

number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to increase by 94% with the numbers with mobility problems increasing by 75% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 7.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase	
Dementia		402	779	376	93.5%
Mobility problems	1,045		1,831	786	75.2%

Source: POPPI Website and projection modelling

7.62 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 24% of households registered are aged 55 and over with a figure of 13% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 39% of all people being aged 55 and over).

7.63 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 7.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	427	76.5%	14,604	61.3%
55-64	60	10.8%	3,559	14.9%
65-74	36	6.5%	2,980	12.5%
75-84	23	4.1%	1,913	8.0%
85+	12	2.2%	785	3.3%
Total	558	100.0%	23,842	100.0%
Total 55+	131	23.5%	9,238	38.7%

Source: Housing Register and demographic modelling

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8 ROSS-ON-WYE HOUSING MARKET

Geography

- 8.1 The Ross-on-Wye HMA forms the southern part the county, bordering Worcestershire and Gloucestershire. With a population of 30,100 in mid 2010, it has the second largest population out of the HMAs.
- 8.2 The HMA includes the Market Town of Ross-on-Wye, together with the wards of Valletts, Pontrillas, Llangarron, Kerne Bridge, Penyard and Old Gore. Kingstone and Lea are Rural Service Centres. The villages of Winnal and Weston under Penyard are rural hubs whilst Garway, Goodrich, Gorsley, Peterstow, and Pontrilas are local service centres³⁴.
- 8.3 Access to services is only slightly lower than for Herefordshire as a whole: 79.8% of households are within 2km of a post office (82.8% for Herefordshire) and 69.1% of households are within 4km of a free cash point (61.6% for Herefordshire).³⁵

Current Housing Offer

- 8.4 The HMA contains 113, 640 properties³⁶ representing 17% of total properties in Herefordshire.
- 8.5 In 2001, 74.1% of households were owner occupiers which was above average for the County (70.8%). While levels of private renting were consistent with the County average (9.0% against 9.1%), the level of social rented housing was notably below average (11.7% compared to 15.2%). Private renting can be expected to have increased since 2001.
- 8.6 In 2001, 53% of social rented housing in the HMA was in the town of Ross-on-Wye with the largest concentration along the Walford Road on the south side of the town. Social rented housing accommodated 17% of households in Ross compared to 9% in the rural wards in the HMA (although Valetts ward had a higher proportion at 16%). Owner occupation is highest at 79-82% in the west of the HMA in the rural wards in the south of the HMA (Penyard, Pontrilas, Kerne Bridge and Llangarron).
- 8.7 Second homes ownership is above the County average at 1.4% of homes, but not as high as in the Golden Valley or Kington HMAs. 1.9% of housing is vacant³⁷.

³⁴ For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

³⁵ Source: Commission for Rural Communities, 2007

³⁶ Council Tax Records, November 2012

8.8 Across the HMA, a very high proportion of housing was detached at 55% (in 2001), compared to 43% across Herefordshire. Part of this is accounted for by bungalows (of which there is a notable number in Ross). Proportions of other housing types are correspondingly lower, with flats making up 9.8% of the housing stock in 2001. Since 2001 we would however expect the mix to have diversified somewhat.

Socio-Economic Characteristics

8.9 The employment focus is the market town of Ross-on-Wye, which has a population of 10,300 (mid 2010) and is the third largest town in Herefordshire after Hereford City and Leominster. The HMA accommodated around 8,400 employee jobs in 2010 of which around 5,000 are in Ross-on-Wye. It is the third largest employment centre in the County behind Hereford and Leominster³⁸.

8.10 The proportion of people working at home in this HMA in 2001 was a little higher than in Herefordshire as a whole (18.9% of the working population as compared to 15.2%). More people travelled 10km or more to get to work in 2001 (32.7% as compared to 26.9%)³⁹ which probably reflects the area's good road links, including out of the county, although Ross is not on the rail network.

8.11 The HMA has an above average concentration of employment in arts entertainment and recreation, real estate activities, other services, and administration and support services. The largest sectors overall are (like most parts of the county) retail/ wholesale activities and health/social care, each of which included more than 1000 employee jobs in 2010.

8.12 The 2010 Indices of Deprivation identify that one Lower-level Super Output Area (LSOA) within Ross-on-Wye, Ross – John Kyrle – falls within the 25% most deprived areas nationally. This area is within the most 20% income deprived areas nationally.

Housing Need

8.13 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.

8.14 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local

³⁷ Council Tax Records, November 2012

³⁸ Herefordshire Council analysis of BRES 2010 employee jobs data

³⁹ Source: 2001 Census

prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

8.15 Figure 8.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £74,000, and from £115,000 for a 2-bed property, which is likely to be the main focus for first-time buyers linked to a low supply of one-bed properties. Entry level private rented range from £425 PCM for a 1-bed property and £500 for a 2-bed, through to £750 PCM for a 4-bed home.

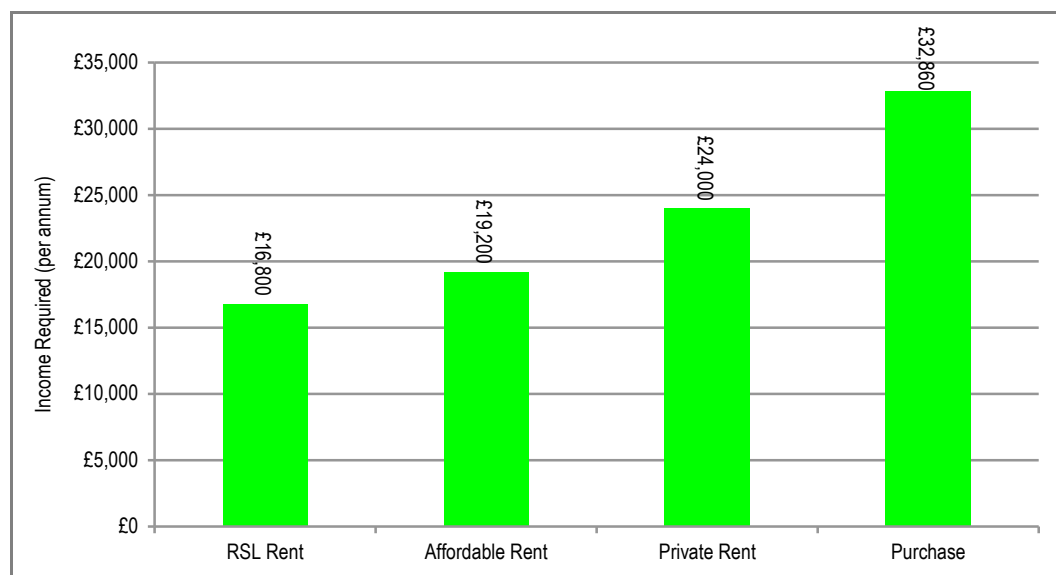
Figure 8.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£425	£500	£575	£750
Entry-Level Purchase Price	£74,000	£115,000	£166,000	£239,000

Source: Online Estate & Letting Agents Survey (Oct 2012)

8.16 Figure 8.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spend on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

Figure 8.2: Indicative Income Required to Buy-Rent 2-bed Property

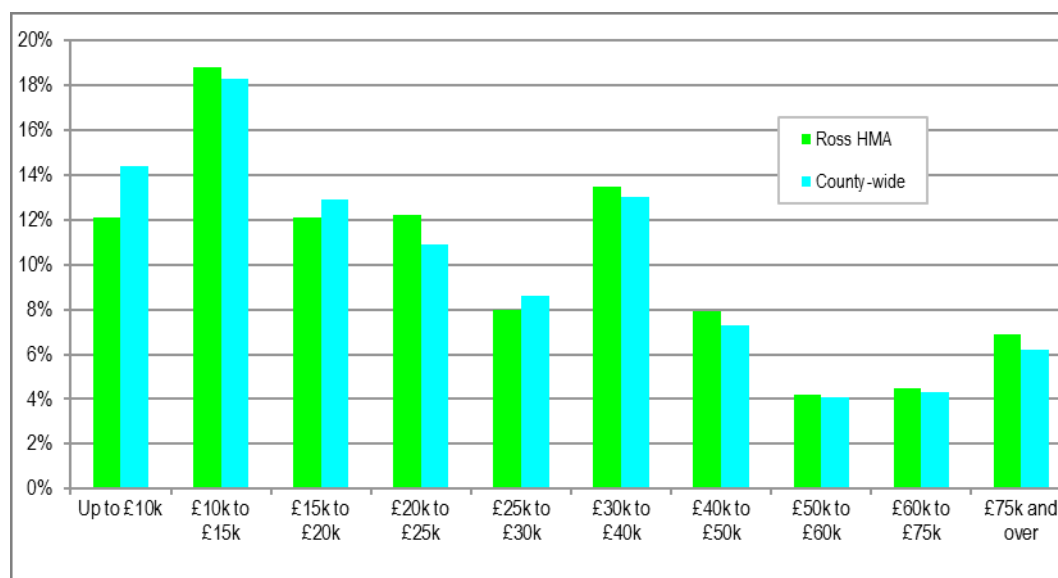


Source: Online Estate & Letting Agents Survey (Oct 2012) & RSR

8.17 To assess affordability it is necessary to compare housing costs against income. Figure 8.3 profiles the distribution of household incomes in the Ross-on-Wye HMA, and compares this with the distribution county-wide. The median income in the Ross HMA at £22,947 pa is slightly higher than the County average (£22,002 pa).

8.18 In the Ross HMA, the ratio of lower quartile house prices to lower quartile household incomes is 8.65: the lowest of any of the HMAs.

Figure 8.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian 2010

8.19 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 8.4 below.

Figure 8.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Ross HMA	Herefordshire
Income Required to Access Market Housing	£24,000	-
Number Unable to Afford	7,006	44,641
Estimated Households (2012)	13,107	79,185
% of Households Unable to Afford	53.4%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

6.75 It is estimated that 53% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire.. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 65% of households aged under 45.

6.76 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

8.20 An estimate of housing need within the HMA has been made taking account of the following:

- Current housing need – total households who are currently in housing need, drawing on information from the Council’s Housing Register (Home Point);
- Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
- Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.

8.21 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council’s Facts and Figures website⁴⁰

8.22 Current housing need (the backlog) is estimated at 170 households, net of transfers, based on the HomePoint Housing Register.

8.23 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Ross HMA new household formation is estimated at 976 over the next five years. It is estimated that 65% of newly-forming households in the HMA are unable to afford market housing. This is below the Herefordshire average of 68%.

8.24 It is estimated that over a five year period, 148 existing households will fall into housing need.

8.25 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector.

⁴⁰ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

8.26 Net affordable housing need in the HMA is calculated below:

Figure 8.5: Estimated Level of Housing Need 2012-17

		Ross HMA
A	Backlog of Need	170
B	Newly-Arising Need (5 Year)	778
C	Total Need (= A + B)	947
D	Affordable Housing Supply (5 Year)	495
E	Net Need (5 Year) (= C - D)	452
F	Affordable Housing Requirement PA (=E / 5)	90
	Additional Homes Proposed PA	102
	Need as % of Proposed Supply	88%

- 8.27 It is estimated that there is an **annual need for 90 units of affordable housing in the Ross HMA**. This compares with an estimated supply of 102 new homes per annum (2011-31). The level of need represents 88% of projected supply.
- 8.28 This figure should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 8.28 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 8.29 It is estimated that an income of £24,000 is required to access market housing, but that an income of £19,200 is required to access intermediate housing within the Ross-on-Wye HMA.
- 8.30 Within the Ross-on-Wye HMA it is estimated that 27% of households in need will be able to afford intermediate housing, with 73% requiring social rented housing (53% social rent; 20% affordable rent).
- 8.31 The housing needs analysis indicated that in the short-term, 54% of needs are 1-bed properties, 18% for 2-bed, 27% for properties with 3 or more bedrooms. This takes account of both needs and the profile and turnover of existing stock.

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Housing Market Performance

- 8.32 The Zoopla House Price Index indicates that the average house price paid for a standard property in Ross-on-Wye over the last three years (2008-10) was £234,996, 12% above the County average and the highest of any of the market towns (and Hereford City). The average house price in the last 12 months (to Sep 2012) was £219,898: substantially higher than in the other towns market towns. There is clearly a price premium attached to living in Ross.
- 8.33 The average price of housing sold between April – September 2012 (inclusive) in the HMA was £245,500. This was the second highest of the seven HMAs following slightly behind Kington. There was a particular premium for detached and semi-detached properties.
- 8.34 The profile of sales over this period was strongly biased towards detached properties, which accounted for 53% of total sales in the HMA (compared to 43% across the County).
- 8.35 Private rental levels in Ross town were ranked at close to the middle of the range, with the “entry level” monthly rental being estimated as ranging from £375 for a one-bed flat to £688 for a four-bed house, and private rental levels in Ross surrounds were ranked at close to the top of the range, with the “entry level” monthly rental being estimated as ranging £425 to £788.
- 8.36 Evidence from discussions with estate agents in January 2011⁴¹ points to the following conclusions regarding local market conditions:
- The sales market is reasonable, but activity is down around 6% on levels in 2007/8. There is significant latent demand but restrictions on mortgage finance are affecting households ability to purchase. This is particularly affecting demand for 1-3 bed properties.
 - Current demand for sales comprises local demand as well as demand from people currently living outside of the area, looking to move as a result of both job relocations and for retirement. This includes households from the South, ‘a lot of northerners’ and older households returning from overseas (e.g. France). A recent trend has been a growth in enquiries from couples with children from Birmingham. People relocating to the area make up a substantial proportion of sales.
 - There is demand for a range of different property types, from bungalows and older semi-detached properties to large 4/5 bedroom houses. There is a particularly high demand for rural cottages.

⁴¹ Parry's, Jan 2011

- Flats are currently difficult to sell, as the core of demand is typically from first-time buyers and investors, who are currently absent from the market.
- The lettings market is currently strong, with particular demand for 2-bed properties especially with parking. Rents have increase c. 25% over the last year.
- Prospective tenants are of all ages, but particularly people in their 20s. The Wycroft Park area is particularly attractive.
- There has been a recent increase in the supply of rented property (over the last 6-8 months), particularly from households letting their properties and moving abroad. Generally landlords have small portfolios of between 1 – 3 properties.
- Rental properties further out on the Walford Road (ex local authority stock), are more difficult to let, linked to the character and age of amenities.

8.37 Within the town, older Victorian properties are concentrated in more central areas and attract a premium. There is a limited supply of flats, and those existing are often targeted at older persons. A new-build development of retirement flats is currently being marketed at Wallace Court on Station Street, close to the town centre. This comprises 43 one and two-bed properties with parking and communal gardens and security.

8.38 Similarly to other areas, most agents described the sales market in Ross on Wye to be “difficult” and “slow.” One agent was more optimistic, saying that conditions had improved from a year ago but still described current sales conditions as “a struggle.” The agents spoken to in Ross on Wye said that properties that were sold were big town houses and rural houses of 4 / 5 beds. Very few people are looking for 2 beds in this area, with the majority of buyers being families looking for larger houses. The age of buyers ranges from people in their 30s, to people of retirement age. Few buyers are first time buyers. Prices were said to have decreased slightly over the past year. Agents said that they hoped prices would stabilise but said that it was hard to predict given difficulties in borrowing. Most said that they anticipated prices to remain at current levels or increase slightly.

8.39 The lettings market was described as “steady”, with properties taking approximately 4-5 weeks to let. One agent said that properties were not letting as well as they were doing compared to a few months ago. People who let properties tended to be in their 40s and 50s and let rural, larger properties. Agents predicted that rents may rise in the future but did not show much confidence.

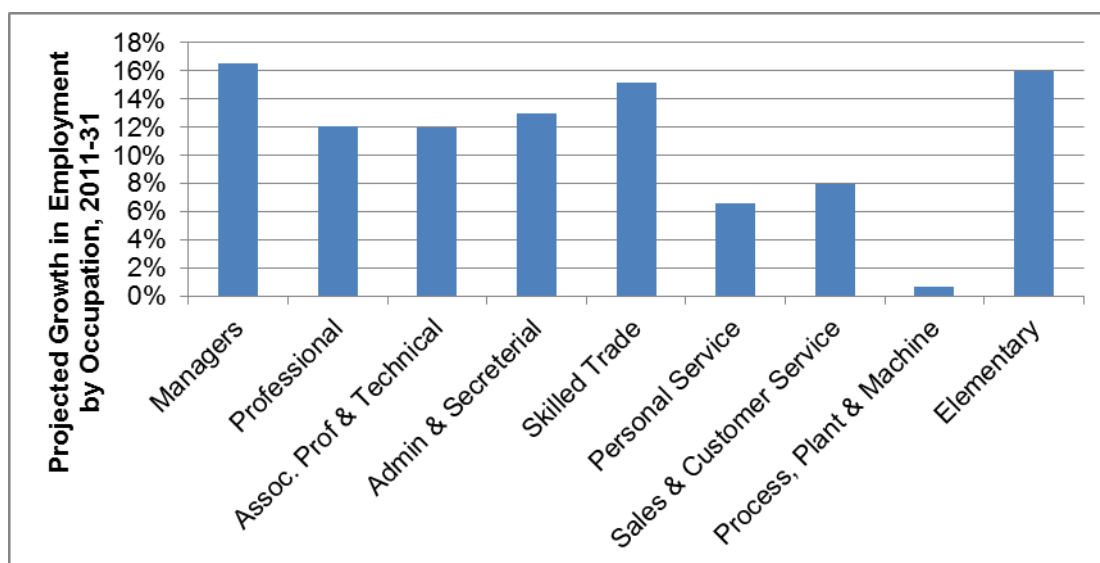
8.40 In the Ross-on-Wye’s letting market, 3 bedroomed properties are popular, with some students renting properties. Rents were said to have increased slightly (less than 5%) over

the past year. Agents said they doubted that rents would continue to increase. Investment is from small investors with the average investment property £120,000- £150,000.

