Report for:

New Forest District Council & the New Forest National Park Authority

Objectively Assessed Housing Need (OAN)

Final Report

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Introduction

1. National planning policies require local planning authorities to define the 'full objectively assessed need for market and affordable housing.' – the objectively assessed housing need (OAN). This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (such as land availability), however these are relevant in drawing together evidence and testing options in the development of local plans. The OAN assessment does not set targets for housing provision.

2. Government's Planning Practice Guidance sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections, with appropriate assumptions regarding household formation rates. Consideration then needs to be given to economic growth, market signals and affordable housing need. This study follows this approach to identifying objectively assessed housing need (OAN).

3. The Housing White Paper of February 2017 makes reference to standardising methodologies for assessing housing need, and in September 2017 a proposed methodology was published for consultation. The Council and the National Park Authority should therefore be mindful of the possibility of some change in guidance in the near future (the White Paper/consultation document suggesting that a standardised methodology would be in place by March/April 2018). Any standardised methodology could impact on some of the analysis to follow in this report.

4. The proposed standardised methodology is discussed in more detail in the main body of this report but it is worth initially highlighting comments in relation to National Parks. The Government consultation recognises under the subtitle '*Deviation from the new method*' (page 17) that where local planning authorities do not align with local authority boundaries – for example in National Parks – that available data does not allow housing needs to be calculated using the standard method. In these cases, the Government propose that authorities should continue to identify a housing need figure locally, having regard to the best available information. Although the Government consultation has: (a) only just been published; and (b) is a consultation document, this report provides an opportunity to identify an OAN figure for the National Park area that is locally derived and one that will remain relevant after the 31 March 2018 (or revised NPPF deadline), as National Park authorities will not be bound by this.

5. The need to deviate from the new method could arguably apply equally to the New Forest District Council Planning Authority area as the National Park covers 69% of the district land area, whilst the district outside the Park has 82% of the population (i.e. there is a substantial overlap between areas).

Trend-based Demographic Projections

6. The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 712 dwellings per annum to be provided (2016-36) across the New Forest District. These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). There are significant doubts about the validity of the 2014-based SNPP with future population growth and migration being projected to be substantially above past trends (regardless of whether long- or short-term trends are considered).

7. Given issues with the SNPP, alternative projections based on past trends in population growth were developed (including more up-to-date information from ONS mid-year population estimates to 2016). The housing need linked to 10-year population trends is for 509 dwellings per annum (2016-36) and is considered sound when looking at the link between trends and the projection. Other sensitivity scenarios developed show levels of need either slightly above or below this figure. Additionally, it was observed that the levels of migration which will feed into the next set of ONS projections (2016-based) are lower than feeding into the 2014-based version. New projections are therefore likely to show a (potentially substantially) lower level of need than the current 'official' figures.

8. When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. Overall there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

9. Overall, the analysis identifies a demographic based need for 509 dwellings per annum. Whilst this is lower than the start point (as set out in the PPG), it is considered realistic once the link between past trends and the projection is properly understood. In the case of New Forest District the latest official projections do not look to be fit for purpose.

10. Analysis also considered needs arising in the National Park Authority area and the New Forest District Council planning authority area separately. On the basis of the same scenario (10-year population trends) the need in the National Park was shown to be for 55 dwellings per annum and some 453 in the planning authority area of the District. Figures for the full geographic breakdown used in analysis are shown below.

Figure 1: Projected housing need by area – 10-year population trends scenario	
Area	Dwellings (per annum)
New Forest District outside National Park	453
New Forest District within National Park	56
New Forest District total	509
National Park outside District	-1
National Park total	55
Study area	508

Future Employment and the Link to Housing

11. Analysis has sought to test whether the demographic need set out in the previous section would support a reasonable level of labour-supply growth in the District. In many OAN assessments, analysis is carried out to see what level of housing would be needed so that the labour-supply grow sufficiently to meet job growth forecasts. In New Forest, it was considered that such an approach was not appropriate, this is due to the nature of the area and the clear links with more urban locations (e.g. Southampton and Christchurch/Bournemouth/Poole).

12. Essentially, the analysis seeks to answer the following question: *'will the level of housing growth suggested act as a barrier to economic growth in New Forest?'*.

