



GL Hearn

Part of Capita plc

Implications of 2012-based Household Projections on Housing Need in Vale of White Horse District

Vale of White Horse District Council

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Prepared by

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1 INTRODUCTION

1.1 Vale of White Horse District Council has commissioned GL Hearn to consider the implications of the 2012-based Population and Household Projections on the assessed housing need in the Vale of White Horse District ('the District') set out in the 2014 Oxfordshire SHMA ('the SHMA'), which GL Hearn prepared.

Scope of the Update

1.2 Planning Practice Guidance (PPG) identifies that the 2012-based Household Projections published by Government are the most up-to-date estimates of future household growth and should be considered the starting point for considering housing need. It specifically outlines that:

"Wherever possible, local needs assessments should be informed by the latest available information. The National Planning Policy Framework is clear that Local Plans should be kept up-to-date. A meaningful change in the housing situation should be considered in this context, but this does not automatically mean that housing assessments are rendered outdated every time new projections are issued." [2a-016-20150227]

1.3 The focus of this Report has thus been on considering implications of the 2012-based Household Projections on the Objectively Assessed Need (OAN) for housing in Vale of White Horse and has involved the following:

- Updating the 'starting point' demographic projections – to take account of:
 - ONS 2012-based Sub-National Population Projections (SNPP);
 - ONS Mid-Year Population Estimates for 2013 and 2014; and
 - CLG 2012-based Household Projections.
- Revising the assessment of (gross) newly-forming households on this basis to provide an updated assessment of affordable housing need, recognising that demographic projections are an input to the affordable housing needs modelling;
- Selective updating of analysis of 'market signals' where new data is available. Changes in house prices, sales volumes, affordability ratios and housing completions over the last couple of years have been considered; and
- Considering what level of housing provision would be needed to support the 23,000 jobs growth expected over the 2011-31 plan period.

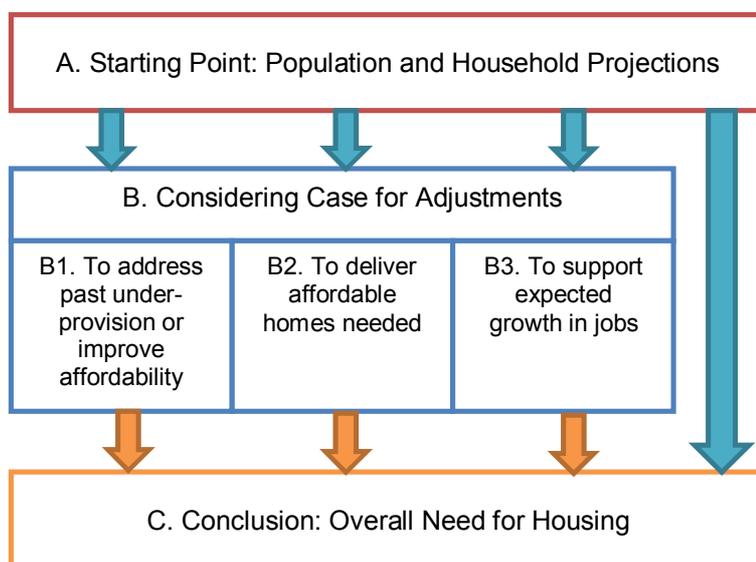
1.4 The purpose of this Report is to consider and assess whether the household projections provide any evidence of a meaningful change to the Vale's housing need as identified in the SHMA. This Report does not provide an alternative assessment of housing need and is consistent with the methodology in the SHMA.

- 1.5 This Report is intended to assist the Council in responding to the Matters and Questions raised by the Planning Inspector in respect of the examination of the *Local Plan 2031 Part 1: Strategic Sites and Policies* which the Council submitted for examination in March 2015.

Approach to Assessing Housing Need

- 1.6 This Report follows the approach and methodology in the SHMA. This is summarised below:

Figure 1: Summary of Approach to identifying Housing Need



- 1.7 Following the approach in Planning Practice Guidance, trend-based demographic projections are the 'starting point' for assessing housing need. The report then considers whether higher levels of housing provision might be needed to:
- Improve housing affordability, taking account of market signals;
 - Increase delivery of affordable homes; or
 - Support expected growth in jobs.
- 1.8 The SHMA identified an objectively-assessed need for 1,028 homes per annum in Vale of White Horse District over the 2011-31 period. Housing need is expressed over a consistent period in this report, with clear comparisons made to the findings of the SHMA.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

- 2.1 The demographic-led projections in the SHMA were based on the latest demographic data at the time of preparation. They used ONS 2011-based Interim Sub-National Population and Household Projections as a starting point. These showed household growth of 388 per year (2011-21). These were extended beyond 2021 using data from the 2010-based SNPP, and adjusted to take account of release of re-calibrated components of change data by ONS taking account of 2011 Census.
- 2.2 The analysis in the SHMA indicated that there was some evidence that household formation has been suppressed, and this was being projected forward in the CLG 2011-based Interim Household Projections. In view of this, in relating growth in population to households the SHMA used headship rates from the CLG 2008-based Household Projections, rebased using 2011 Census data. This resulted in an assessed demographic-led need for 468 homes per annum over the 2011-31 period.
- 2.3 This Report considers the CLG 2012-based Household Projections. It models the implications of these projections for housing need, taking account of the 2013 and 2014 Mid-Year Population Estimates. Population is thus projected from 2014 forwards. Housing need is expressed over the 2011-31 period. The new Household Projections take account of longer-term trends in household formation.
- 2.4 The 2012-based Household Projections indicate an increase in households of 8,400 between 2011-31. Including an allowance for vacant and second homes, these would result in a need for 432 homes per annum (2011-31).