Potential Population and Economic Growth

- 8.41 It is proposed to deliver 900 new dwellings in Ross-on-Wye over the period between 2011-31 representing household growth of 19% or 0.9% per annum. It is estimated that 1,150 dwellings would be delivered in the rural parts of the HMA based on the existing distribution of households representing household growth of 13.5%. The total household growth of 15% is relatively moderate compared to other parts of the County, except for the Kington and Golden Valley HMAs.
- 8.42 Taking account of the proportion of employment by sector in the County which fall within the Ross-on-Wye HMA, we have modelled relatively strong employment growth over the 2011-31 period of 17%. This is stronger than in the other HMAs.
- 8.43 Considering the sectoral breakdown of employment, we project the following changes in the town's occupational profile over the period 2011-31.

Figure 8.6: Prospective Changes in Occupational Profile in Ross-on-Wye HMA, 2011-31



Source: GLH

- 8.44 Our projections show a growth in employment across all occupational groups, but with stronger relative growth in elementary occupations followed by managerial occupations. Overall the profile of occupational change is expected to be more focused on higher-paid occupational groups relative to other parts of the County. This may support stronger relative market demand for larger properties from working-age households relative to other areas.

- 8.45 This baseline profile does not however take account of the extant consent for 10ha of employment land at Model Farm which is expected to come forward in the first half of the plan period.
- 8.46 In overall terms, we would expect job creation at a range of levels over the plan period, including for both mid market and larger homes.

Future Housing Requirements

- 8.47 A broad profile of need and demand can be expected to result within the Ross HMA over the plan period including need/demand from people working locally, from moderate employment growth and from retirement and lifestyle moves to the area. The retirement market is more pronounced in this area than in other parts of the County.
- 8.48 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and type of housing occupied by households in different age groups by gender within the HMA, projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.
- 8.49 The model takes account of development viability and funding (and the level of existing stock) and assumes that 40% of net new housing delivered over the 2011-31 plan period is affordable housing.

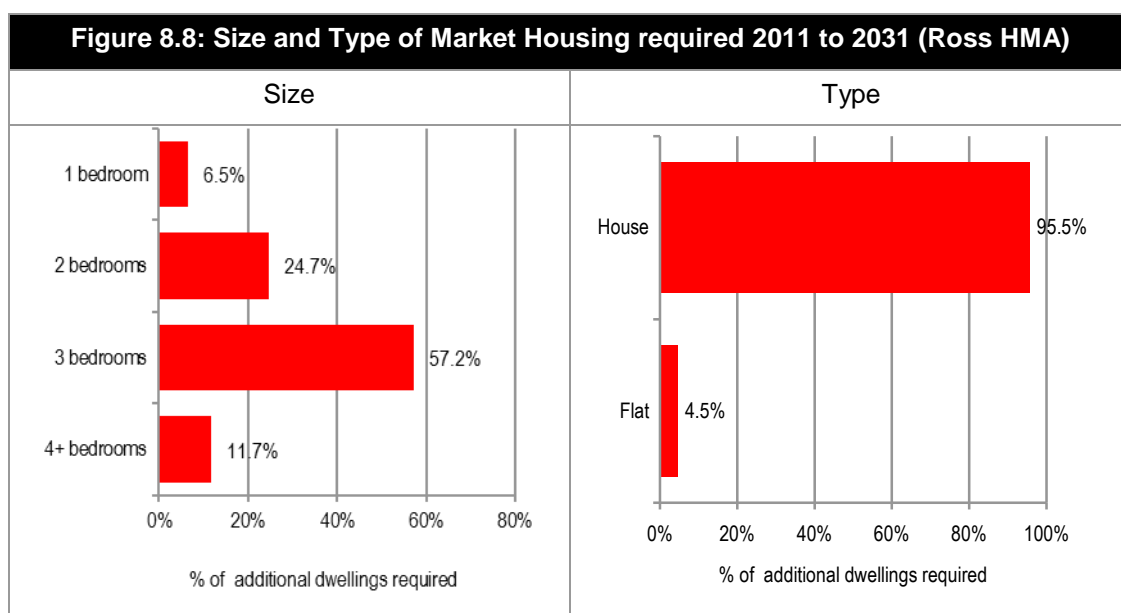
Demand for Market Housing

- 8.50 Figures 8.7 and 8.8 below show estimates of the sizes and types of market housing required in the whole of the Ross HMA. The data suggests a requirement for 1,230 additional market units with the majority of these being three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).
- 8.51 The Housing Market Model suggests that just over two-thirds of additional market housing should be family (3+ bedroom) accommodation and around a third smaller units. Of the total, it is suggested that around 4.5% should be in the form of flats.

Figure 8.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Ross HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	506	583	80
2 bedroom	1,760	2,056	303
3 bedroom	5,108	5,794	703
4+ bedroom	4,134	4,274	144
Total	11,507	12,707	1,230
Houses	10,724	11,870	1,174
Flats	783	837	55
Total	11,507	12,707	1,230

8.52 The existing market for flats in Ross does appear however somewhat under-developed and there is a price premium for flats within the town. Against this context, a slightly higher number of flats than indicated might be acceptable.



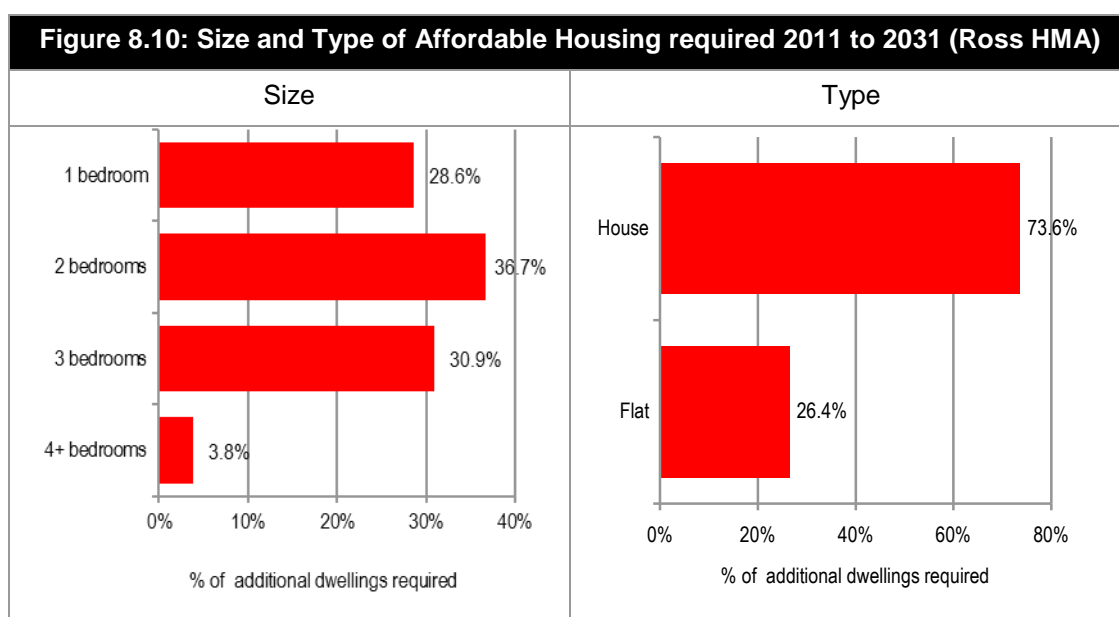
Sizes of Affordable Housing

8.53 Figures 8.9 and 8.10 below show estimates of the sizes and types of affordable housing required in the whole of the Ross HMA. The analysis is based on delivery of 820 additional affordable units (40% of all housing). It identifies that the main requirement being for two bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

8.54 Overall the data suggests that around 35% of additional affordable housing should be family (3+ bedroom) accommodation and the remainder smaller units. Of the total, it is suggested that around 30% should be in the form of flats.

Figure 8.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Ross HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	383	611	234
2 bedroom	505	799	301
3 bedroom	531	777	253
4+ bedroom	82	112	31
Total	1,500	2,300	820
Houses	1,064	1,653	603
Flats	436	647	216
Total	1,500	2,300	820



Urban/Rural Split

8.55 The tables below show the above information split between the urban and rural part of the Ross HMA. Overall, the data shows that of the estimated housing requirement in the HMA some 44% is in the urban area (900 of 2,050 units over the 2011 to 2031 period).

8.56 In the market sector the data suggests that in both areas the main requirement is for three bedroom homes although there is a noticeable difference for four bedroom accommodation – with a much lower requirement shown in the rural area. Additionally, the rural area shows a

higher requirement for flats than the urban part of the HMA. In the affordable sector the data suggests a larger requirement for family accommodation in the rural area compared with urban parts of the HMA.

Figure 8.11: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Ross HMA)

Type/size	Ross Urban		Ross Rural		Ross HMA	
	Number	%	Number	%	Number	%
1 bedroom	29	5.3%	51	7.4%	80	6.5%
2 bedroom	135	25.0%	168	24.3%	303	24.7%
3 bedroom	267	49.5%	436	63.2%	703	57.2%
4+ bedroom	109	20.1%	35	5.1%	144	11.7%
Total	540	100.0%	690	100.0%	1,230	100.0%
Houses	521	96.5%	653	94.7%	1,174	95.5%
Flats	19	3.5%	36	5.3%	55	4.5%
Total	540	100.0%	690	100.0%	1,230	100.0%

Figure 8.12: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Ross HMA)

Type/size	Ross Urban		Ross Rural		Ross HMA	
	Number	%	Number	%	Number	%
1 bedroom	135	37.6%	99	21.5%	234	28.6%
2 bedroom	117	32.5%	184	40.1%	301	36.7%
3 bedroom	94	26.2%	159	34.5%	253	30.9%
4+ bedroom	14	3.8%	18	3.9%	31	3.8%
Total	360	100.0%	460	100.0%	820	100.0%
Houses	195	54.2%	408	88.8%	603	73.6%
Flats	165	45.8%	52	11.2%	216	26.4%
Total	360	100.0%	460	100.0%	820	100.0%

Delivery Considerations

8.57 The evidence presented highlights substantial need for affordable housing within the HMA. A high level of need for affordable housing in particular is identified. This needs to be brought together with the findings of the viability modelling being undertaken to inform affordable housing policies in the Core Strategy.

8.58 While the long-term demand modelling indicates limited market demand for flatted development, this market may return in the medium-term. It suggests that market demand is focused on provision of properties with two or more bedrooms.

- 8.59 The housing needs analysis points intermediate housing being capable of meeting between 25-30% of net need for affordable housing. However it is possible that access to mortgage finance may restrict demand for shared ownership or equity products in the short-term.
- 8.60 Overall the data suggests that a third of additional affordable housing should be family (3+ bedroom) accommodation and the remainder smaller units.
- 8.61 Analysis of mix of homes in consented schemes should be undertaken to inform consideration of the housing mix to be delivered as part of the proposed urban extension of 350 dwellings to the south-east of the town.

The Ageing Population

- 8.63 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.
- 8.64 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that the Ross HMA has about 39% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Figure 8.14: Older person population (2011)

Age group	Ross-on-Wye	Herefordshire	West Midlands	England
Under 55	61.0%	64.5%	71.3%	72.0%
55-64	15.8%	14.1%	11.7%	11.6%
65-74	12.4%	11.3%	9.1%	8.6%
75-84	7.5%	7.2%	5.7%	5.5%
85+	3.3%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	39.0%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

- 8.65 Projecting forward we see that the older person population is expected to increase significantly with 31% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to more than double whilst the population aged under 55 is expected to see a notable decrease in population.

Figure 8.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	18,750	17,371	-1,378	-7.4%
55-64	4,851	4,365	-486	-10.0%
65-74	3,802	5,102	1,300	34.2%
75-84	2,320	4,087	1,767	76.2%
85+	1,003	2,217	1,215	121.2%
Total	30,725	33,142	2,418	7.9%
Total 55+	11,975	15,771	3,796	31.7%

Source: Projection modelling

8.66 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

8.67 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to increase by 95% with the numbers with mobility problems increasing by 78% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 8.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	503	982	479	95.3%
Mobility problems	1,313	2,334	1,021	77.8%

Source: POPPI Website and projection modelling

8.68 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 23% of households registered are aged 55 and over with a figure of 14% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 39% of all people being aged 55 and over).

8.69 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 8.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	392	76.7%	18,750	61.0%
55-64	46	9.0%	4,851	15.8%
65-74	43	8.4%	3,802	12.4%
75-84	22	4.3%	2,320	7.5%
85+	8	1.6%	1,003	3.3%
Total	511	100.0%	30,725	100.0%
Total 55+	119	23.3%	11,975	39.0%

Source: Housing Register and demographic modelling

9 LEDBURY HOUSING MARKET

Geography

- 9.1 The Ledbury HMA is on the eastern side of the County. It benefits from better transport links than a number of the other HMAs, including proximity to the M50 which links to the M5, and from a Rail Service. The HMA has a population of 18,900.
- 9.2 Within the Ledbury HMA, there is only one rural service centre, the village of Colwall, which also has a rail link to London and Birmingham. Bishop's Frome acts as a local service centre⁴².
- 9.3 Access to services is quite good compared to Herefordshire as a whole: 83.7% of households are within 2km of a post office (82.8% for Herefordshire) and 66.5% of households are within 4km of a free cashpoint (71.1% for Herefordshire).⁴³

Current Housing Offer

- 9.4 The Ledbury HMA contains 8,544 properties⁴⁴ representing 10% of total properties in Herefordshire.
- 9.5 In 2001, 72.9% of households were owner-occupiers which was above average for the County (70.8%). While private renting was consistent with the County-average, levels of social renting were below average (12.9% compared to 15.2% across the County). Private renting can be expected to have increased since 2001.
- 9.6 In 2001, levels of social renting were higher in Ledbury and Hope End wards at 13-14%, whilst private renting was higher in Frome ward at 12%. Owner occupation was consistent at 74-75% across all three wards.
- 9.7 Second home ownership is marginally above the County average at 1.0% (compared to 0.9% across Herefordshire). 1.8% of the housing stock was vacant in November 2012 consistent with the County average.

⁴² For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

⁴³ Source: Commission for Rural Communities, 2007

⁴⁴ Council Tax Records, November 2012

- 9.8 Across the HMA, a high proportion of the housing stock was detached in 2001 at 47.8% of the stock, compare to 43.0% across the County. There was a below average proportion of terraced housing.

Socio-Economic Characteristics

- 9.9 The Ledbury HMA included 6,200 employee jobs in 2010 of which around 4,100 were in Ledbury itself. It is the 4th largest employment focus in the county after Hereford, Leominster and Ross.
- 9.10 The proportion of people working at home in 2001 in this HMA was only slightly higher than in Herefordshire as a whole (16.3% of the working population as compared to 15.2%) and more travelled 10km or more to get to work (39.3% as compared to 26.9%)⁴⁵. Both of these factors are likely to reflect Ledbury's good transport links (both road and rail) to centres of employment, including out of the county.
- 9.11 This HMA has a strong manufacturing base, with 1400 jobs, making this the largest employment sector. The second largest sector in terms of aggregate employment in retail/wholesale. There is a concentration of employment in the HMA in arts entertainment and recreation, real estate activities and manufacturing.
- 9.12 None of the LSOAs in the Ledbury HMA fall within the 25% most deprived areas nationally, based on the 2010 Indices of Deprivation.

Housing Need

- 9.13 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 9.14 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

- 9.15 Figure 9.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £101,000, and from £129,000 for a 2-bed property. Entry level private rented range from £400 PCM for a 1-bed property and £550 for a 2-bed, through to £900 PCM for a 4-bed home. Entry-level prices for three and four bedroom property are notably higher than in other HMAs.

⁴⁵ Source: 2001 Census

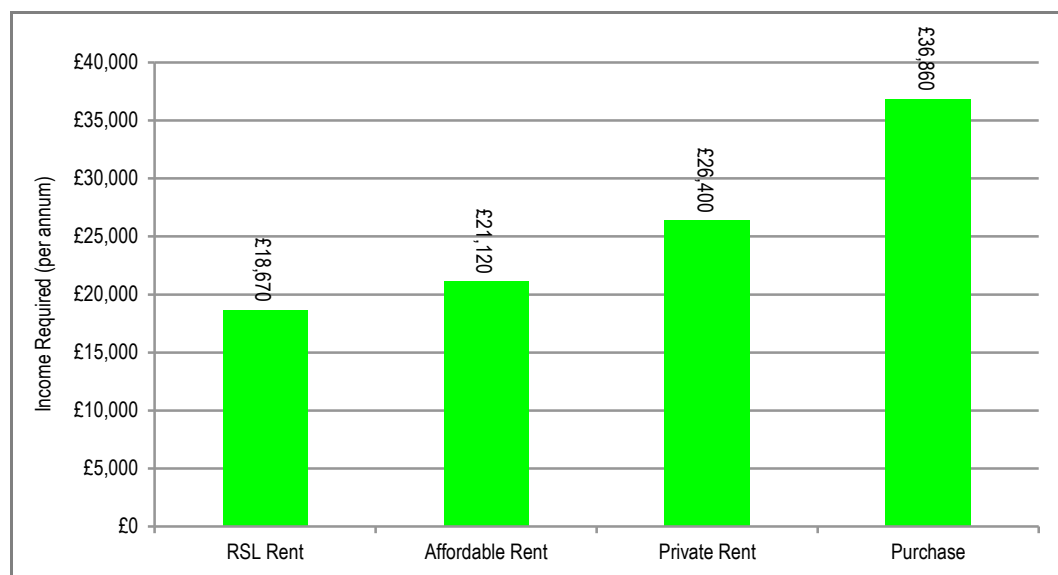
Figure 9.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£400	£550	£675	£900
Entry-Level Purchase Price	£101,000	£129,000	£184,000	£274,000

Source: Online Estate & Letting Agents Survey (Oct 2012)

9.16 Figure 9.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spend on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

Figure 9.2: Indicative Income Required to Buy-Rent 2-bed Property

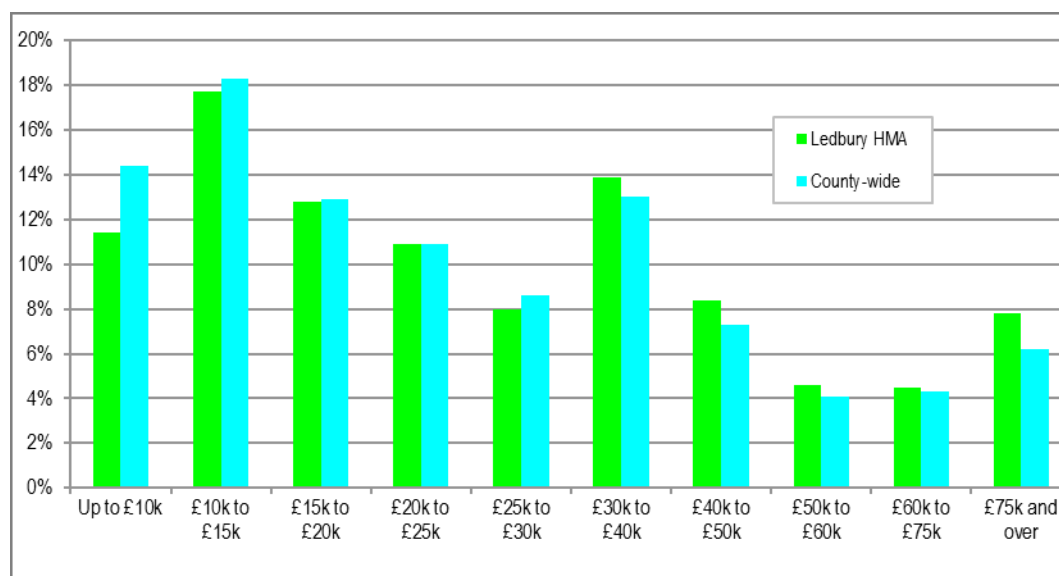


Source: Online Estate & Letting Agents Survey (Jan 2011) & RSR 2011

9.17 To assess affordability it is necessary to compare housing costs against income. Figure 12.3 profiles the distribution of household incomes in the Ledbury HMA, and compares this with the distribution county-wide. The median income in the Ledbury HMA at £24,048 pa is 9% above the County average (£22,002 pa).