13. A key difficulty in matching job-growth to population growth (and ultimately housing need/requirements) is what assumptions to make about how employment or economic activity rates might change in the future. A range of potential sources are available to undertake this step, but none can be considered as robust given the wide range of assumptions (either implicit or explicit assumptions).

14. The approach in this report is to draw on known data about changes to the working-age population (and the proportion who will be economically active) along with changes to the pensionable age population (again who are economically active). Such an approach reduces the number of assumptions needing to be made.

15. This approach suggested that the labour-supply could be expected to increase by around 4,200 people over the 2016-36 period (about 210 per annum). This increase is due to an assumption that more people of retirement age will continue working, an assumption consistent with past trends. Given the demographic profile of New Forest, it is not surprising that additional labour-supply would be generated from older cohorts.

16. Overall, the potential increase in the labour-supply suggests that there is potential for the economy of New Forest to grow in the future, and there is no reason to suggest that the housing need set against demographic projections would need to increase on account of economic growth. The Council and National Park Authority should continue to monitor the local economy as housing/labour-supply needs can be impacted by particular events (in this case potentially development at the Port of Southampton). At present however, the labour-supply increase (in the context of the age profile of the District) is considered to be reasonable.

Affordable Housing Need

17. An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in New Forest. Overall, in the period from 2016 to 2036 a net deficit of 432 affordable homes per annum is identified across the study area (i.e. including those parts of the National Park in Test Valley and Wiltshire). There is thus a requirement for new affordable housing in the study area and the Council and National Park Authority are justified in seeking to secure additional affordable housing.

Figure 2: Estimated Need for Affordable Housing (per annum) – by sub-area	
Area	Net Affordable Need
New Forest District outside National Park	361
New Forest District within National Park	67
New Forest District total	428
National Park outside District	4
National Park total	71
Study area	432

18. How affordable housing need sits with the overall need for housing needs to be properly understood, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

19. Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.

20. Looking at affordable need in the National Park areas is also important as this typically is the main focus when looking at new housing development. The analysis suggests a need for 71 affordable homes per annum within the National Park (including 67 within the New Forest District). This figure could arguably be considered as the OAN; although consideration should also be given to the demographic-based needs (which are discussed again under the heading of market signals below). The affordable need and demographic-based numbers are two separate calculations and should not be added together when looking at OAN. Additionally, it need to be noted that the affordable need is not just a need for newbuild homes (much of it relates to households who have a home, but a mismatch of tenure).

21. The estimated need for affordable housing is lower in this assessment than previous SHMA research. However, despite a lower level of need being suggested in this report, it is still clear that provision of new affordable housing is an important and pressing issue in the District and National Park. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided.

Market Signals

22. Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.

23. The analysis did identify some particular issues to suggest that provision in New Forest should be increased; although this finding was not universal across all indicators.

24. An analysis of recent practice in terms of uplifts applied to demographic projections suggested that an increase from the demographic need of around 15% would be appropriate. If applied this gives an OAN of 585 dwellings per annum across New Forest District (including the National Park) and an OAN of 63 in the National Park (including those parts outwith the New Forest District). The table below shows the final demographic conclusion once including the market signals adjustment.

Figure 3: Projected housing need by area – 10-year population trends scenario (+15% market signals uplift)	
Area	Dwellings (per annum)
New Forest District outside National Park	521
New Forest District within National Park	64
New Forest District total	585
National Park outside District	-1
National Park total	63
Study area	584

Conclusions

25. The main overall conclusion is around the objective assessment of housing need (OAN). On the basis of the analysis carried out, it is concluded (annually over the 2016-36 period) to be for 521 dwellings per annum in the New Forest District Council Local Planning Authority area and 63 dwellings per annum in the National Park Authority area. This is the final conclusion having projected (trend-based) demographic needs and adding on 15% to take account of market signals.

26. The estimated level of affordable housing need in the National Park Authority area was slightly higher than the OAN (a need for 71 dwellings per annum); but it needs to be noted that the affordable need is not just a need for new dwellings, much of the need is from existing households and involves a mismatch of tenure (rather than a physical lack of housing).