Figure 2: Trend-based Demographic Projections

Vale of White Horse	Homes per Annum, 2011-31
2014 SHMA	468
2015 Vale Update	432
% Change	-8%

- 2.5 The updated projections thus suggest a “starting point” for considering housing need which is 8% lower than that set out in the SHMA.

3 MARKET SIGNALS

- 3.1 An updated analysis of market signals has been undertaken. This does not suggest a fundamentally different picture to the SHMA. What it does show is an upturn in housing completions in Vale of White Horse over the last couple of years¹; and an improvement in the affordability of housing for younger

¹ Vale of White Horse District Council (Apr 2014) *Assessment of Five Year Housing Land Supply*

households. The lower quartile house price-to-income ratio has improved, albeit that it is still above the national average at 8.3.

Figure 3: Overview of Key Market Signals²

Median House Price	2000 Q3	2007 Q3	2012 Q3	2014 Q3	Overall Change	% Change
Vale of White Horse	135,000	250,000	270,000	£ 285,000	150,000	111%
Oxfordshire	135,000	249,973	250,000	£ 289,000	154,000	114%
South East	115,000	226,500	236,000	£ 250,000	135,000	117%
England and Wales	82,000	180,000	186,000	£ 200,000	118,000	144%
Sales Volumes	2000	2007	2012	2014	Overall Change	% Change
Vale of White Horse	2,317	2,325	1,570	2,248	- 69	-3%
Oxfordshire	13,117	13,259	8,408	11,264	- 1,853	-14%
South East	192,439	211,932	121,944	163,823	- 28,616	-15%
England and Wales	1,139,537	1,247,772	662,441	901,912	- 237,625	-21%
Lower Quartile Affordability	2000	2007	2012	2013	Overall Change	% Change
Vale of White Horse	5.90	9.24	8.68	8.33	2.43	41%
Oxfordshire	5.99	9.63	9.20	9.07	3.08	51%
England	3.91	7.25	6.58	6.45	2.55	65%

- 3.2 The market signals analysis thus provides some evidence that the ability for young households to form, and get on the housing ladder may be restricted by housing costs.
- 3.3 Interrogation of market signals and affordable housing need alongside the demographic analysis suggests a link between affordability and household formation rates for young households in their late 20s and early 30s. The proportion of households aged between 25-34 who are a head of a household fell from 45% to 42% between 2001-11. This is the only age cohort where household formation appears to have been affected by economic conditions.
- 3.4 The 2012-based Household Projections are more positive than the 2011-based Interim Projections. They suggest that household formation for this age group will remain broadly static to 2022, with a modest 1 percentage point fall over the subsequent decade.
- 3.5 The evidence indicates that a decline in affordability may have contributed in part to the fall in household formation rates amongst those in the 25-34 age group over the period since 2001. An improvement in affordability could be expected to manifest in some improvement in household formation for this age group in the future.
- 3.6 This Report thus has undertaken a sensitivity analysis which explores the potential implications of increasing household formation rates for those aged 25-34 over the next decade (to 2025) back to

² HM Land Registry and CLG Housing Statistics

levels seen in 2001. For the 2012-based SNPP, this suggests a need for 456 homes per year – an increase of 6% on the base demographic projections using the Household Formation Rates in the 2012-based CLG Projections.

- 3.7 It should however be borne in mind that the decline in household formation rates for those aged between 25-34 cannot be fully attributed to economic and affordability issues. Part of the decline in household formation rates may have also been influenced by international migration, and different household structures in new migrant communities. Research by Alan Holmans has considered this³.
- 3.8 Moving forwards, there are a range of factors which may influence trends in household formation for younger age groups. This includes enhanced mortgage market regulation, interest rates and wider economic confidence.
- 3.9 Housing delivery in the District has averaged 473 homes per annum (net) over the last five years. The Submission Local Plan, with its housing target of 1028 homes per year, clearly seeks to boost housing supply moving forward.