9.18 As Figure 9.3 indicates an above average proportion of households in this HMA have incomes of over £30,000 relative to the County-wide profile. The proportion earning below £20,000 is below average.

Figure 9.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian (2010)

9.19 In the Ledbury HMA, the ratio of lower quartile house prices to lower quartile household incomes is 9.28 – around the average for the whole County.

9.20 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 9.4 below.

Figure 9.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Ledbury HMA	Herefordshire
Income Required to Access Market Housing	£26,400	-
Number Unable to Afford	4,654	44,641
Estimated Households (2012)	8,529	79,185
% of Households Unable to Afford	54.6%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

8.62 It is estimated that 55% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 67% of households aged under 45.

8.63 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

9.21 An estimate of housing need within the HMA has been made taking account of the following:

- Current housing need – total households who are currently in housing need, drawing on information from the Council’s Housing Register (Home Point);
- Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
- Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.

9.22 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council’s Facts and Figures website.⁴⁶

9.23 Total current housing need (the backlog) is therefore estimated at 87 households, net of transfers, based on the HomePoint Housing Register.

9.24 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Ledbury HMA new household formation is estimated at 656 over the next five years. It is estimated that 67% of newly-forming households in the HMA are unable to afford market housing. This is below the Herefordshire average of 68%.

9.25 It is estimated that 101 existing households will fall into housing need over the next 5 years.

9.26 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector.

9.27 Net affordable housing need in the HMA is calculated below:

⁴⁶ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

Figure 9.5: Estimated Level of Housing Need 2012-17

		Ledbury HMA
A	Backlog of Need	87
B	Newly-Arising Need (5 Year)	541
C	Total Need (= A + B)	628
D	Affordable Housing Supply (5 Year)	339
E	Net Need (5 Year) (= C - D)	289
F	Affordable Housing Requirement PA (=E / 5)	58
	Additional Homes Proposed PA	68
	Need as % of Proposed Supply	85%

- 9.28 It is estimated that there is an **annual need for 58 units of affordable housing in the Ledbury HMA**. This compares with an estimated supply of 68 new homes per annum (2011-31). The level of need represents 85% of projected supply.
- 9.28 This figure should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 9.29 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 9.30 It is estimated that an income of £26,400 is required to access market housing, but that an income of £21,120 is required to access intermediate housing within the Ledbury HMA. The differential between these is not as substantial as for a number of the other HMAs.
- 8.64 Within the Ledbury HMA it is estimated that 27% of households in need will be able to afford intermediate housing, with 73% requiring social/affordable rented housing (55% social rent; 18% affordable rent).
- 9.31 The analysis indicated in the short-term that there is a requirement for 47% 1-bed, 22% 2-bed, 23% 3-bed and 8% of affordable homes with 4 or more bedrooms.

Housing Market Performance

- 9.32 The Zoopla House Price Index indicates that the average house price paid for a standard property in Ledbury over the last three years was £225,823 – the second highest of any of the main towns and 7.2% above the County-wide average. The average house price over the last 12 months (to Oct 2012) was £222,336.
- 9.33 The average price of homes sold over the period between April – September 2012 (inclusive) in the HMA was £249,300. This was 17% above the County average. While average prices for all property types were above the County average, there was a notable premium for larger detached and semi-detached homes in the HMA.
- 9.34 The profile of sales over the April - September 2012 period was strongly skewed towards detached sales (with semi-detached sales also being above average in proportional terms relative to other parts of the County).
- 9.35 Private rental levels came out as similarly ranked, with the “entry level” monthly rental being estimated as ranging from £400 for a one-bed flat to £900 for a four-bed house in the HMA.
- 9.36 Evidence from discussions with estate agents in January 2011⁴⁷ points to the following conclusions regarding local market conditions:
- The local market can be divided geographically into Ledbury, the Villages and Rural Areas. There is always demand for new development in rural areas, key villages with good amenities, particularly those with good communications links. Within Ledbury, demand is also generally strong linked to the high quality of life, some growing employment opportunities and limited new development historically. At the current time, mortgage constraints are limiting the number of first-time buyers. 2008 and 2009 were quieter years, however the sales market picked up in 2010.
 - The demand profile includes local demand, as well as demand from outside of the area, particularly from people who are retired/ retiring or semi-retired. This includes people looking to move from Birmingham, Bristol, Cheshire, South East England and South Wales as well from surrounding areas more locally. Middle aged households are attracted by the availability of private education and good quality state education. Older households are also retiring/ downsizing to the area. On average 40% of sales from some agents are to those moving from outside of the local area. Any improvements in broadband access and links to London would increase demand from this segment of the market.

⁴⁷ Hayes, Kimberley, John Goodwins

- One agent described an oversupply of retirement properties in the town, following delivery of Bourne Court and Dawes Court, and Leder Bank. There is a notable demand for properties with land (a 4/5 bed home with 1 + acre).
- Within the town, the profile of demand divides between those wanting an 'estate property' such as those on the New Mills Estate, and those wanting a period property which are in shorter supply and concentrated in the south of the town and Newbury Park.
- House prices were described by one agent as not having increased over the last 12 months, with the suggestion that they had stabilised and fallen slightly.
- Local agents recognise the need for affordable housing, to meet demand from young people.
- In the rental market, demand is high; however the supply of properties has reduced over the last 12 months as a result of lower levels of buy-to-let investment (particularly compared to pre-2007). Turnover of rental properties has also fallen. This contrasts with the last 10/12 years when the investment market has been strong and an important component of demand for new-build properties.
- The profile of renters includes younger households, divorcees and those in financial difficulties, plus households renting between moves. Demand is for a variety of properties. One agent commented on a seasonality to demand, with higher demand in the summer months associated with agricultural employees working at Wye Valley Fruits.

9.37 Further discussions with estate and letting agents were undertaken in October 2012 as part of the LHMA Update. In Ledbury, the sales market was described as "flat" and was at the same levels as it had been a year ago. Agents believed that this was due to mortgage and finance constraints. As with other areas, buyers tended to be older. Properties ranged from £300,000 in semi-rural areas to over £800,000 in some rural areas. Agents said that house prices had been falling slightly, with the schools in the area helping to keep house prices relatively stable. Some buyers were said to be in their 50s and looking for a holiday home.

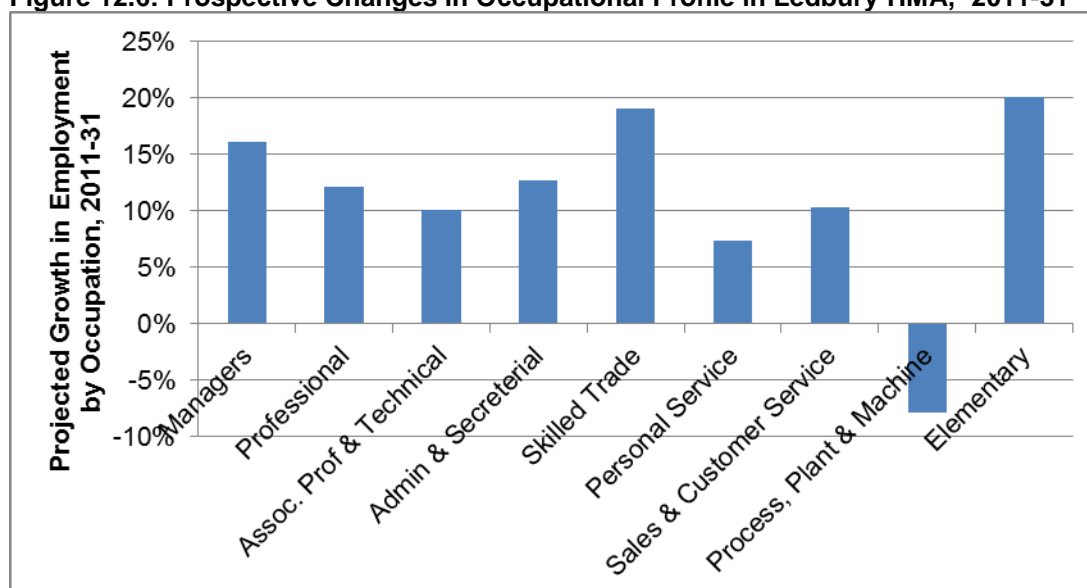
9.38 The lettings market was said to be "strong" although some agents note that September had been a quieter month than July and August had been. Rents were said to have increased slightly over the past year. The ages of those seeking to rent varied more than in the sales market. Renters were of all ages including those in their late twenties (and quite a few Polish people). The most popular properties were 3 beds. Agents believe that that rents would increase as they believed there to be a strong demand for rental properties which would continue.

9.39 There appears to be a more developed flatted market in Ledbury than in a number of the other towns, particularly linked to the market from older persons and quality of life offer.

Potential Population and Economic Growth

- 9.40 It is proposed to deliver 800 dwellings in Ledbury over the plan period between 2011-31 representing housing growth of 0.9% per annum. It is estimated that 565 dwellings would be delivered in the rural parts of the HMA based on the existing distribution of households representing household growth of 14% over twenty years or 0.7% pa. The total growth in the HMA over the plan period is expected to be around 16%.
- 9.41 Taking account of the level of employment in the HMA in different economic sectors, employment growth of around 700 jobs (11%) is modelled over the 2011-31 period. This should be regarded as indicative and takes no account of supply-side or policy measures.
- 9.42 Considering the sectoral breakdown of employment, we project the following changes in the town's occupation profile over the period 2011-31. A reduction in net terms of process, plant and machine operatives is modelled. Growth in employment in other occupations is projected, with the strongest expected growth in skilled trade and elementary occupations

Figure 12.6: Prospective Changes in Occupational Profile in Ledbury HMA, 2011-31



Source: GLH

- 9.43 This baseline profile does not take account of the large employment allocation of 12 ha proposed between Little Marcle Road and Ross Road to the west of the Bypass. This could result in significant job creation and result in more positive economic performance, supporting a broad range of demand within the housing market.

- 9.44 In overall terms, we would expect job creation at a range of levels over the plan period, including for both mid market and larger homes as well as those on lower incomes.

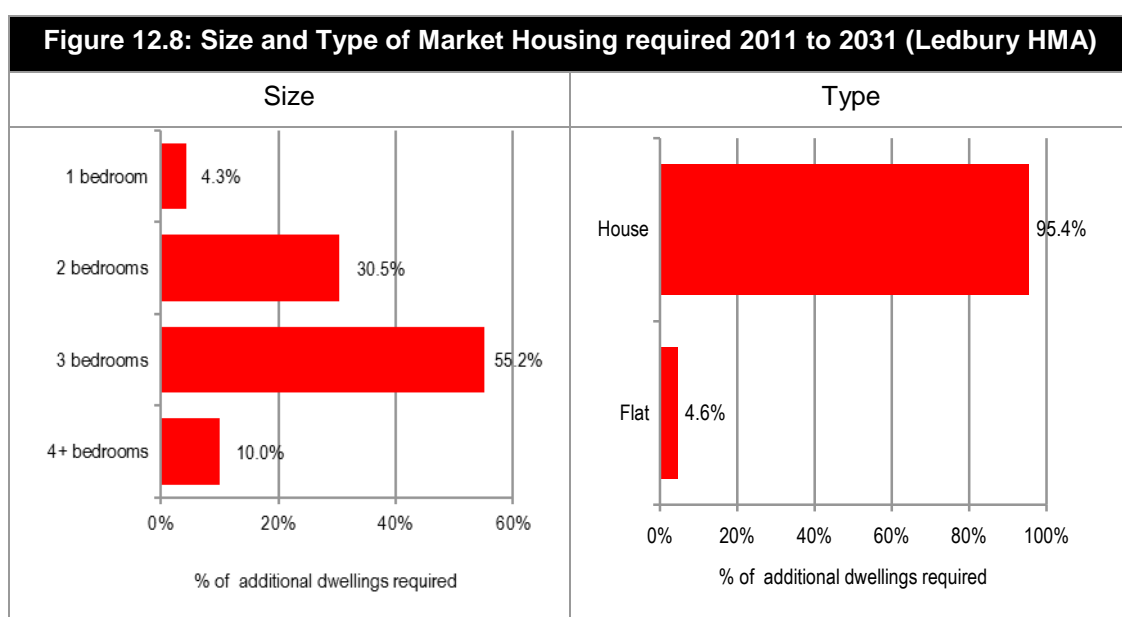
Future Housing Requirements

- 9.45 A broad profile of need and demand can be expected to result within the Ledbury HMA over the plan period, including need/demand from people working locally, supported by potential employment growth, and from retirement and lifestyle moves to the area. The retirement market and moves from outside of the area to access good schools are particular features of this HMA and are supported by its strong quality of life offer and relatively stronger accessibility.
- 9.46 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and type of housing occupied by households in different age groups by gender within the HMA, projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.
- 9.47 The model takes account of development viability and funding (and the level of existing stock) and assumes that 40% of net new housing delivered over the 2011-31 plan period is affordable housing.

Demand for Market Housing

- 9.48 The table and figure below show estimates of the sizes and types of market housing required in the whole of the Ledbury HMA. The data suggests a requirement for 819 additional market units with the majority of these being three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).
- 9.49 Overall the data suggests that just under two-thirds of additional market housing should be family (3+ bedroom) accommodation and just over a third smaller units (mainly two bedroom). Of the total, it is suggested that around 5% should be in the form of flats.

Figure 12.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Ledbury HMA)			
Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	294	328	36
2 bedroom	1,358	1,601	250
3 bedroom	3,361	3,802	452
4+ bedroom	2,372	2,452	82
Total	7,385	8,184	819
Houses	6,923	7,685	781
Flats	461	498	38
Total	7,385	8,184	819



Sizes of Affordable Housing

9.50 The table and figure below show estimates of the sizes and types of affordable housing required in the whole of the Ledbury HMA. The data suggests a requirement for 546 additional affordable units (40% of all housing) with the largest proportion of these being two bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

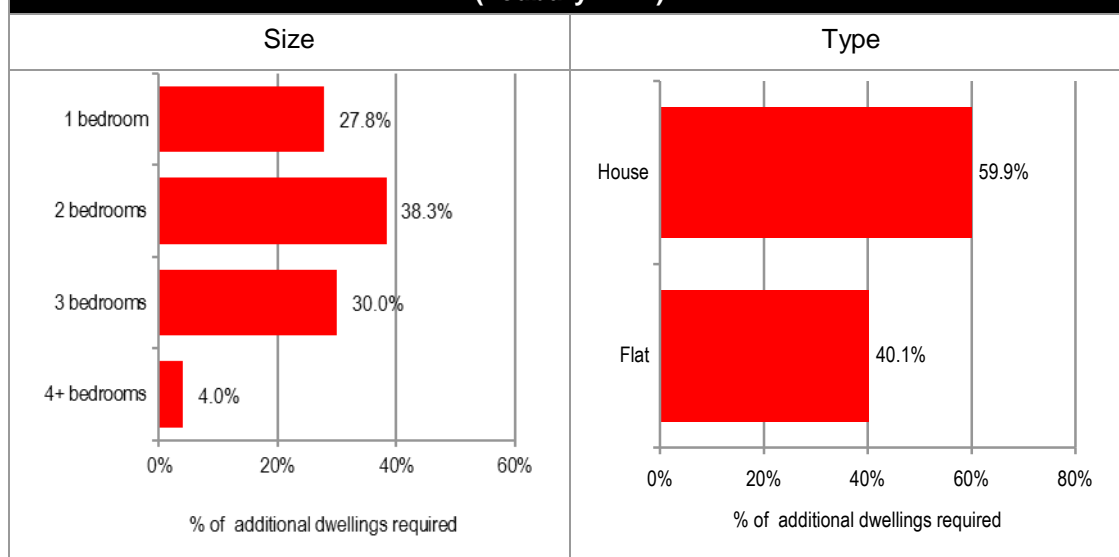
9.51 Overall the data suggests that just under a third of additional affordable housing should be family (3+ bedroom) accommodation and just over two-thirds smaller units. Of the total, it is suggested that around 40% should be in the form of flats.

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Figure 12.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Ledbury HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	238	386	152
2 bedroom	391	595	209
3 bedroom	389	549	164
4+ bedroom	59	80	22
Total	1,078	1,611	546
Houses	684	1,003	327
Flats	394	607	219
Total	1,078	1,611	546

Figure 12.10: Size and Type of Affordable Housing required 2011 to 2031 (Ledbury HMA)



Urban/Rural Split

9.52 The tables below show the above information split between the urban and rural part of the Ledbury HMA. Overall, the data shows that of the estimated housing requirement in the HMA some 59% is in the urban area (800 of 1,365 units over the 2011 to 2031 period).