27. The estimates of need shown in this report are lower than in the previous (2014) SHMA. Across the whole study area this report shows a need for 584 dwellings per annum, compared with a figure of around 789. This difference looks to be due to the 2014 SHMA basing the need on official (CLG/ONS) projections whereas this report has rejected more up-to-date projections as not fit for purpose. The past shortfall in housing delivery (since 2011) has been taken into account in this figure (the 584). This is through making an adjustment to household projections to allow for the market signals evidence (past shortfalls being one of the market signals).

28.   Additionally, for sub-areas (e.g. the National Park area) a different methodology has been employed. In this report, past trends in population growth have been studied, whereas the 2014 SHMA applied a district-wide pro-rata population change depending on the population profile in different areas. Both approaches have validity although this does have a notable impact on sub-area projections, particularly in the National Park, where the OAN estimate drops from 152 dwellings per annum to 63.

29.   The methodology in this report follows Planning Practice Guidance and uses the most up-to-date information (leading to estimates of OAN for both the New Forest District Council Local Planning Authority and the National Park Authority). There are draft proposals to amend the methodology for assessing need and the local planning authorities will need to keep this in mind. However, the proposals will not change the requirement for the National Park Authority to carry out its own assessment of need and hence this report will have continued validity, even if a standardised methodology is imposed.

1. Introduction

Introduction

1.1 This study seeks to develop a robust understanding of the overall need for housing in New Forest District and the New Forest National Park area over the 2016-36 period. The analysis updates previous assessments of need to take account of new demographic data and also draws on information in two reports undertaken for the District Council by Justin Gardner Consulting (JGC). These reports are:

- Demographic Projections (July 2017)
- Housing Affordability (August 2017)

1.2 The SHMA does not set housing targets. It provides an assessment of the need for housing, making no judgements regarding future policy decisions which the Council or National Park Authority may take; housing targets will be set in local plans. The SHMA provides an important input into setting targets for housing provision, but the housing targets as set out in local plans will also take into account factors such as the supply of land for new development, nationally and internationally significant landscapes and environmental designations, local infrastructure capacity and environmental constraints. These factors may limit the amount of development which can be sustainably accommodated.

1.3 In setting housing requirements there are other considerations which are relevant, an example of this can be seen in the Gallagher Estates v Solihull MBC judgment (2014) which states in paragraph. 37iii) that *'it might be decided, as a matter of policy, to encourage or discourage a particular migration reflected in demographic trends'*. Therefore, any changes to migration trends (up or down) would be a policy consideration that gets decided as part of the housing requirement.

1.4 The Objectively Assessed Housing Need (OAN) study responds to and is compliant with the requirements of the National Planning Policy Framework (the NPPF). It is informed by Planning Practice Guidance (PPG). It provides an assessment of the future need for housing, with the intention that this will inform future development of planning policies. According to the PPG, housing need:

"refers to the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet that demand."

1.5 This report, in discussing housing need, is thus referring to both the need for market and affordable housing, taking account of both local need and that associated with net migration. This is required by national policy.

1.6 The other studies undertaken by JGC (noted above) were both commissioned by the District Council and only studied housing issues within the District boundary. This study brings together the District Council and the National Park Authority and as such the boundary for analysis is slightly different (the National Park is largely within New Forest District but small parts are within Test Valley and Wiltshire Council areas).

1.7   The map below shows the extent of the National Park and also the District boundary. The map also shows three sub-areas outwith the National Park – these sub-areas have been used in previous analysis for the Council and some analysis in this report also looks at those areas. However, the main analysis can broadly be split into three overlapping areas, these are:

- New Forest District (including National Park)
- New Forest District (excluding National Park)
- National Park (including areas outside New Forest District)