4 AFFORDABLE HOUSING NEED

- 4.1 The SHMA examined affordable housing need, following the approach set out in the PPG. It identifies an affordable housing need from 273 homes per year.
- 4.2 An update to the affordable housing needs analysis has been undertaken. Core assumptions are consistent to those in the SHMA. The table below provides a side-by-side comparison of the results:

Figure 4: Need for Affordable Housing

	2014 SHMA	2015 Update
Backlog Need	508	782
Annual Provision to Address Backlog	28	49
Newly-forming Households	385	355
Existing Households falling into Need	138	155
Annual Supply from Relets	278	280
Net Annual Affordable Housing Need	273	279
Net Annual Need if Current Need addressed over:		
5 Year	347	386
10 Years	296	308
Period to 2031	273	279

³ Holmans, A (2013) *New estimates of housing demand and need in England, 2011 to 2031*

- 4.3 The need for affordable housing shown is very similar across the two studies, with the core assumptions indicating a need for 279 affordable homes per year in this update compared to 273 per year in the SHMA. This is a difference of 2%.
- 4.4 Core Policy 24 in the Submission Local Plan seeks 35% affordable housing on developments of three or more dwellings, or sites of over 0.1ha. If 35% of all new residential development was affordable housing, 360 affordable homes might be delivered – on the basis of the annual target of 1028 homes per annum. Inevitably some sites will fall below thresholds, whilst on others provision of “policy compliant” levels of affordable housing will not be viable. With an affordable housing need for 279 affordable homes per year, there is a realistic prospect that affordable housing need can be met in full.

5 SUPPORTING ECONOMIC GROWTH

- 5.1 The SHMA drew on economic forecasts set out in *Economic Forecasting to inform the Oxfordshire Strategic Economic Plan and Strategic Housing Market Assessment* (Cambridge Econometrics and SQW, 2014). This indicated that a net increase of 23,000 jobs can be expected within Vale of White Horse District between 2011-31. The Submission Local Plan makes provision for this level of employment growth.
- 5.2 The economic forecast takes account of trend-based growth, together with planned infrastructure investment, the Science Vale Enterprise Zone and other growth initiatives funded through the Oxfordshire City Deal. It forms the basis for the Oxfordshire Local Enterprise’s Strategic Economic Plan.
- 5.3 The SHMA indicated that to support this level of employment growth would require a higher level of net migration to the District (and overall population growth) than seen in past trends. The evidence suggests that this continues to be the case.
- 5.4 This Report has sought to remodel what level of housing need would be necessary to support the planned 23,000 net growth in employment in the District. The core modelling assumptions result in a need for 1,001 homes per year (2011-31). This is based on the household formation rates in the 2012-based CLG Projections. This is 3% lower than the need shown in the SHMA.
- 5.5 The table below sets out the key modelling assumptions in relating expected employment growth to housing need. As some people hold down more than one job, this report estimates that the growth in ‘people in work’ will be a marginal 4.2% lower than the growth in job numbers⁴. The updated analysis has taken account of commuting trends shown by the 2011 Census, data for which was not available

⁴ Based on data from the Annual Population Survey over the 2004-14 period. A long period is used to reflect the survey nature of the data and associated error margins.

when the SHMA was prepared. Consistent assumptions on changes to employment rates are made in this report to those in the SHMA.

Figure 5: Housing Needed to Support Employment Growth

	2014 SHMA	2015 Update
Net Growth in Employment, 2011-31	23,000	23,000
Commuting Ratio	1.04	1.01
Adjustment for Double Jobbing	-	4.2%
Expected Change in Workforce, 2011-31	23,901	23,328
Growth in Population, 2011-31 per Annum	2,528	
Annual Housing Need	1,028	1,001

5.6 The higher housing need relative to the demographic-led projections reflects stronger expected population growth (i.e. higher net in-migration). A sensitivity analysis can again be run based on adjusting household formation rates for those aged 25-34 to return to the levels seen in 2001 by 2025. This shows a housing need for 1045 homes per year.

6 CONCLUSIONS

6.1 Looking specifically at Vale of White Horse District, this Report would suggest on the basis of the above evidence, a need for between 1,001 – 1,045 homes per year. This is built up using a consistent approach to that in the SHMA.

6.2 The starting point is trend-based demographic projections (derived from the 2012-based Household Projections) which show a need for 432 homes per year. However planned growth of 23,000 jobs would require higher net migration to the District – 1,001 homes per year would be needed to support this.

6.3 There is evidence of affordability pressures from market signals. However the situation has been improving, with recent falls in the house price-to-earnings ratio for younger households. A sensitivity analysis considering a potential scenario for improvements to household formation rates for younger households results in a need for 1045 homes per annum.

Figure 6: Building up the Picture of Overall Housing Need in Vale of White Horse

Homes per Annum, 2011-31	2014 SHMA	2015 Update
Starting Point: Core Demographic Projection	468	432
Market signals case for higher housing provision	✓	✓
Affordable Housing Need	273	279
Housing Need to support Economic Growth	1028	1001 – 1045

- 6.4 The analysis overall would suggest an **objectively assessed need for 1001-1045 homes per annum, as an annual average over the 2011-31 plan period**. The planned housing provision for 1028 homes per annum sits centrally in this range.
- 6.5 GL Hearn considers that there is no basis in the evidence to justify an adjustment to planned housing provision. The OAN range set out above represents -3% to +2% of the previously-identified housing need. This is well within the potential error margins of long-term projections.