9.53 In the market sector the data suggests that in both areas the main requirement is for three bedroom homes although there is a noticeable difference for four bedroom accommodation – with no requirement shown in the rural area. Additionally, the urban area shows a higher requirement for flats than the rural part of the HMA although in both areas the proportions suggested are relatively low. In the affordable sector the data suggests a broadly similar pattern of requirements (by size) in both urban and rural areas

Figure 12.11: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Ledbury HMA)

Type/size	Ledbury Urban		Ledbury Rural		Ledbury HMA	
	Number	%	Number	%	Number	%
1 bedroom	18	3.7%	18	5.2%	36	4.3%
2 bedroom	124	25.9%	126	37.0%	250	30.5%
3 bedroom	227	47.3%	225	66.4%	452	55.2%
4+ bedroom	111	23.1%	-29	-8.7%	82	10.0%
Total	480	100.0%	339	100.0%	819	100.0%
Houses	445	92.6%	336	99.3%	781	95.4%
Flats	35	7.4%	3	0.7%	38	4.6%
Total	480	100.0%	339	100.0%	819	100.0%

Figure 12.12 Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Ledbury HMA)

Type/size	Ledbury Urban		Ledbury Rural		Ledbury HMA	
	Number	%	Number	%	Number	%
1 bedroom	85	26.5%	67	29.7%	152	27.8%
2 bedroom	120	37.5%	89	39.4%	209	38.3%
3 bedroom	99	31.1%	64	28.4%	164	30.0%
4+ bedroom	16	5.0%	6	2.5%	22	4.0%
Total	320	100.0%	226	100.0%	546	100.0%
Houses	176	55.0%	151	66.9%	327	59.9%
Flats	144	45.0%	75	33.1%	219	40.1%
Total	320	100.0%	226	100.0%	546	100.0%

Delivery Considerations

9.54 The majority of new homes planned at Ledbury are expected to be delivered on the north-side of the town, close to the rail station. A density of 50 dph is envisaged for the development. Proposed for development in Ledbury remain unchanged from the 2010 Core Strategy Preferred Options. It is envisaged that the development will contain a mix of houses and flats, but with predominant delivery of houses. A mix of two and three-bedroom homes can be expected to be the main housing products delivered, potentially with some larger homes particularly in terms of the market housing mix.

The Ageing Population

9.54 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.

9.55 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that the Ledbury HMA has about 39% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Figure 9.14: Older person population (2011)

Age group	Ledbury	Herefordshire	West Midlands	England
Under 55	61.0%	64.5%	71.3%	72.0%
55-64	15.0%	14.1%	11.7%	11.6%
65-74	12.5%	11.3%	9.1%	8.6%
75-84	7.7%	7.2%	5.7%	5.5%
85+	3.8%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	39.0%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

9.56 Projecting forward we see that the older person population is expected to increase significantly with 29% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to nearly double whilst the population aged under 55 is expected to see a small decrease in population.

Figure 9.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	11,774	11,200	-574	-4.9%
55-64	2,897	2,845	-52	-1.8%
65-74	2,414	3,006	592	24.5%
75-84	1,488	2,443	955	64.2%
85+	737	1,425	688	93.4%
Total	19,309	20,918	1,610	8.3%
Total 55+	7,535	9,719	2,184	29.0%

Source: Projection modelling

9.57 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of

different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

- 9.58 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to increase by 78% with the numbers with mobility problems increasing by 64% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 9.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	344	614	270	78.3%
Mobility problems	879	1,443	564	64.2%

Source: POPPI Website and projection modelling

- 9.59 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 26% of households registered are aged 55 and over with a figure of 13% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 39% of all people being aged 55 and over).
- 9.60 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 9.17: Housing Register by Age				
Age group	On Register		Total population	
	Total	%	Total	%
Under 55	223	74.1%	11,774	61.0%
55-64	38	12.6%	2,897	15.0%
65-74	17	5.6%	2,414	12.5%
75-84	18	6.0%	1,488	7.7%
85+	5	1.7%	737	3.8%
Total	301	100.0%	19,309	100.0%
Total 55+	78	25.9%	7,535	39.0%

Source: Housing Register and demographic modelling

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10 BROMYARD HOUSING MARKET

Geography

- 10.1 The Bromyard HMA is in the north-east of the County, bordering Worcestershire. It is the 5th largest of the 7 HMA's with a population in mid 2010 of 11,600 which is nearly twice the size of that in the HMA with the lowest population (Golden Valley HMA) but is just 15% of the size of the Hereford HMA.
- 10.2 The local housing market is primarily a rural area, with a low population density. Bromyard is the main town within the HMA, with a population of 4,600⁴⁸. Two villages, Burley Gate and Whitbourne are local service centres⁴⁹.

Current Housing Offer

- 10.3 The HMA contained 5,281 in November 2012. The HMA contains 6.4% of total properties in Herefordshire. 108 properties were vacant (inc. long and short-term vacant) representing a vacancy rate of 2.0%.
- 10.4 In 2001 72.2% of households were owner occupiers, which was above average for the County (70.8%). Levels of private and social renting were below average; with 8.8% of households living in the Private Rented Sector in 2001 compared to 9.1% across Herefordshire, and 14.2% in the Social Rented Sector compared to 15.2% across the County. Social rented properties were concentrated in Bromyard ward in which they accommodated 20% of households.
- 10.5 Second homes accounted for a modest 0.7% of the housing stock in November 2012 (35 properties in total) compared to 0.9% across Herefordshire.
- 10.6 The HMA is dominated by detached housing which accounted for 54.8% of dwellings in 2001, compared to 43.0% across Herefordshire. 22.6% of the housing is semi-detached. A low proportion of the housing stock is terraced or flatted (12.2% and 8.6% compared to 17.6% and 11.0% across Herefordshire). The existing profile of housing contributes to affordability issues.

⁴⁸ ONS Mid 2010

⁴⁹ For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

Socio-Economic Characteristics

- 10.7 The HMA includes an estimated 5,100 employee jobs in 2010. Of these around 1,900 are in Bromyard itself.
- 10.8 More people in this HMA in 2001 worked at home than in Herefordshire as a whole (20.9% of the working population as compared to 15.2%) and more travelled 10km or more to get to work (39.7% as compared to 26.9%, the same figure as for Golden Valley HMA)⁵⁰ This is not surprising considering the relative lack of employment options in this HMA and the accessibility of Worcester as a centre for employment. Worcester is located about 25km east from Bromyard Market Town.
- 10.9 The HMA in 2010 had a particular concentration of employment in construction and information and communications. Employment in manufacturing and health/social work was also above average – these two sector supporting the highest overall numbers of jobs.
- 10.10 A slightly above average proportion of the HMA's population is of retirement age (24% compared to 22% across Herefordshire, based on 2010 Mid-Year Population Estimates), while the HMA has a below average proportion of its population of people aged under 16.
- 10.11 There are no parts of this HMA which fall within the 25% most deprived areas nationally as recorded by the 2010 Indices of Deprivation.

Housing Needs

- 10.12 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 10.13 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

- 10.14 Figure 10.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £75,000, and from £124,000 for a 2-bed property. Entry level private rented range from £425 PCM for a 1-bed property and £550 for a 2-bed, through to £900 PCM for a 4-bed home.

⁵⁰ Source: 2001 census

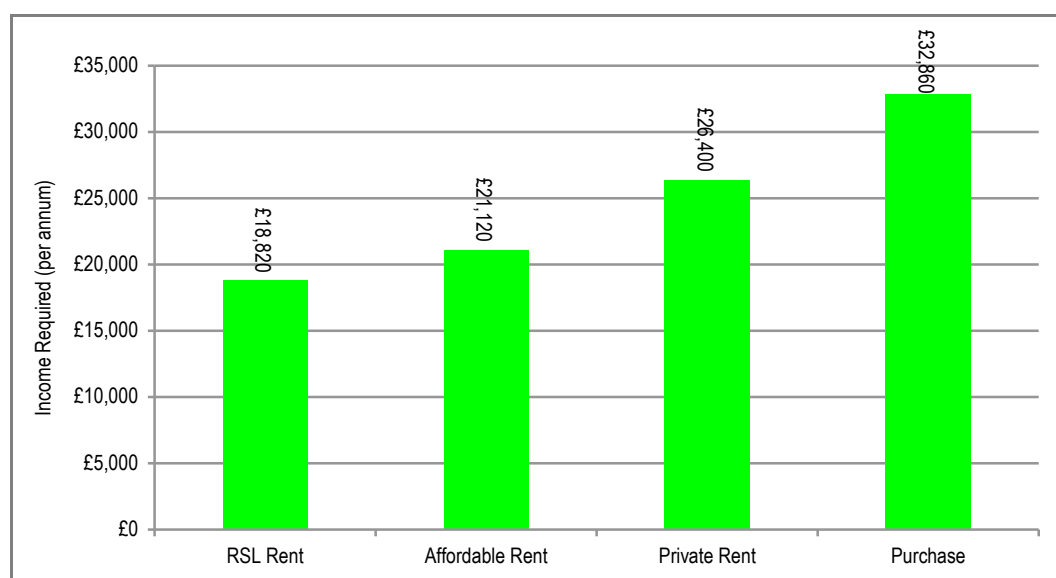
Figure 10.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£425	£550	£625	£900
Entry-Level Purchase Price	£74,000	£115,000	£156,000	£271,000

Source: Online Estate & Letting Agents Survey (Jan 2011)

10.15 Figure 10.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spent on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

Figure 10.2: Indicative Income Required to Buy-Rent 2-bed Property



Source: Online Estate & Letting Agents Survey (Jan 2011) & RSR 2011

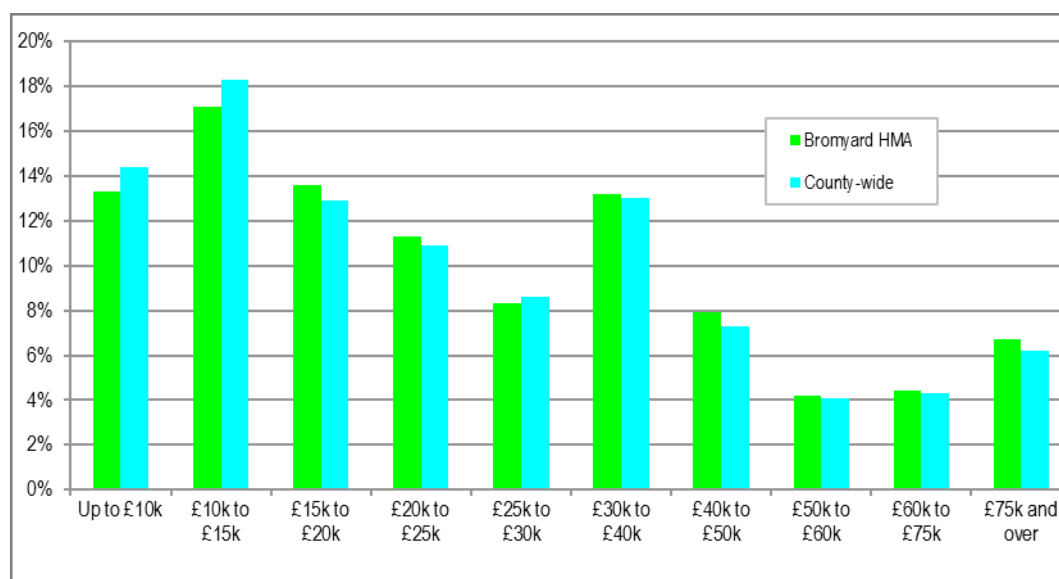
10.16 To assess affordability it is necessary to compare housing costs against income. Figure 10.3 profiles the distribution of household incomes in the Bromyard HMA, and compares this with the distribution county-wide. The median income in the Bromyard HMA at £22,533 pa is slightly above the County average of £22,002 pa.

10.17 In the Bromyard HMA, the ratio of lower quartile house prices to lower quartile household incomes is 8.74 which is at the lower end of County figures.

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10.18 As Figure 10.3 indicates, Bromyard has an above average proportion of households with incomes of between £15,000 - £25,000 relative to the County-wide profile and relatively few with incomes below £15,000.

Figure 10.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian (2010)

10.19 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 10.4 below.

Figure 10.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Bromyard HMA	Herefordshire
Income Required to Access Market Housing	£26,400	-
Number Unable to Afford	2,931	44,641
Estimated Households (2012)	5,134	79,185
% of Households Unable to Afford	57.1%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

8.65 It is estimated that 57% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire.. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 69% of households aged under 45.

8.66 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

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Housing Needs Estimates

- 10.20 An estimate of housing need within the HMA has been made taking account of the following:
- Current housing need – total households who are currently in housing need, drawing on information from the Council’s Housing Register (Home Point);
 - Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
 - Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.
- 10.21 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council’s Facts and Figures website⁵¹
- 10.22 Total current housing need (the backlog) is estimated at 65 households, net of transfers, based on the HomePoint Housing Register.
- 10.23 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Bromyard HMA new household formation is estimated at 407 over the next five years. It is estimated that 69% of newly-forming households in the HMA are unable to afford market housing. This is slightly above the Herefordshire average of 68%.
- 10.24 It is estimated that 56 existing households will fall into housing need over the next five years.
- 10.25 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector.
- 10.26 Net affordable housing need in the HMA is calculated below:

⁵¹ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

Figure 10.5: Estimated Level of Housing Need 2012-17

		Bromyard HMA
A	Backlog of Need	65
B	Newly-Arising Need (5 Year)	338
C	Total Need (= A + B)	403
D	Affordable Housing Supply (5 Year)	318
E	Net Need (5 Year) (= C - D)	85
F	Affordable Housing Requirement PA (=E / 5)	17
	Additional Homes Proposed PA	43
	Need as % of Proposed Supply	40%

- 10.27 It is estimated that there is an **annual need for 17 units of affordable housing in the Bromyard HMA**. This compares with an estimated supply of 43 new homes per annum (2011-31). The level of need represents 40% of the projected supply.
- 10.28 This figure should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 10.28 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 10.29 It is estimated that an income of £26,400 is required to access market housing, but that an income of £21,120 is required to access intermediate housing within the Bromyard HMA.
- 10.30 Within the Bromyard HMA, the housing needs analysis indicates that around 40% of additional provision should be intermediate housing with about 60% being social/affordable rented homes (24% social rent; 36% affordable rent)..
- 10.31 The analysis indicated in the short-term that there is a requirement for 46% 1-bed, 30% 2-bed, 8% 3-bed and 16% of affordable homes with 4 or more bedrooms.

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Housing Market Performance

- 10.32 The Zoopla House Price Index indicates that the average price paid for a standard property in Bromyard over the last three years was £215,396 – marginally (2.2%) above the County average of £210,672. The average price in the last 12 months (to October 2012) was £221,793. Relative house prices in the town over the past year are similar to those in Ledbury and Ross-on-Wye.
- 10.33 The average price of properties sold in the HMA between April – September 2012 (inclusive) was £224,200. This was 5% above the average for the County. However the above average prices were particularly influenced by the mix of sales (which was biased strongly towards detached sales at 59% of the total). Average house prices in this period for detached, semi-detached and flats/maisonettes were also below the County average. Only average terraced prices were above.
- 10.34 Private rental levels came out as similarly ranked, with the “entry level” monthly rental being estimated as ranging from £369 for a one-bed flat to £487 for a four-bed house in the HMA.
- 10.35 Evidence from discussions with estate agents in January 2011⁵² points to the following conclusions regarding local market conditions:
- Market conditions were described as poor, related particularly to the level of first-time buyer activity.
 - Current demand for sales is more from people from outside of the area than local. This includes households returning from overseas as well as from other parts of the UK. A substantial proportion is from older households looking to retire and downsize.
 - The lettings market locally is also currently difficult, in contrast to other parts of the County. A significant proportion of rental demand comes from international migrants, particularly from Poland and Hungary and working locally, including at Holdens and Rydon House. Rental demand (in the private sector) is primarily for two-bedroom properties.
 - There have been relatively few recent buy-to-let investments in the local market.
- 10.36 As part of the 2012 Update of the LHMA, further discussions with estate and letting agents were undertaken in October 2012. Similarly to other areas, most agents described the sales market in the Bromyard HMA as “difficult” and “slow.” One agent was more optimistic, saying

⁵² Flint and Cook Bromyard, Jan 2010

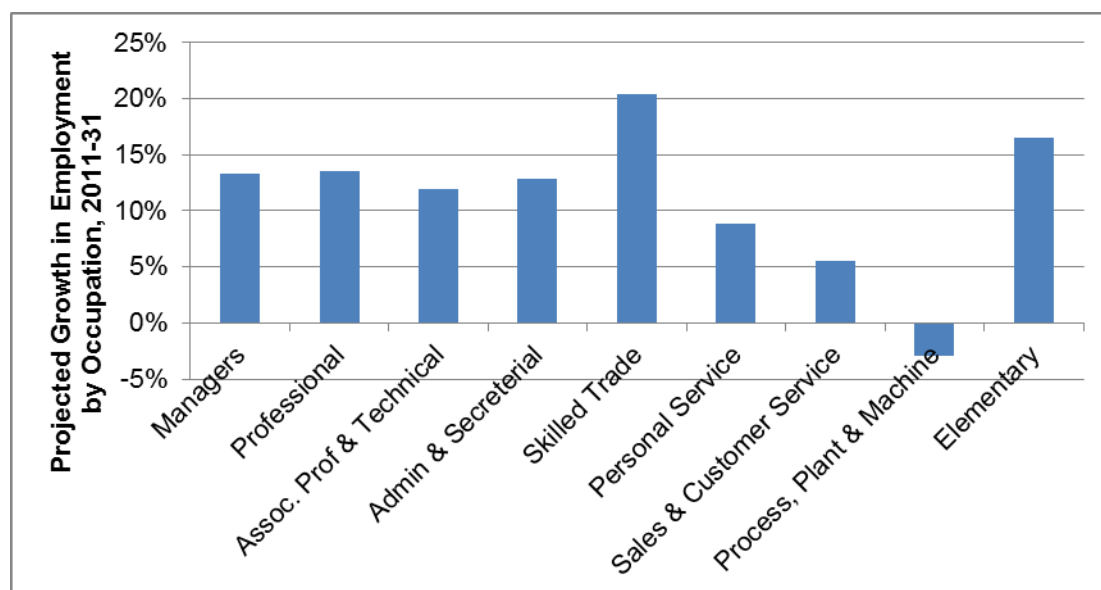
that conditions had improved from a year ago but still described current sales conditions as “a struggle. “

- 10.37 The agents spoken to in Bromyard and Ross on Wye said that few people are looking for 2 beds in this area, with the majority of buyers being families looking for larger houses. The age of buyers ranges from people in their 30s, to people of retirement age. Few buyers are first time buyers. Prices were said to have decreased slightly over the past year. Agents said that they hoped prices would stabilise but said that it was hard to predict given difficulties in borrowing. Most said that they anticipated prices to remain at current levels or increase slightly.
- 10.38 The lettings market was described as “steady”, with properties taking approximately 4-5 weeks to let. One agent said that properties were not letting as well as they were doing compared to a few months ago. People who let properties tended to be in their 40s and 50s and let rural, larger properties. Agents predicted that rents may rise in the future but did not show much confidence.