Figure 1.1: Map of New Forest and areas used in analysis
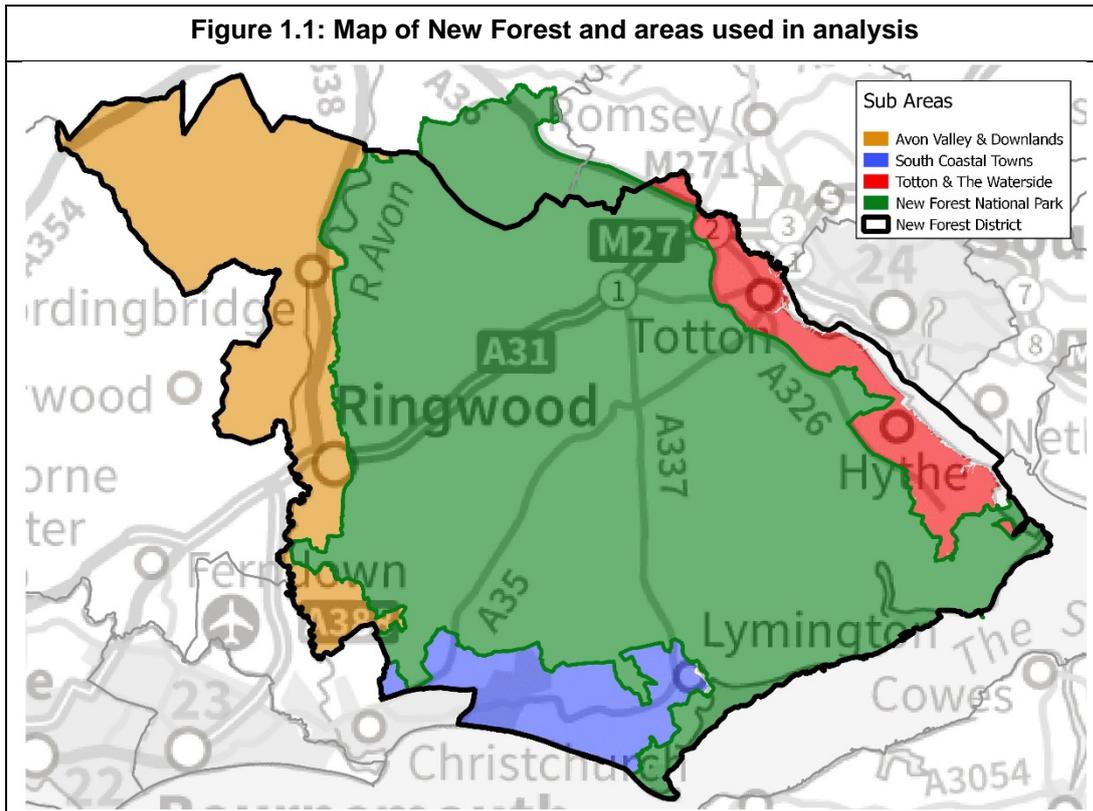
National Planning Policy Framework and Guidance

1.8   The former Coalition Government reformed the policy framework for planning for housing. Regional strategies were revoked and responsibility for planning on cross-boundary issues was returned to local authorities.

1.9   The primary legislation to support this is the 2011 Localism Act which imposes a 'duty to cooperate' on local authorities, requiring them to "engage constructively, actively and on an on-going basis" with the other authorities and relevant bodies. The Duty to Cooperate is applied as both a legal and soundness test to which development plans must comply. Housing provision is an issue of cross-boundary relevance which local authorities both within and beyond a Housing Market Area (HMA) will need to engage with each other on.

1.10 National policies for plan-making are set out within the National Planning Policy Framework. This sets out key policies against which development plans will be assessed at examination and to which they must comply.

National Planning Policy Framework (NPPF)

1.11   The National Planning Policy Framework (NPPF) was published in March 2012. The Framework sets a presumption in favour of sustainable development whereby Local Plans should meet objectively assessed development needs, with sufficient flexibility to respond to rapid change, unless the adverse impacts of doing so would significantly or demonstrably outweigh the benefits or policies within the Framework indicate that development should be restricted. Specific policies in the NPPF that may indicate that housing development should be restricted below the level of assessed need are set out in footnote 9 (replicated below):

"For example, those policies relating to sites protected under the Birds and Habitats Directives (see paragraph 119) and/or designated as Sites of Special Scientific Interest; land designated as Green Belt, Local Green Space, an Area of Outstanding Natural Beauty, Heritage Coast or within a National Park (or the Broads Authority); designated heritage assets; and locations at risk of flooding or coastal erosion."

1.12   The NPPF highlights a Strategic Housing Market Assessment (SHMA) as a key piece of evidence in determining housing needs. Paragraph 159 in the Framework outlines that this should identify the scale and mix of housing and the range of tenures which the local population is likely to need over the plan period which:

- Meets household and population projections, taking account of migration and demographic change;
- Addresses the need for all types of housing, including affordable housing and the needs of different groups in the community; and
- Caters for housing demand and the scale of housing supply necessary to meet this demand.