Potential for Population & Economic Growth

- 10.39 It is proposed to deliver 500 houses in Bromyard over the period between 2011-31 with an estimated 317 *pro rata* in the rural parts of the HMA, representing housing growth of 0.8% (with growth at a rate of 0.9% in Bromyard itself).
- 10.40 We have modelled potential employment growth in the HMA based on the proportion of employment by sector in Herefordshire in the Bromyard HMA. This suggests net employment growth of around 700 jobs over the 2011-31 period.
- 10.41 Considering the sectoral breakdown of employment, we project the following changes in the town’s occupational profile over the period 2011-31.

Figure 10.6: Prospective Changes in Occupational Profile in Bromyard HMA, 2011-31



Source: GLH

10.42 Our projections show a particular reduction in process, plant and machine operatives. We see growth in the numbers employed in other occupational groups but particularly in skilled trade and elementary occupations.

10.43 This baseline profile does not however take account of the implementation of the 5ha employment allocation identified in the Core Strategy Preferred Options.

Future Housing Requirements

10.44 Housing demand within the Bromyard HMA includes a mix of people living and working locally, households retiring to the area, and some lifestyle moves from households who might work in Worcester. The retirement market however is not as strong as in the Ledbury and Ross-on-Wye HMAs.

10.45 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period as well as wider changes in the structure of the population. By considering the size and type of housing occupied by households of different age groups within the HMA, projections are made of future need and demand for housing.

10.46 The model takes account of development viability and funding. It assumes that 40% of net new housing delivered over the 2011-31 plan period is affordable housing.

Demand for Market Housing

10.47 Figures 10.7 and 10.8 below show estimates of the sizes and types of market housing required in the whole of the Bromyard HMA. The data suggests a requirement for 519 additional market units with the majority of these being three bedroom homes. In addition the data suggests that the vast majority of housing required will be in the form of houses (or bungalows).

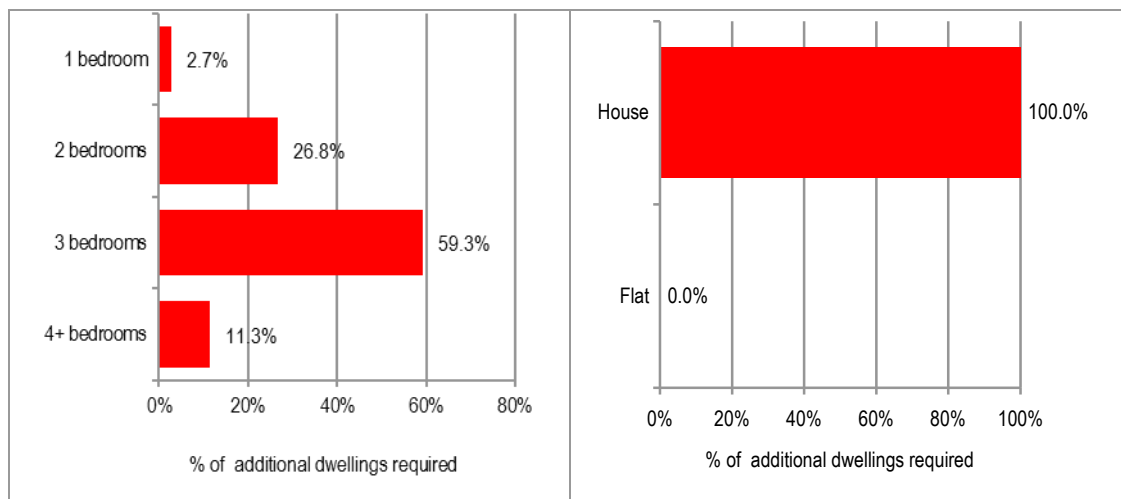
10.48 Overall the data suggests that over 70% of additional market housing should be family (3+ bedroom) accommodation and around 30% smaller units. Of the total, the analysis suggests that there is no requirement for additional dwellings to be in the form of flats.

Figure 10.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Bromyard HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	167	181	14
2 bedroom	677	813	139
3 bedroom	2,049	2,349	308
4+ bedroom	1,485	1,542	58
Total	4,378	4,884	519
Houses	4,144	4,662	531
Flats	234	222	-12
Total	4,378	4,884	519

Figure 10.8: Size and Type of Market Housing Required 2011 to 2031 (Bromyard HMA)

Size	Type



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Affordable Housing

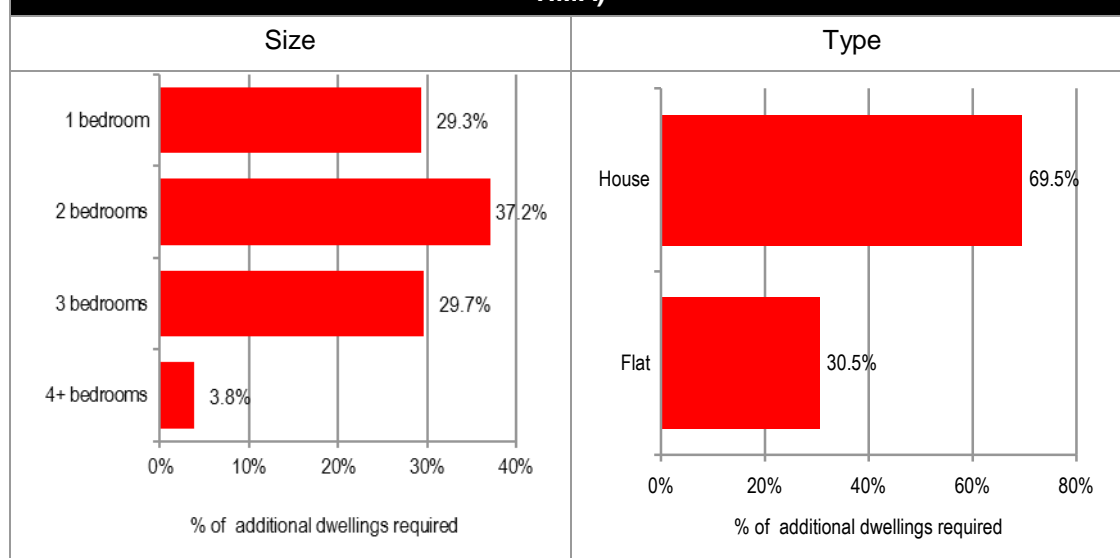
10.49 Figures 10.9 and 10.10 show estimates of the sizes and types of affordable housing required in the whole of the Bromyard HMA. The data suggests a requirement for 346 additional affordable units (40% of all housing) with the largest proportion being two bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

10.50 Overall the data suggests that around a third of additional affordable housing should be family (3+ bedroom) accommodation and just over two-thirds smaller units. Of the total, it is suggested that around 30% should be in the form of flats.

Figure 10.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Bromyard HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	176	275	101
2 bedroom	243	368	129
3 bedroom	252	353	103
4+ bedroom	42	55	13
Total	713	1,050	346
Houses	521	755	240
Flats	192	295	106
Total	713	1,050	346

Figure 10.10: Size and Type of Affordable Housing required 2011 to 2031 (Bromyard HMA)



Urban/Rural Split

10.51 The tables below show the above information split between the urban and rural part of the Bromyard HMA. Overall, the data shows that of the estimated housing requirement in the HMA some 58% is in the urban area (500 of 865 units over the 2011 to 2031 period).

10.52 In the market sector the data suggests that in both areas the main requirement is for three bedroom homes although there is a noticeable difference for four bedroom accommodation – with no requirement shown in the rural area. In the affordable sector the data suggests a larger requirement for family accommodation in the rural area compared with urban parts of the HMA.

Figure 10.11: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Bromyard HMA)

Type/size	Bromyard Urban		Bromyard Rural		Bromyard HMA	
	Number	%	Number	%	Number	%
1 bedroom	13	4.3%	1	0.5%	14	2.7%
2 bedroom	66	22.0%	73	33.3%	139	26.8%
3 bedroom	142	47.3%	166	75.8%	308	59.3%
4+ bedroom	79	26.5%	-21	-9.6%	58	11.3%
Total	300	100.0%	219	100.0%	519	100.0%
Houses	306	102.1%	224	102.6%	531	102.3%
Flats	-6	-2.1%	-6	-2.6%	-12	-2.3%
Total	300	100.0%	219	100.0%	519	100.0%

Figure 10.12: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Bromyard HMA)

Type/size	Bromyard Urban		Bromyard Rural		Bromyard HMA	
	Number	%	Number	%	Number	%
1 bedroom	67	33.3%	35	23.7%	101	29.3%
2 bedroom	73	36.6%	55	37.9%	129	37.2%
3 bedroom	52	26.2%	50	34.5%	103	29.7%
4+ bedroom	8	3.8%	6	3.8%	13	3.8%
Total	200	100.0%	146	100.0%	346	100.0%
Houses	120	60.1%	120	82.3%	240	69.5%
Flats	80	39.9%	26	17.7%	106	30.5%
Total	200	100.0%	146	100.0%	346	100.0%

Delivery Considerations

10.53 Bromyard is a relatively small town. An appropriately sized urban extension is planned, but there is a small, local market. Appropriate delivery phasing with a relatively long build-out period will be required to deliver housing at the urban extension over the plan period.

The Ageing Population

10.53 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.

10.54 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that the Bromyard HMA has about 41% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Age group	Bromyard	Herefordshire	West Midlands	England
Under 55	59.4%	64.5%	71.3%	72.0%
55-64	16.9%	14.1%	11.7%	11.6%
65-74	12.7%	11.3%	9.1%	8.6%
75-84	7.8%	7.2%	5.7%	5.5%
85+	3.2%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	40.6%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

10.55 Projecting forward we see that the older person population is expected to increase significantly with 27% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to more than double whilst the population aged under 55 is expected to see a small decrease in population (the population aged 55 to 64 is also expected to drop noticeably).

Age group	2011	2031	Change	% change
Under 55	7,046	6,845	-201	-2.8%
55-64	2,006	1,596	-409	-20.4%
65-74	1,504	1,921	416	27.7%
75-84	926	1,693	767	82.9%

85+	375	876	502	133.9%
Total	11,857	12,932	1,075	9.1%
Total 55+	4,810	6,086	1,276	26.5%

Source: Projection modelling

10.56 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

10.57 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to more than double with the numbers with mobility problems increasing by 83% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 10.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	196	395	199	101.7%
Mobility problems	509	930	422	82.9%

Source: POPPI Website and projection modelling

10.58 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 35% of households registered are aged 55 and over with a figure of 18% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 41% of all people being aged 55 and over).

10.59 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not

suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 10.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	138	65.1%	7,046	59.4%
55-64	35	16.5%	2,006	16.9%
65-74	20	9.4%	1,504	12.7%
75-84	18	8.5%	926	7.8%
85+	1	0.5%	375	3.2%
Total	212	100.0%	11,857	100.0%
Total 55+	74	34.9%	4,810	40.6%

Source: Housing Register and demographic modelling

11 KINGTON HOUSING MARKET

Geography

- 11.1 The Kington HMA is in the north west of the county, bordering Wales. It has a population of 9,200 (mid 2010), the second smallest of the HMA's after Golden Valley. Kington is the main market town but the villages of Eardisley and Shobdon have sufficient facilities and employment opportunities to be classified as rural service centres. In addition, Lyonshall and Winforton are within 5km of a rural service centre and the villages of Almeley and Pembridge have 4 or more key services and public transport provision⁵³.
- 11.2 Access to services is poorer than for Herefordshire as a whole: 73.3% of households are within 2km of a post office (82.8% for Herefordshire) and 40.0% of households are within 4km of a free cashpoint (71.1% for Herefordshire).⁵⁴

Current Housing Offer

- 11.3 The Kington HMA contains 4456 properties representing 5% of total properties in Herefordshire.
- 11.4 In 2001, 68% of households were owner occupiers which was below average for the County (70.8%), as were levels of social renting (13.1% compared to 15.2% across Herefordshire). The level of private rented housing, and households living rent free (at 13.1% and 5.8% respectively) were both above average. The profile is particularly influenced by that of Kington Town, where 18% of households in 2001 were living in the social rented sector and 17% in the private rented sector. Owner occupation was 61%. In comparison in the two rural wards in the HMA, owner occupation was 73-74% in 2001.
- 11.5 Second home ownership is the second highest in the County at 1.6% of the housing stock, compared to 0.9% across Herefordshire. The HMA has an above average number of vacant properties, with a vacancy rate of 2.6% compared to 1.8% County-wide.
- 11.6 Across the HMA, the majority of housing was detached at 56% (in 2001), compared to 43% across Herefordshire. Proportions of other housing types are correspondingly lower, with flats making up just 5.7% of the housing stock compared to 11.0% County-wide in 2001.

⁵³ For further details of the methodology of classifying settlements, see LDF Rural Settlements Hierarchy Background Paper: Updated Nov 2010

⁵⁴ Source: Commission for Rural Communities, 2007

Socio-Economic Characteristics

- 11.7 The market town of Kington is the smallest of the market towns, with a population of 3,200 in mid 2010.
- 11.8 The HMA includes a total of 3,200 employee jobs in 2010. Of these around half (1,200) were in Kington. The HMA's economy includes a particularly strong level of manufacturing jobs, as well as above average employment in transport and communications.
- 11.9 More people in this HMA worked at home than in Herefordshire as a whole (24.0% of the working population as compared to 15.2%) and more travelled 10km or more to get to work (34.7% as compared to 26.9%).⁵⁵
- 11.10 No parts of this HMA fall within the 25% most deprived areas nationally.

Housing Need

- 11.11 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 11.12 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

- 11.13 Figure 11.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £92,000, and from £120,000 for a 2-bed property. Entry level private rented range from £375 PCM for a 1-bed property and £465 for a 2-bed, through to £700 PCM for a 4-bed home.

Figure 11.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£375	£465	£600	£700
Entry-Level Purchase Price	£92,000	£120,000	£155,000	£239,000

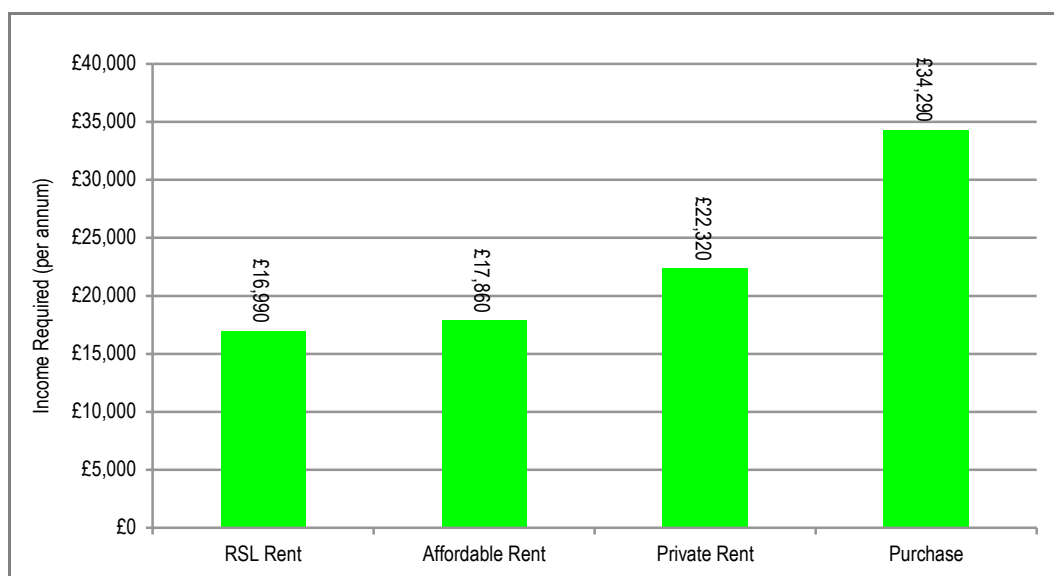
Source: Online Estate & Letting Agents Survey (Oct 2012)

- 11.14 Figure 11.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a

⁵⁵ Source: 2001 census

100% mortgage, and an assumption that 25% of income is spent on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support. There is a particularly strong difference between the income required to rent and to purchase in this HMA.

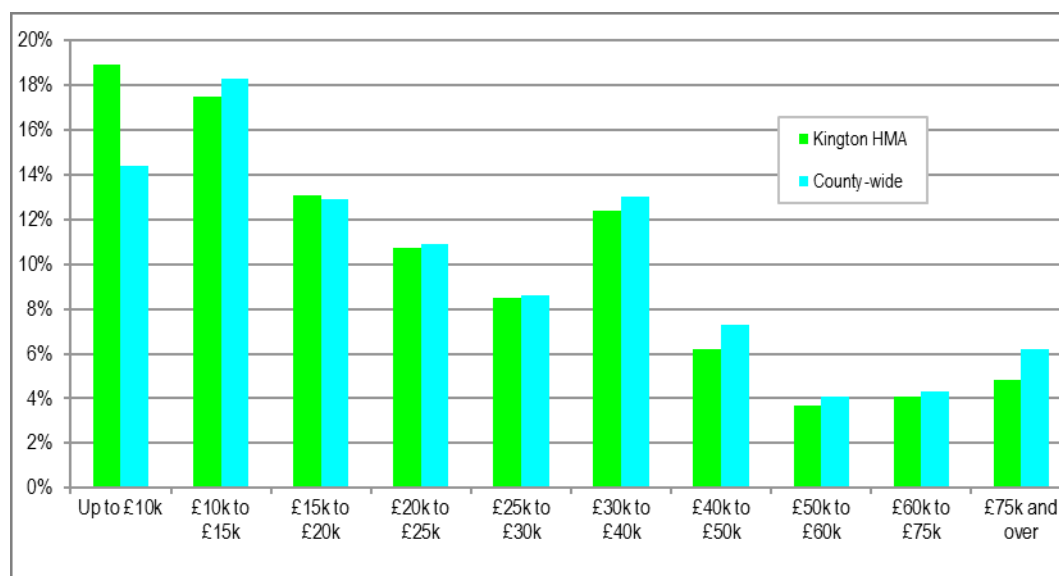
Figure 11.2: Indicative Income Required to Buy-Rent 2-bed Property



Source: Online Estate & Letting Agents Survey (Oct 2012) & RSR

- 11.15 To assess affordability it is necessary to compare housing costs against income. Figure 9.3 profiles the distribution of household incomes in the Kington HMA, and compares this with the distribution county-wide. The median income in the Kington HMA at £20,352 pa is the lowest in the County; 7% below the County average (£22,002 pa).
- 11.16 In the Kington HMA, the ratio of lower quartile house prices to lower quartile household incomes is 10.23: the highest of any of the HMA in the County.
- 11.17 Analysis of the distribution of incomes indicates a high proportion of households with an income below £10,000 compared to the County-wide profile with relatively few high income households.

Figure 11.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian (2010)

11.18 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 11.4 below.

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11.19 It is estimated that 55% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire.. The proportion of newly-forming households, who are typically younger, unable to buy or rent without support is however considerably higher at 67% of households aged under 45.

11.20 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

- 11.21 An estimate of housing need within the HMA has been made taking account of the following:
- Current housing need – total households who are currently in housing need, drawing on information from the Council's Housing Register (Home Point);
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- 11.27 Net affordable housing need in the HMA is calculated below:

⁵⁶ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

Figure 11.5: Estimated Level of Housing Need 2012-17

		Kington HMA
A	Backlog of Need	62
B	Newly-Arising Need (5 Year)	279
C	Total Need (= A + B)	341
D	Affordable Housing Supply (5 Year)	232
E	Net Need (5 Year) (= C - D)	109
F	Affordable Housing Requirement PA (=E / 5)	22
	Additional Homes Proposed PA	26
	Need as % of Proposed Supply	85%

- 11.28 It is estimated that there is an **annual need for 22 units of affordable housing in the Kington HMA**. This compares with an estimated supply of 26 new homes per annum (2011-31). The level of need represents 85% of the projected supply. The HMA has a below average proportion of affordable housing, and there are particularly barriers to accessing market housing for newly-forming households. These explain the high levels of housing need arising.
- 11.29 This figure (the 85% above) should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 11.29 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 11.30 It is estimated that an income of £22,320 is required to access market housing, but that an income of £17,860 is required to access intermediate housing within the Kington HMA.
- 11.31 Within the Kington HMA it is estimated that 38% of households in need will be able to afford intermediate housing, with 62% requiring social rented housing (56% social rent; 6% affordable rent).

11.32 In the short-term, the housing needs analysis suggests a requirement for 65% 1-bed properties, 23% 2-bed, 12 with 3 or more bedrooms.

Housing Market Performance

11.33 The Zoopla House Price Index indicates that the average house price paid for a standard property in Kington was £194,016 over the past three years. 8% below the County average. The average price over the last year (to September 2012) was £198,262. This is above the average price achieved in Leominster but below that in Hereford.

11.34 Of properties sold between April – September 2012 (inclusive), the average house price was £246,500 which is the highest of the seven HMAs. This however is particularly a function of the profile of sales, which are strongly focused towards detached sales (which accounted for 65% of all sales over this period). By type, house prices for detached homes were lower than in the Ledbury, Ross-on-Wye and Golden Valley HMAs. Over this April – September period just 3% of sales were of flats.

11.35 There is a premium attached to three and four-bed homes in this area, relative to other parts of the County. There is evidently a market for larger, detached property within the HMA. It is interesting that this western rural area of the county commands premium house prices. Hay-on-Wye (which is outside of Herefordshire) has increasingly come to prominence in the last few years with the expansion of the Hay Literary Festival, and it is possible that this may have led to increased demand for property in the area.

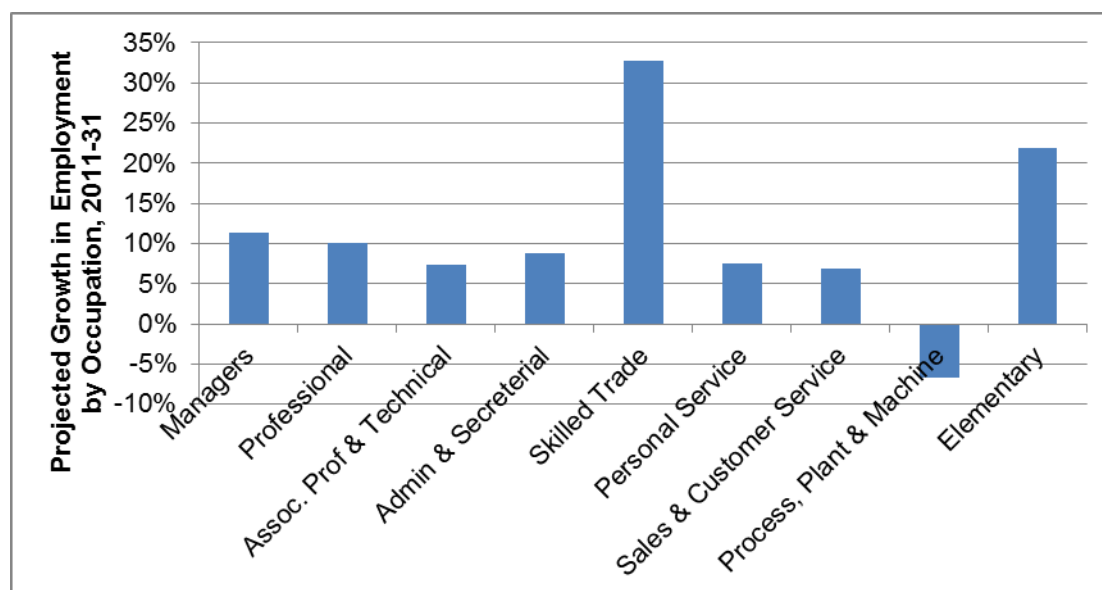
Potential Population and Economic Growth

11.36 It is proposed to deliver 200 new dwellings in Kington over the 2011-31 plan period representing household growth of 0.7% per annum. It is estimated that 317 dwellings would be delivered in the more rural parts of the HMA based on the existing distribution of households, representing household growth of 12%. (0.6% pa). The total growth of 12.3% is the lowest other than in the Golden Valley HMA.

11.37 We have modelled potential employment growth in the HMA taking account of the level and structure of employment relative to Herefordshire as a whole. Total employment is estimated to increase by around 300 jobs over the 2011-31 period, representing 14% growth which is similar to the County as a whole.

11.38 Considering the sectoral structure of employment, we project the following changes in the occupational profile of the Kington HMA over the period 2011-31:

Figure 11.6: Prospective Changes in Occupation Profile in Kington HMA, 2011-31



Source: GLH

- 11.39 The projections show a particular reduction in process, plant and machine operatives with growth focused in elementary and skilled trade occupations. This would likely focus demand from working-age households more towards lower and mid value properties.
- 11.40 No employment allocations are made within the draft Core Strategy which would materially alter this projection.

Future Housing Requirements

- 11.41 The evidence presented suggests that in-migration, particularly of older households, could potentially be a stronger driver of housing demand in this HMA than in some of the others. Weak economic performance could restrict demand from working households and support out-migration of younger households.
- 11.42 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and type of housing occupied by households in different age groups by gender within the HMA,

projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.

- 11.43 The model takes account of development viability and funding (and the level of existing stock) and assumes that 35% of net new housing delivered over the 2011-31 plan period is affordable housing.

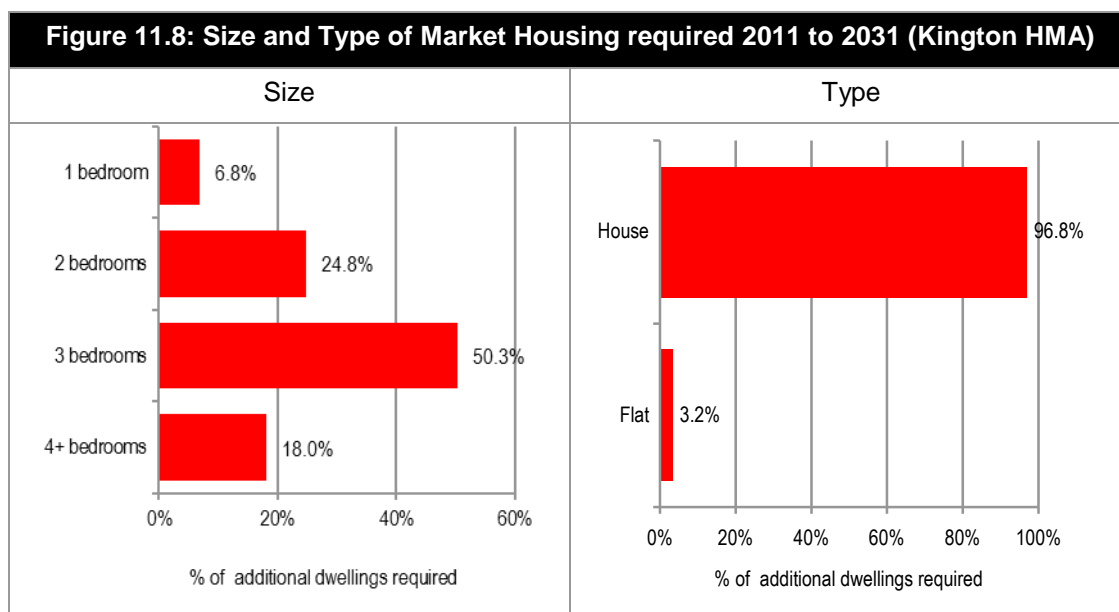
Demand for Market Housing

- 11.44 Figures 11.7 and 11.12 below show estimates of the sizes and types of market housing required in the whole of the Kington HMA. The data suggests a requirement for 336 additional market units with around half of these being three bedroom homes. In addition the data suggests that the vast majority of housing required will be in the form of houses (or bungalows).

- 11.45 Overall the data suggests that just over two-thirds of additional market housing should be family (3+ bedroom) accommodation and around a quarter 2-bedroom units. Of the total, it is suggested that around 3% should be in the form of flats.

Figure 11.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Kington HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	144	167	23
2 bedroom	541	622	83
3 bedroom	1,653	1,818	169
4+ bedroom	1,196	1,255	61
Total	3,535	3,863	336
Houses	3,387	3,705	325
Flats	147	158	11
Total	3,535	3,863	336



Sizes of Affordable Housing

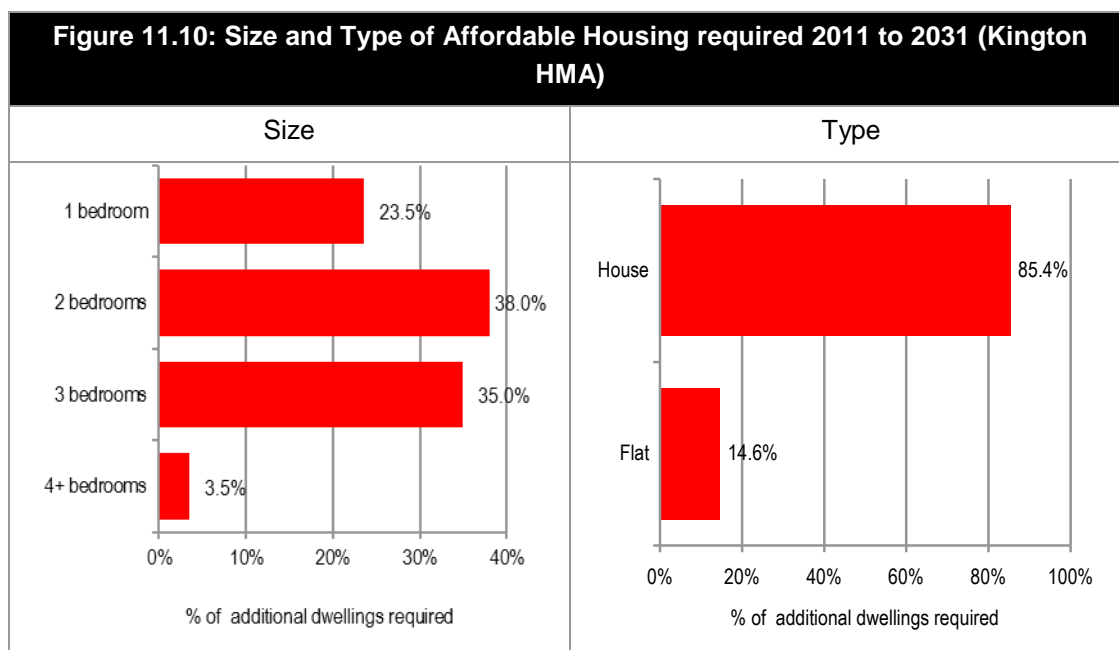
11.46 Figures 11.9 and 11.10 below show estimates of the sizes and types of affordable housing required in the whole of the Kington HMA. The data suggests a requirement for 181 additional affordable units (35% of all housing) with the majority of these being two and three bedroom homes. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

11.47 Overall the data suggests that around two-fifths of additional affordable housing should be family (3+ bedroom) accommodation and just under three-fifths smaller units. Of the total, it is suggested that around 15% should be in the form of flats.

Figure 11.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Kington HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	77	119	43
2 bedroom	191	258	69
3 bedroom	260	322	63
4+ bedroom	31	38	6
Total	560	737	181
Houses	495	646	154
Flats	65	90	26
Total	560	737	181

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Urban/Rural Split

11.48 The tables below show the above information split between the urban and rural part of the Kington HMA. Overall, the data shows that of the estimated housing requirement in the HMA some 39% is in the urban area (200 of 517 units over the 2011 to 2031 period).

11.49 In the market sector the data suggests that in both areas the main requirement is for three bedroom homes with a similar pattern of requirements shown in both types of location.

Figure 11.11: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Kington HMA)

Type/size	Kington Urban		Kington Rural		Kington HMA	
	Number	%	Number	%	Number	%
1 bedroom	6	4.6%	24	7.0%	30	6.4%
2 bedroom	26	20.1%	78	23.2%	104	22.3%
3 bedroom	70	53.6%	162	48.1%	231	49.6%
4+ bedroom	28	21.6%	73	21.7%	101	21.7%
Total	130	100.0%	336	100.0%	466	100.0%
Houses	129	98.9%	320	95.3%	449	96.4%
Flats	1	1.1%	16	4.7%	17	3.6%
Total	130	100.0%	336	100.0%	466	100.0%

11.50 Relative to a number of the other HMAs, there is a notable requirement in this HMA for homes with four or more bedrooms in the market sector.

11.51 In the affordable sector the data suggests a slightly larger requirement for family accommodation in the urban area compared with rural parts of the HMA. The majority of need is for two and three bedroom properties.

Figure 11.12: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Kington HMA)

Type/size	Kington Urban		Kington Rural		Kington HMA	
	Number	%	Number	%	Number	%
1 bedroom	12	16.8%	39	21.6%	51	20.3%
2 bedroom	29	41.3%	72	39.8%	101	40.2%
3 bedroom	28	39.5%	62	34.5%	90	35.9%
4+ bedroom	2	2.4%	8	4.1%	9	3.6%
Total	70	100.0%	181	100.0%	251	100.0%
Houses	54	76.8%	166	91.9%	220	87.6%
Flats	16	23.2%	15	8.1%	31	12.4%
Total	70	100.0%	181	100.0%	251	100.0%

Delivery Considerations

11.52 The numbers of new homes proposed to be delivered in this HMA are small, reflecting the size of the HMA and that of the main town, Kington, within it. No large strategic sites are proposed. The application of a 'plan, monitor and manage' approach to delivering the right mix of housing will thus be particularly important in this HMA.

The Ageing Population

11.56 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.

11.57 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that the Kington HMA has about 41% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Figure 11.14: Older person population (2011)

Age group	Kington	Herefordshire	West Midlands	England
Under 55	59.1%	64.5%	71.3%	72.0%
55-64	15.8%	14.1%	11.7%	11.6%
65-74	13.4%	11.3%	9.1%	8.6%
75-84	8.5%	7.2%	5.7%	5.5%
85+	3.2%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	40.9%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

11.58 Projecting forward we see that the older person population is expected to increase significantly with 24% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to more than double whilst the population aged under 55 is expected to see a small decrease in population (the population aged 55 to 64 is also expected to drop noticeably).

Figure 11.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	5,646	5,220	-426	-7.6%
55-64	1,508	1,311	-197	-13.0%
65-74	1,282	1,518	236	18.4%
75-84	816	1,266	450	55.1%
85+	302	747	445	147.1%
Total	9,554	10,062	507	5.3%
Total 55+	3,908	4,842	934	23.9%

Source: Projection modelling

11.59 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

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11.60 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to increase by 94% with the numbers with mobility problems increasing by 73% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 11.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	164	318	154	94.2%
Mobility problems	431	744	313	72.5%

Source: POPPI Website and projection modelling

11.61 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 33% of households registered are aged 55 and over with a figure of 20% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 41% of all people being aged 55 and over).