1.13   This is reaffirmed in the NPPF in Paragraph 50. The SHMA is intended to be prepared for the housing market area, and include work and dialogue with neighbouring authorities where the HMA crosses administrative boundaries.

1.14   Paragraph 181 sets out that Local Planning Authorities (LPAs) will be expected to demonstrate evidence of having effectively cooperated to plan for issues with cross-boundary impacts when their Local Plans are submitted for examining. This highlights the importance of collaborative working and engaging constructively with neighbouring authorities, as required by Section 33A of the 2004 Planning and Compulsory Purchase Act, and ensuring that there is a robust audit trail showing joint working to meet the requirements of paragraph 181 of the NPPF.

1.15   Paragraph 158 of the NPPF also emphasises the alignment of the housing and economic evidence base and policy. Paragraph 17 in the NPPF reaffirms this, and outlines that planning should also take account of market signals, such as land prices and housing affordability.

1.16   In regard to housing mix, the NPPF sets out that authorities should plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community. Planning authorities should identify the size, type, tenure and range of housing that is required in particular locations reflecting local demand. Where a need for affordable housing is identified, authorities should set policies for meeting this need on site.

1.17   The NPPF states that to ensure a Local 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 – a 'whole plan' approach to viability (Whole Plan viability assessments are being undertaken for the respective NFDC and NPA Local Plans by Nationwide CIL Service and the Three Dragons). Where possible the NPPF encourages local authorities to work up Community Infrastructure Levy (CIL) charges alongside their local plan.

Planning Practice Guidance

1.18   Planning Practice Guidance (PPG) was issued by Government in March 2014 on 'Assessment of Housing and Economic Development Needs' and is maintained online and updated periodically. The PPG is relevant to this SHMA in that it provides clarity on how key elements of the NPPF should be interpreted, including the approach to deriving an objective assessment of the need for housing. The approach in this report takes account of this Guidance.

1.19   The Guidance defines "need" as referring to 'the scale and mix of housing and the range of tenures that is likely to be needed in the housing market area over the plan period – and should cater for the housing demand of the area and identify the scale of housing supply necessary to meet this need'. It sets out that the assessment of need should be realistic in taking account of the particular nature of that area (for example the nature of the market area), and should be based on future scenarios that could be reasonably expected to occur. It should not take account of supply-side factors or development constraints. Specifically, the Guidance sets out that:

"plan makers should not apply constraints to the overall assessment of need, such as limitations imposed by the supply of land for new development, historical under performance, infrastructure or environmental constraints. However, these considerations will need to be addressed when bringing evidence bases together to identify specific policies within development plans."

1.20   The Guidance outlines that estimating future need is not an exact science and that there is no one methodological approach or dataset which will provide a definitive assessment of need. However, the starting point for establishing the need for housing should be the latest household projections published by the Department for Communities and Local Government (CLG). At the time of preparation of this report the latest projections are the 2014-based Household Projections. It also outlines that the latest population projections and mid-year population estimates should be considered. The latest projections are the 2014 Sub-National Population Projections published by ONS in May 2016 and 2015 mid-year population estimates (published in June 2016).

1.21   It sets out that there may be instances where these national projections require adjustment to take account of factors affecting local demography or household formation rates, in particular where there is evidence that household formation rates are or have been constrained by supply. This is considered in the subsequent chapters. Guidance indicates that proportional adjustments should be made (increasing the assessed housing need relative to demographic led projections) where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.

1.22   Evidence of affordable housing needs is also relevant, with the Guidance suggesting that the total affordable housing need should be considered in the context of its likely delivery as a proportion of mixed market and affordable housing. It indicates that this may provide a case for increasing the level of overall housing provision – in order to increase the delivery of affordable housing.

1.23   In regard to employment trends, the Guidance indicates that job growth trends and/or economic forecasts should be considered having regard to the growth in working-age population in the housing market area. It sets out that where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility and other sustainable options such as walking and cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing and infrastructure development could help to address these problems.