11.62 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 11.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	135	67.5%	5,646	59.1%
55-64	25	12.5%	1,508	15.8%
65-74	25	12.5%	1,282	13.4%
75-84	11	5.5%	816	8.5%
85+	4	2.0%	302	3.2%
Total	200	100.0%	9,554	100.0%
Total 55+	65	32.5%	3,908	40.9%

Source: Housing Register and demographic modelling

12 GOLDEN VALLEY HOUSING MARKET

Geography

- 12.1 The Golden Valley is the most rural HMA, to the west of the county, bordering Wales, and the only one without a market town. It has the smallest population of the 7 HMA's – its population was estimated at 5,900 in mid 2010.
- 12.2 The area is served by the A438 which links Hereford to Hay-on-Wye, and the A465 which runs south-west from Hereford towards Abergaveny. Public transport links are not good – there is a regular bus service between Peterchurch and Hereford during the day; the service from Ewyas Harold is less frequent, and involves changing at Pontrilas, so that the whole journey to Hereford takes about an hour.
- 12.3 Although there is no market town within the Golden Valley Housing Market Area, the villages of Ewyas Harold and Peterchurch serve as rural service centres. Pontrilas is a rural hub and the villages of Cusop and Dorstone are local service centres.
- 12.4 Access to services is poorer than for Herefordshire as a whole and is the worst out of the 7 HMA's: only 51.5% of households are within 2km of a post office (82.8% for Herefordshire) and only 2.0% of households are within 4km of a free cashpoint (71.1% for Herefordshire).⁵⁷

Current Housing Offer

- 12.5 The Golden Valley HMA contains 2,771 properties⁵⁸ representing a moderate 3% of total properties in Herefordshire.
- 12.6 In 2001, 75.8% of households were owner occupiers which was above average for the County (70.8%). While levels of private renting were above average (10.6% compared to 9.1% across Herefordshire), the levels of social housing ownership were low; the sector accommodating 7.6% of households compared to 15.2% across Herefordshire.
- 12.7 Social and private renting were slightly higher in Golden Valley North ward in 2001 than in Golden Valley South Ward; albeit that owner occupation was above average in both at 73% and 79% respectively.
- 12.8 Second home ownership is significant, representing 3.0% of the housing stock in 2012 – the highest of any of the HMAs. This compares to an average of 0.9% across Herefordshire. 2.4% of the housing stock was vacant compared to 1.8% across Herefordshire.

⁵⁷ Source: Commission for Rural Communities, 2007

⁵⁸ Source: Council Tax Records, November 2012

- 12.9 Across the HMA, a very high proportion of the housing stock was detached, at 70% in 2001; dominating the housing offer. The proportion of other types of housing is correspondingly substantially below average.

Socio-Economic Characteristics

- 12.10 Not surprisingly, as there is no market town to provide an employment focus, a high percentage of people in this HMA worked at home in 2001 (30.2% of the working population as compared to 15.2% for Herefordshire) and more travelled 10km or more to get to work than in Herefordshire as a whole (39.7% as compared to 26.9%, the same figure as for Bromyard HMA).
- 12.11 Data from the Business Register and Employment Survey in 2010 indicated that there were 3,700 employee jobs in the HMA. There is a particular concentration of employment in the HMA in the construction, health and social work, information and communications and real estates sectors.
- 12.12 None of the Lower-Level Super Output Areas (LSOAs) in this HMA fall within the 25% most deprived areas nationally.
- 12.13 This HMA includes some of the finest landscape in the county. This is likely to be a factor in driving second home ownership and retirement moves; as is the proximity to the Powys town of Hay-on-Wye.
- 12.14 Fairfield High School in Peterchurch is very highly regarded, and this fact was commented on by estate agents as increasing the demand for property in this area.

Housing Need

- 12.15 Housing need is defined as the number of households who lack their own housing or who live in unsuitable housing, and who cannot afford to meet their housing needs in the market.
- 12.16 An assessment of housing need has been undertaken drawing on a number of sources of information including previous research by Herefordshire Council, a bespoke survey of local prices and rents and information on household incomes. The detailed methodology is described in Section 5.

Assessing Housing Affordability

12.17 Figure 12.1 below sets entry-level costs for buying or renting housing of different sizes in this HMA. Prices for a 1-bed home start from about £92,000, and from £129,000 for a 2-bed property. Entry level private rented range from £425 PCM for a 1-bed property and £525 for a 2-bed, through to £800 PCM for a 4-bed home.

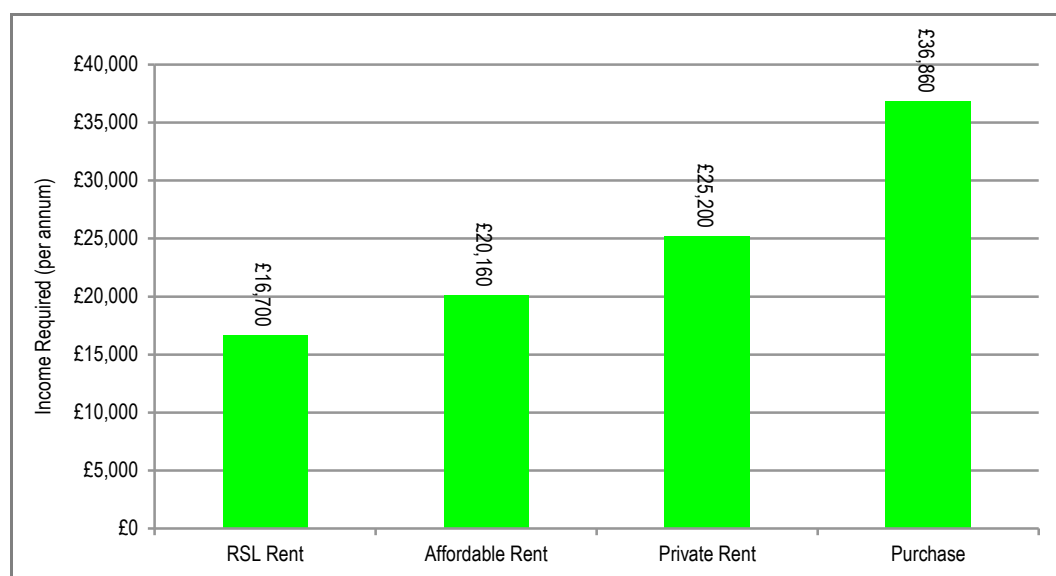
Figure 12.1: Entry-Level Housing Costs

	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms
Entry-Level Private Rents (PCM)	£425	£525	£625	£800
Entry-Level Purchase Price	£92,000	£129,000	£170,000	£276,000

Source: Online Estate & Letting Agents Survey (Jan 2011)

12.18 Figure 12.2 indicates the annual income required to buy or rent a 2-bedroom property in the HMA. This is based on a mortgage multiplier of 3.5 times income for house purchase with a 100% mortgage, and an assumption that 25% of income is spent on housing for rented properties. It indicates substantial differences in the income levels required to access different housing tenures without financial support.

Figure 11.2: Indicative Income Required to Buy-Rent 2-bed Property

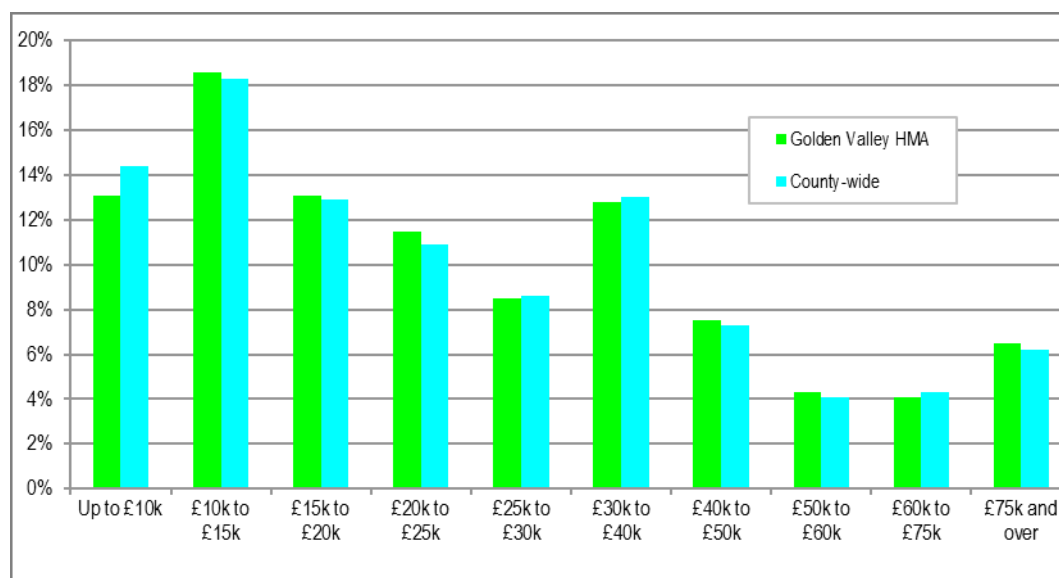


Source: Online Estate & Letting Agents Survey (Oct 2012) & RSR

12.19 To assess affordability it is necessary to compare housing costs against income. Figure 11.3 profiles the distribution of household incomes in the Golden Valley HMA, and compares this with the distribution county-wide. The median income in the Golden Valley HMA at £22,252 pa is slightly above the County average (£22,002 pa).

12.20 As Figure 12.3 indicates, the income distribution in the HMA is broadly similar to the County as a whole although there are relatively few households with an income of below £10,000.

Figure 12.3: Distribution of Household Incomes in the HMA



Source: JGC Modelling informed by Experian (2010)

12.21 In the Golden Valley HMA, the ratio of lower quartile house prices to lower quartile household incomes is 10.02 – one of the highest in the County.

12.22 To assess affordability, the income required to either buy or rent a two-bedroom home has been used (whichever the cheaper). This has been compared with the distribution of household incomes within the HMA to calculate the likely proportion of households unable to afford to buy/rent without support. This calculation is shown in Figure 12.4 below.

Figure 12.4: Estimated Proportion of Households unable to afford Market Housing without Subsidy

	Golden Valley HMA	Herefordshire
Income Required to Access Market Housing	£25,200	-
Number Unable to Afford	1,455	44,641
Estimated Households (2012)	2,585	79,185
% of Households Unable to Afford	56.3%	56.4%

Source: Online Survey of Estate & Letting Agents (October 2012), Affordability Analysis (2012)

12.23 It is estimated that 56% of all households in this HMA cannot afford market housing without subsidy compared to 56% across Herefordshire.. The proportion of newly-forming

households, who are typically younger, unable to buy or rent without support is however considerably higher at 68% of households aged under 45.

12.24 The housing affordability analysis indicates that market housing is unaffordable for many local households without equity in existing homes.

Housing Needs Estimates

12.25 An estimate of housing need within the HMA has been made taking account of the following:

- Current housing need – total households who are currently in housing need, drawing on information from the Council’s Housing Register (Home Point);
- Future housing need – taking account of estimated new household formation and the proportion of estimated proportion of households unable to buy or rent in the market; and
- Affordable housing supply – considering the potential of the existing affordable housing supply to meet housing needs.

12.26 The analysis undertaken herein is intended to provide a picture of housing needs for the Housing Market Area. Herefordshire Council separately undertakes Housing Needs Surveys for specific villages and parishes at a more local level. These are available on the Council’s Facts and Figures website⁵⁹

12.27 Total current housing need (the backlog) is therefore estimated at 21 households, net of transfers.

12.28 Numbers of newly-forming households expected to form over the next five years have been estimated, and an affordability test applied to this. In the Golden Valley HMA new household formation is estimated at 152 over the next five years. It is estimated that 68% of newly-forming households in the HMA are unable to afford market housing. This is the same as the Herefordshire average.

12.29 It is estimated that 15 existing households will fall into housing need over the next five years.

12.30 The supply of affordable housing over a five year period has been calculated based on actual data on lettings for general needs and sheltered housing in the social sector.

12.31 Net affordable housing need in the HMA is calculated below:

⁵⁹ <http://www.herefordshire.gov.uk/factsandfigures/housingresearch>

Figure 12.5: Estimated Level of Housing Need 2012-17

		Golden Valley HMA
A	Backlog of Need	21
B	Newly-Arising Need (5 Year)	117
C	Total Need (= A + B)	138
D	Affordable Housing Supply (5 Year)	59
E	Net Need (5 Year) (= C - D)	79
F	Affordable Housing Requirement PA (=E / 5)	16
	Additional Homes Proposed PA	15
	Need as % of Proposed Supply	107%

- 12.32 It is estimated that there is an **annual need for 16 units of affordable housing in the Golden Valley HMA**. This compares with an estimated supply of 15 new homes per annum (2011-31). The level of need represents 107% of projected supply. This is a particularly function of the low existing affordable housing supply in this HMA.
- 12.33 This figure (the 107% shown above) should however be treated for illustrative purposes only and is only relevant for the five-year period to 2017. In theory if the backlog were met in this five year period then the need as a proportion of total delivery would fall notably. In addition, the figure for need does not take account of the role played by the private rented sector in meeting need and hence the comparison between need and supply is not as clear cut as a simple comparison of the numbers – the level of housing need should not necessarily have any bearing on the number of homes (of all tenures) to be provided.
- 12.33 The potential for intermediate affordable housing, such as shared ownership or intermediate rented housing, has been calculated by considering the proportion of newly-forming households and households on the Housing Register who can afford to pay more than existing social housing rents, but cannot afford to rent privately or purchase housing without financial support. The detailed methodology is described in Section 5.
- 12.34 It is estimated that an income of £25,200 is required to access market housing, but that an income of £20,160 is required to access intermediate housing within the Golden Valley HMA.
- 12.35 Within the Golden Valley HMA it is estimated that 21% of households in need will be able to afford intermediate housing, with 79% requiring social rented housing (57% social rent; 22% affordable rent).
- 12.36 In the short-term, it is calculated that 62% of housing need is for 1-bed properties, a small surplus of 2-bed, 38% for 3 bed and 6% for properties with 4 or more bedrooms.

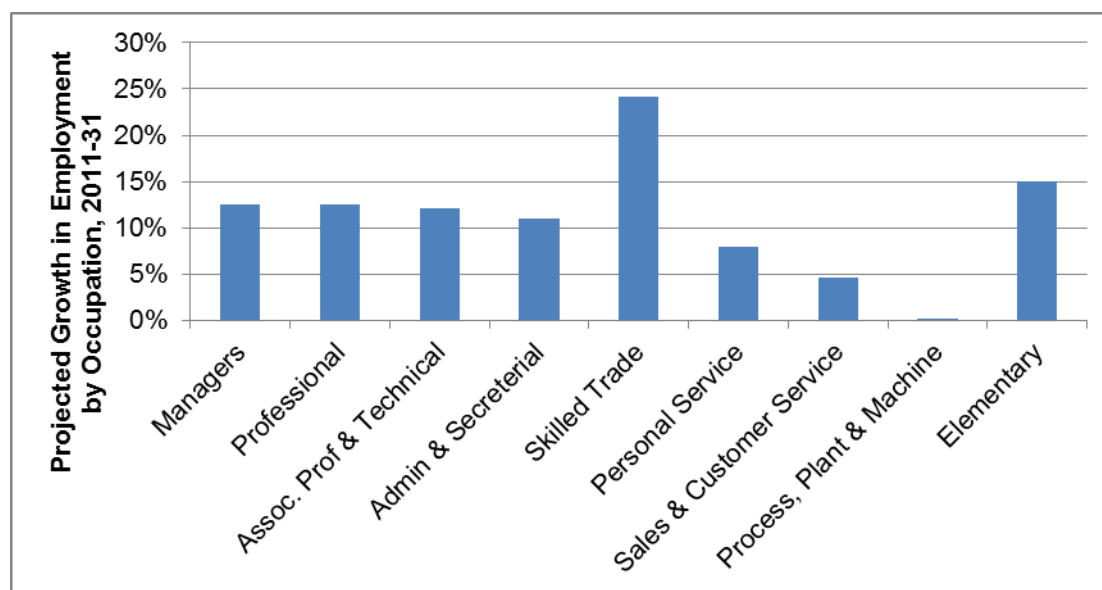
Housing Market Performance

- 12.37 The average price of all homes sold between April – September 2012 (inclusive) in the HMA was £220,400, which was 3% above the County average. In total 50% of sales in this period were of detached properties, with no sales of flats/ maisonettes. The HMA commands some of the highest prices in the County.
- 12.38 Herefordshire Council's survey of Estate Agents in 2009 showed property prices in the Golden Valley to be among the highest when all 12 areas were ranked in order, second only to Ledbury surrounds.
- 12.39 Looking at private rental levels, this area came out as somewhat lower, being ranked as 4th highest out of the 12 areas used in this survey.
- 12.40 The "entry level" monthly rental estimated in late 2012 as ranging from £425 for a one-bed flat to £800 for a four-bed house.
- 12.41 Comparative house prices indicate a relative premium on detached housing and properties with four or more bedrooms in this HMA.

Future Housing Requirements

- 12.42 Housing delivery in the Golden Valley HMA is estimated at 304 dwellings between 2011-31, which would represent household growth of 0.6% and a total of 11.5% growth over the 20 year period.
- 11.53 We have modelled potential employment growth in the HMA taking account of the level and structure of employment relative to Herefordshire as a whole. Total employment is estimated to increase by around 700 jobs over the 2011-31 period, representing 17% growth which is above the County average of 13%.
- 11.54 Considering the sectoral structure of employment, we project the following changes in the occupational profile of the Golden Valley HMA over the period 2011-31:

Figure 12.6: Prospective Changes in Occupation Profile in Kington HMA, 2011-31



Source: GLH

12.43 The profile overall of expected change in occupations is structured more towards managerial and professional occupations, as well as skilled trade and elementary occupations. This can be expected to support demand for housing at a range of levels from working-age households.

12.44 A demographic model has been constructed in order to estimate housing need and demand within each HMA for different sizes and types of housing. The model takes account of the planned level of housing provision within the HMA over the plan period (and adjusts assumptions on future net migration to take account of this), as well as wider changes in the structure of the population taking account of birth and death rates, the ageing of the population and expected future changes to headship rates (which describe the proportion of people in different age brackets which are heads of households). By considering the size and type of housing occupied by households in different age groups by gender within the HMA, projections can be made of future need and demand for housing arising from expected changes in the make-up of the population and structure of households.