Planning Advisory Service (PAS) – technical advice note

1.24   In June 2014 PAS published a technical advice note *'Objectively Assessed Need and Housing Targets'*. The advice has no official status but has been developed based on existing good practice and the recommendations of Planning Inspectors. This advice note was updated in July 2015 (Second edition). Where relevant, key parts of the PAS guidance have been quoted within this report – this is particularly in relation to affordable housing need.

**Planning for the right homes in the right places: consultation proposals**

1.25   In September 2017, the Government published a consultation document (Planning for the right homes in the right places). Of interest to this report is that the document sets out a (long-awaited) consultation on revisions to the OAN methodology. CLG has also published a supporting paper detailing the revisions, as well as a spreadsheet estimating the impact of these changes for most local authorities.

1.26   The new approach is to ensure that enough homes are built to meet demographic growth, whilst ensuring that housing is affordable to those who live and work in the local authority. The new approach effectively takes the latest official household projections and increases these with an uplift to address affordability (based on a lower quartile house price to income ratio).

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1.27   For the New Forest (District rather than LPA area) the methodology suggests an annual housing need to provide 965 dwellings per annum. This is based (as per the proposed methodology) on household growth in the 2014-based CLG projections of 690 per annum (2016-26) and then applying a capped increase to this figure of 40% (based on the median affordability ratio being 11.15 in 2016). The 965 figure is (as noted) for the District and therefore includes parts of, but not all of, the National Park – no figures are provided for the LPA.

1.28   The proposals are only for consultation at this stage and may well change. One clear issue with the proposals is that there is no flexibility to study data in a local context. As will be seen in the analysis to follow in the report, there is a clear case in New Forest to suggest that future official projections are too high when set against past trend data and do not reflect a reasonable position for the District moving forward.

1.29   The consultation document does however include some important notes in relation to this report and the National Park. Paragraph 45 of the consultation document (under the heading of deviation from the method) notes '*Where local planning authorities do not align with local authority boundaries, such as National Parks, the Broads Authority and Urban Development Corporations, available data does not allow local housing needs to be calculated using the standard method set out above. In these cases we propose that authorities should continue to identify a housing need figure locally, but in doing so have regard to the best available information on anticipated changes in households as well as local income levels'.*

1.30   Given the comments in the consultation document, this report potentially takes on great significance for the National Park Authority, as it appears the Park won't be covered by the Government's standardised approach to OAN. Although the Government consultation has: (a) only just been published; and (b) is a consultation document, this report provides an opportunity to identify an OAN figure for the National Park area that is locally derived and one that will remain relevant after the 31 March 2018 (or revised NPPF deadline), as National Park authorities will not be bound by this.

1.31   The need to deviate from the new method could arguably apply equally to the New Forest District Council Planning Authority area as the National Park covers 69% of the district land area, whilst the district outside the Park has 82% of the population (i.e. there is a substantial overlap between areas). The 965 figure discussed above is not applicable to either the LPA or the National Park Authority (or even the two areas combined).

1.32   The consultation document also comments on the possibility of using a method that results in a lower need, the key text being in paragraph 47 as follows: '*There should be very limited grounds for adopting an alternative method which results in a lower need than our proposed approach. The reasons for doing so will be tested rigorously by the Planning Inspector through examination of the plan. We would expect: the Inspector to take the number from our preferred method as a reference point in considering the alternative method; and the plan-making body to make sure that the evidence base is robust and based on realistic assumptions, and that they have clearly set out how they have demonstrated joint working'.*

1.33   Clearly it would be for the Council in question to decide if there were grounds for progressing a lower figure than suggested by the methodology. As noted above, this report demonstrates that current official projections may wrong (too high); but it is unclear if this would be an acceptable reason to pursue a lower need figure in a Local Plan.

Overview of the Approach to Deriving Objectively Assessed Need (OAN)

1.34   Based on the above, the diagram below summarises the approach used to derive conclusions regarding the Objectively-Assessed Need (OAN) for Housing. This is driven by the approach in the Planning Practice Guidance (PPG).

Figure 1.2: Overview of Approach to Generating a Housing Target
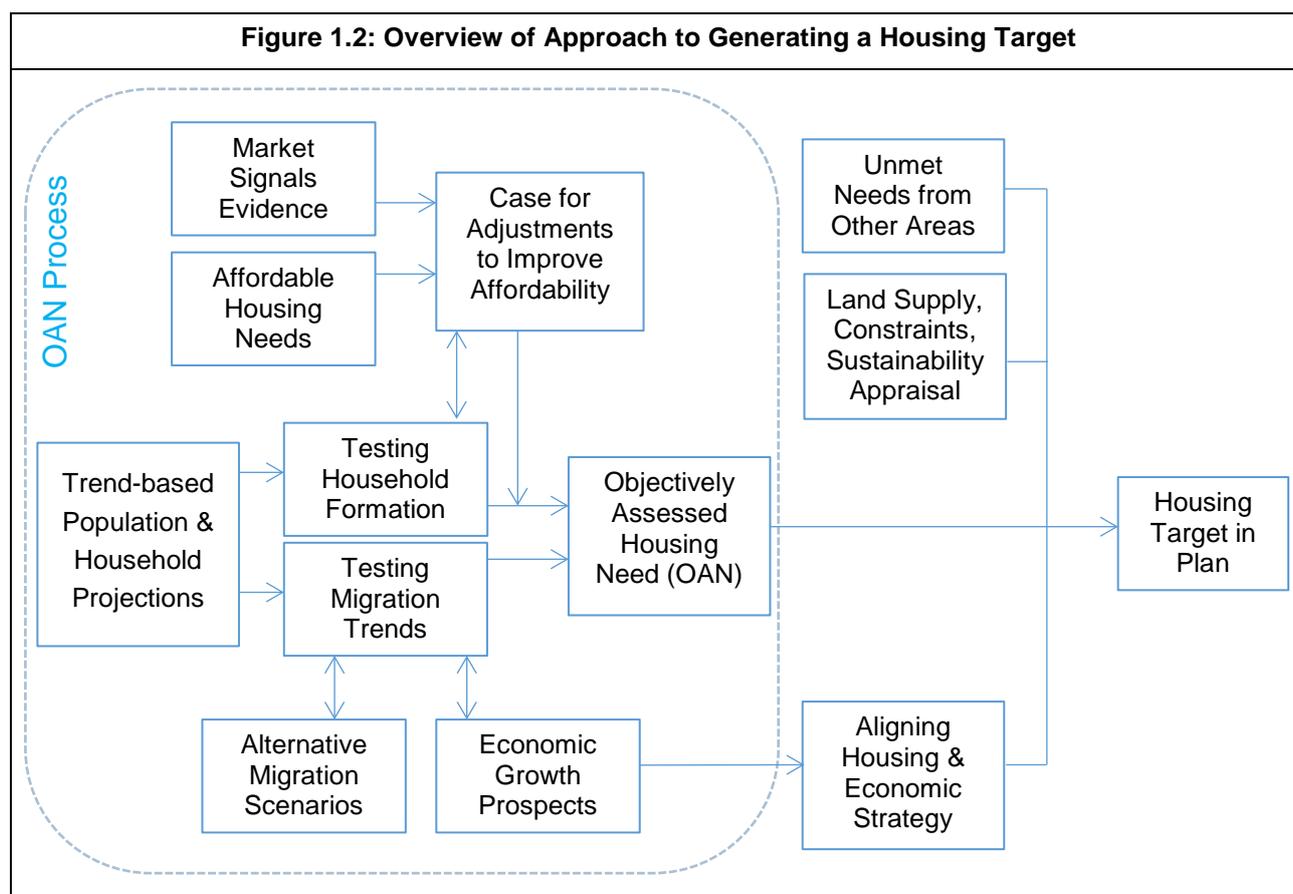
Report Structure

1.35   The following sections of this report focus on the key stages of the PPG in looking at OAN. It should be stressed that this document is not a full SHMA, for example it does not consider the issue of housing market area (HMA) boundaries. Additionally, parts of a SHMA (such as studying the mix of housing and the needs of older persons) have already been analysed by JGC in previous work for the District Council – this is not repeated in this section. The sections to follow are:

- Trend-based Demographic Projections
- Future Employment and the Link to Housing
- Affordable Housing Need
- Market Signals

1.36   These discrete sets of analysis are then drawn together (in the Market Signals section) to provide an overall view of the OAN for New Forest District and the National Park area.