Market Housing

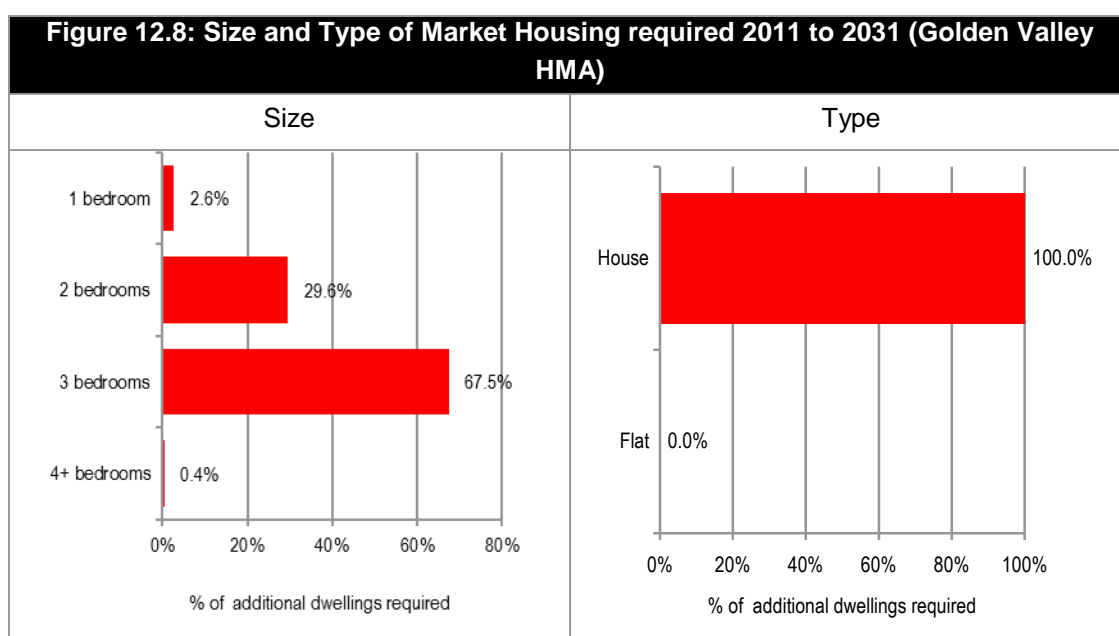
12.45 The table and figure below show estimates of the sizes and types of market housing required in the whole of the Golden Valley HMA. The data suggests a requirement for 198 additional market units with the majority of these being three bedroom homes. In addition the data suggests that all of the housing required will be in the form of houses (or bungalows).

12.46 Overall the data suggests that around two-thirds of additional market housing should be family (3+ bedroom) accommodation and around a third smaller units.

Figure 12.7: Estimated Size and Type of Dwellings Required 2011 to 2031 – Market Housing (Golden Valley HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	59	64	5
2 bedroom	301	358	59
3 bedroom	1,099	1,229	133
4+ bedroom	923	923	1
Total	2,382	2,575	198
Houses	2,351	2,555	209
Flats	31	20	-11
Total	2,382	2,575	198

12.47 While the model points to little requirement for additional homes with 4 or more bedrooms, in reality there is likely to be some evidence of demand for additional larger properties. The model is driven by changes in the demographic structure, resulting in a moderate shift in the general requirement for different types of housing. This does not mean that there is not likely to be demand for a moderate number of larger homes with 4 or more bedrooms, particularly considering the housing values and quality of place which the area provides. This demand however is particularly likely to be driven by households seeking to move into the area.



Sizes of Affordable Housing

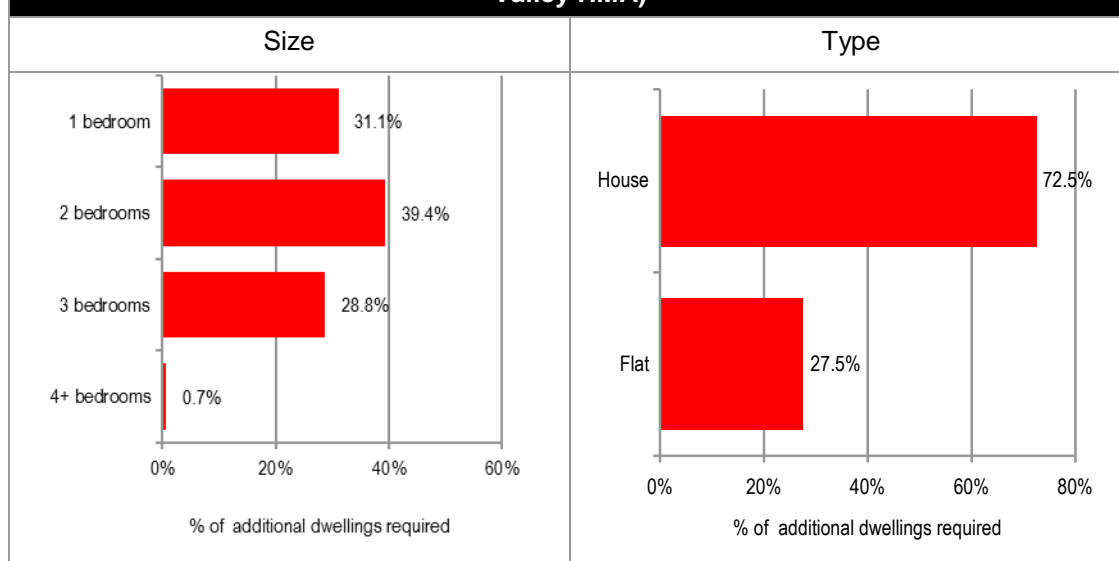
12.48 Figures 12.9 and 12.10 below show estimates of the sizes and types of affordable housing required in the whole of the Golden Valley HMA. The data suggests a requirement for 106 additional affordable units (35% of all housing) with two bedroom homes showing the greatest requirement. In addition the data suggests that the majority of housing required will be in the form of houses (or bungalows).

12.49 Overall the data suggests that around 30% of additional affordable housing should be family (3+ bedroom) accommodation with the remainder being smaller units. Of the total, it is suggested that around a quarter should be in the form of flats.

Figure 12.9: Estimated Size and Type of Dwellings Required 2011 to 2031 – Affordable Housing (Golden Valley HMA)

Type/size	Households 2011	Households 2031	Additional homes 2011-2031
1 bedroom	46	78	33
2 bedroom	72	113	42
3 bedroom	65	95	31
4+ bedroom	5	5	1
Total	188	292	106
Houses	144	220	77
Flats	44	72	29
Total	188	292	106

Figure 12.10: Size and Type of Affordable Housing required 2011 to 2031 (Golden Valley HMA)



Delivery Considerations

12.50 The numbers of new homes proposed to be delivered in this HMA are small, reflecting the size of the HMA and lack of a market town. No large strategic sites are proposed. The application of a 'plan, monitor and manage' approach to delivering the right mix of housing will thus be particularly important in this HMA.

The Ageing Population

12.49 At an HMA level we can also study the older person population and how this is likely to change in the future. To do this we have used our population/household projections in each area and applied prevalence rates as contained within the POPPI and PANSI websites.

12.50 The table below shows the proportion of the population aged 55 and over along with the proportion in various bands from 55 to 85+. The data shows that the Golden Valley HMA has about 41% of its population aged 55 and over, this is a high figure when compared to the County as a whole and notably higher than is seen either regionally or nationally.

Figure 12.14: Older person population (2011)				
Age group	Golden Valley	Herefordshire	West Midlands	England
Under 55	58.8%	64.5%	71.3%	72.0%
55-64	16.8%	14.1%	11.7%	11.6%
65-74	13.5%	11.3%	9.1%	8.6%
75-84	8.2%	7.2%	5.7%	5.5%
85+	2.7%	2.9%	2.2%	2.2%
Total	100.0%	100.0%	100.0%	100.0%
Total 55+	41.2%	35.5%	28.7%	28.0%

Source: Projection modelling and ONS 2011 mid-year population estimates

12.51 Projecting forward we see that the older person population is expected to increase significantly with 28% more people aged 55 and over expected to be living in the HMA in 2031 when compared with 2011. The population aged 85 and over is expected to nearly triple whilst the population aged under 55 is expected to see a notable decrease in population (the population aged 55 to 64 is also expected to drop noticeably).

Figure 12.15: Projected Change in Population of Older Persons (2011 to 2031)

Age group	2011	2031	Change	% change
Under 55	3,544	3,062	-482	-13.6%
55-64	1,013	839	-173	-17.1%
65-74	811	1,028	217	26.8%
75-84	495	848	353	71.3%
85+	165	468	303	183.8%
Total	6,028	6,245	217	3.6%
Total 55+	2,484	3,183	700	28.2%

Source: Projection modelling

12.52 In addition to providing projections about how the number and proportion of older people is expected to change in the future we can look at the likely impact on the number of people with specific illnesses or disabilities. For this we have used data from the Projecting Older People Information System (POPPI) website. The projections from POPPI of older households with health issues are shown in the figure below – in all cases the figures relate to the population aged 65 and over. The figures from POPPI are based on prevalence rates from a range of different sources and whilst these might change in the future (e.g. as general health of the older person population improves) the estimates are likely to be of the right order.

12.53 POPPI looks at a wide range of health issues and for the purposes of our assessment we have concentrated on the two which are in most areas the most significant – this is the number of people with dementia and those with mobility problems. The table below shows that the number of older people with dementia is expected to more than double with the numbers with mobility problems increasing by 89% - these figures compare with 92% and 76% respectively for the whole of the County.

Figure 12.16: Estimated population change for range of health issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Dementia	357	755	399	111.8%
Mobility problems	953	1,801	848	89.0%

Source: POPPI Website and projection modelling

12.54 Finally we have looked at older persons the Housing Register. The data shows that an appreciable proportion of those registered are aged 55 and over. In total, some 18% of households registered are aged 55 and over with a figure of 12% for those aged 65 and over. When compared with data about the proportion of older persons in the population these figures are quite low (with an estimated 41% of all people being aged 55 and over).

12.55 It is unclear from this information whether or not these figures suggest that older people are less likely to be in housing need or whether to some extent the figures might relate to the speed at which they are typically rehoused on joining the register. We would however note that a good proportion of older person households are owner-occupiers and that older people tend to be less mobile (in terms of moving home) than other groups. Overall the data does not suggest that older persons have particularly high levels of housing need when compared with the wider population. However, changes in the older person population (as discussed above) may mean that additional and specialist provision may be required in the future.

Figure 12.17: Housing Register by Age

Age group	On Register		Total population	
	Total	%	Total	%
Under 55	49	81.7%	3,544	58.8%
55-64	4	6.7%	1,013	16.8%
65-74	6	10.0%	811	13.5%
75-84	0	0.0%	495	8.2%
85+	1	1.7%	165	2.7%
Total	60	100.0%	6,028	100.0%
Total 55+	11	18.3%	2,484	41.2%

Source: Housing Register and demographic modelling

13 CONCLUSIONS & RECOMMENDATIONS

- 13.1 In this section we set out our conclusions and recommendations. These particularly deal with housing mix.

HOUSING REQUIREMENTS AND DELIVERY

- 13.2 The proposed housing requirement for Herefordshire of 16,500 homes over the 2011-31 plan period represents 1.5% household growth per annum. It is above the Government's latest 2008 trend-based demographic projections for household growth (14,500 homes between 2011-31)⁶⁰.
- 13.3 This report identifies net affordable housing need for 3,457 households over the 2012-17 period (excluding housing in the development pipeline). It seems unlikely that this level of affordable housing can be delivered. However the private rented sector does, and is likely to continue, to provide a source of supply of homes to meet housing need – supported by Local Housing Allowance. Based on current dynamics we estimate that the private rented sector could meet the needs of an estimated 2,660 households in housing need over the 2012-17 period. Thus whilst there is a continuing high need to deliver affordable housing there is not a need to increase the overall housing target for the County above the 16,500 being proposed.
- 13.4 It will be important that the Council progresses its LDF as a matter of priority to provide a policy framework which supports housing delivery, and in particular the delivery of strategic site allocations, as these will make the substantial contribution to housing delivery in the longer-term. It should be recognised that there are in some cases long lead-in times to the delivery of strategic employment sites, and that planning is a key element of this. We would recommend that the Council gives careful thought to how delivery is phased over plan period through the delivery strategy which will accompany the Core Strategy.
- 13.5 The mix of sites proposed within the emerging Core Strategy is considered appropriate to meet need and demand over the plan period. It comprises a combination of smaller sites within urban areas and larger strategic greenfield urban extensions. This is considered capable of delivering a range of house types in accordance with the need and demand identified.
- 13.6 Coordinated delivery of housing and employment is likely to be particularly important in Leominster and Hereford reflecting the levels of new development proposed.

⁶⁰ CLG 2008-based Household Projections

- 13.7 Implementation of a strong economic development strategy will be important in supporting housing delivery, and maintaining greater balance in the population structures. An economic strategy needs to sit alongside a housing strategy, and the Council will need to be proactive in this regard. The Council is producing an Economic Development Strategy, and it will be important that it continues to fully engage in the Marches LEP.

AFFORDABLE HOUSING POLICY

- 13.8 Herefordshire Council is updating its assessment of the economic viability of residential development to inform affordable housing policies. Proposed targets for affordable housing provision in the emerging Core Strategy will need to be reviewed to take this into account. This LHMA has considered housing needs.
- 13.9 The housing needs assessment undertaken supports a nuanced policy which recognises that housing needs and affordable tenure requirements vary across the County. Targets and size thresholds for affordable housing will need to be informed by both the needs and viability evidence, and should support housing delivery throughout the economic cycle (as set out in the National Planning Policy Framework). They will also need to consider any potential Community Infrastructure Levy requirements which the Council can set.
- 13.10 For strategic sites affordable housing will need to be balanced with and considered alongside other development costs, including infrastructure costs and the prospective Community Infrastructure Levy; as these have a collective impact on development viability. The range of 'policy costs' need to be considered in a rounded way with a view to delivering a sustainable community.
- 13.11 The market downturn and restrictions on mortgage finance have reduced effective demand for market housing; and this can be expected to limit housing delivery in the short-term.
- 13.12 The Council has been looking at a range of mechanisms to bring forward affordable housing, including use of public sector land assets and supporting direct delivery by Registered Providers (RPs). It is considering and assessing what funding it has to support affordable housing delivery, albeit recognising current financial resource constraints.
- 13.13 In addition to the percentage affordable housing targets, the Council is seeking to provide a clear steer on the mix of affordable housing it wishes to see delivered through the LDF. Based on analysis undertaken, a recommended strategic target of 25 intermediate, 25% affordable

rented and 50% social rented housing county-wide would assist in balancing the housing market.

- 13.14 The Council should give thought to whether it wishes to set separate policies for each of the HMAs. Evidence points to the following tenure splits between social rented & intermediate being appropriate:

Hereford HMA – 75% social or affordable rented; 25% intermediate

Bromyard HMA – 60% social or affordable rented; 40% intermediate

Ledbury HMA – 70% social or affordable rented; 30% intermediate

Ross HMA – 70% social or affordable rented; 30% intermediate

Kington HMA – 60% social or affordable rented; 40% intermediate

Leominster HMA – 65% social or affordable rented; 35% intermediate

Golden Valley HMA – 75% social or affordable rented; 25% intermediate

- 13.15 The evidence suggests considerable potential for affordable rented housing in Herefordshire subject to conclusions of the viability remodelling. Higher rents will mean that this is more viable to deliver than social rented properties, and is likely to require less public subsidy. The balance between social and affordable rented housing should be influenced by the modelling in this report and scheme viability.

- 13.16 There are however a number of other intermediate housing products, including shared ownership/equity, which should also be delivered. These are likely to be particularly appealing to would-be first-time buyers who haven't the savings to buy on the open market where the household can raise the necessary deposit.

- 13.17 Many households however often do not know of the housing options which are potentially available to them. We would recommend that alongside delivery of new intermediate housing, work is prioritised to raise the profile of the range of options available through marketing/ website etc.

- 13.18 Recognising their sensitivity to changes in market circumstances, affordable housing policies should be kept under regular review. We would recommend that these are reviewed at least every 5 years (or more frequently depending on the degree of change in market circumstances).

- 13.19 Recommendations for the sizes of affordable housing in each of the HMAs are as follows. These are drawn from the Housing Market Model.

Figure 13.1: Recommendation on Affordable Housing Mix

HMA	1-bed	2-bed	3-bed	4/+ Bed
Hereford	30%	34%	32%	4%
Bromyard	29%	37%	30%	4%
Ross	29%	37%	31%	4%
Kington	24%	48%	35%	4%
Leominster	23%	32%	40%	4%
Ledbury	28%	38%	30%	4%
Golden Valley	31%	39%	29%	1%

MIX OF MARKET HOUSING

13.20 In regard to market housing, our view is that planning and housing policies should not be overly prescriptive regarding the mix of housing required, as in most senses the market is best placed to consider what homes will sell.

13.21 Nonetheless it is important that at the strategic level the planning system delivers a mix of sites which enables a range of housing to be delivered. As stated we consider the mix of sites proposed appropriate to achieve this - with the strategic sites playing an important role in the delivery of family homes. The Council should monitor housing delivery by size to inform a plan, monitor and manage approach to achieve a mix of housing broadly in line with the findings of this report over the plan period.

MONITORING AND REVIEW

13.22 This report has recognised that there is limited information available on the size of or conditions in the private rented sector. This is an issue which is not unique to Herefordshire. The Council might consider undertaking some bespoke research, however it should be recognised that this is likely to provide only qualitative understanding. A quantitative picture of the size and distribution of the sector will however emerge from findings of the 2011 Census. In any case, the Council has limited control over the size or market dynamics within the private rented sector.

13.23 Is it recommended that the Council continues to monitor housing market activity in accordance with the template provided and through annual Estate/Letting Agents Surveys.