Introduction: Key Messages

- National planning policies require local planning authorities to define the 'full objectively assessed need for market and affordable housing.' – the objectively assessed housing need (OAN). This provides a starting point for considering policies for housing provision. The assessment must 'leave aside' constraint factors (such as land availability), however these are relevant in drawing together evidence and testing options in the development of local plans. The OAN assessment does not set targets for housing provision.

- Government's Planning Practice Guidance sets out how the objectively assessed need for housing should be defined. It sets out that the starting point should be demographic projections, with appropriate assumptions regarding household formation rates. Consideration then needs to be given to economic growth, market signals and affordable housing need. This study follows this approach to identifying objectively assessed housing need (OAN).

- In September 2017 a proposed new standardised methodology for the calculation of housing need was published for consultation by CLG. The Council and the National Park Authority should therefore be mindful of the possibility of some change in guidance in the near future (the consultation document suggesting that a standardised methodology would be in place by March/April 2018).

- With regard to National Park areas, the consultation document recognises that the data to be used does not allow housing needs to be calculated using the proposed methodology. Therefore this report (which considers needs for the National Park area) arguably takes on greater significance in the absence of a prescribed methodology. Indeed, it is also the case that the proposed methodology does not provide a housing need number for New Forest District Council Planning Authority area.

2.   Trend-based Demographic Projections

Introduction

2.1   In this section consideration is given to demographic evidence of housing need and trend-based projections. Such projections are critical to the OAN process and this is emphasised in the NPPF (para 158) which states that local planning authorities should identify the scale of housing which *'meets household and population projections, taking account of migration and demographic change'*.

2.2   The importance of such projections can also be seen in the PPG which states [2a-015] that *'household projections published by [CLG] should provide the starting point estimate of overall housing need'*. The CLG projections are directly linked to ONS subnational population projections (SNPP). Further emphasis is put on the CLG projections in 2a-017 where it is noted that *'the household projections… are statistically robust and are based on nationally consistent assumptions'*.

2.3   However, the PPG also identifies [2a-014] that *'establishing future need for housing is not an exact science. No single approach will provide a definitive answer'* and in 2a-017 notes that *'plan makers may consider sensitivity testing, specific to their local circumstances'* – this is particularly related to evidence that there have been particular events which may have impacted on migration or the profile of the local population. Furthermore, the PPG notes [2a-016] that *'where possible, local needs assessments should be informed by the latest available data'* – this is relevant in this area due to new population estimates having been published since the release of the last Subnational Population Projections (SNPP).

2.4   The PAS technical advice note provides some additional detail about sensitivity testing and in particular advises (para 6.24) that using a longer (10- to 15-year) past trend analysis should provide a more robust projection than the SNPP (which uses data from the previous 5-6 years). The PAS technical advice note also highlights the issue of Unattributable Population Change (UPC) – UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring. PAS states (para 6.35) that *'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'*.

2.5   On the basis of the wording in both the PPG and the PAS technical advice note a number of observations can be made which are relevant to the assessment of trend-based demographic projections:

- CLG household projections (which link to ONS population projections) are robust and should be used as the 'start point' for assessing housing need
- These projections can be sensitivity tested where there is evidence of changes over time (e.g. short-term changes to migration patterns) or where UPC may be related to recorded migration levels
- Up-to-date information should be used where possible and this will include later releases of ONS mid-year population estimates (MYE)

2.6   It is considered in looking at sensitivities to demographic projections that the suggested level of need can go down as well as up. This is on the basis of a 'common sense' approach whereby any increase in migration in one area will come with a commensurate decrease in other locations. It is also recognised that levels of population growth for individual local authorities (nationally) will need to sum to the total level of growth projected nationally (through ONS national population projections).

2.7   In understanding what a reasonable projection is a number of factors can be considered. In particular, this would include overlaying past and projected population growth (to see if there is a correlation) and also to compare past and projected levels of migration – this needs to recognise that migration may well be expected to change over time as the age structure of the population changes.

2.8   Overall, developing the most reasonable and realistic projections for housing need is far from straightforward and will involve a degree of professional judgement. The need for judgment can clearly be seen in a High Court case in Kings Lynn (CO/914/2015) where it is noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

2.9   The projections developed for New Forest cover the period from 2016 to 2036. The core modelling in this section covers the whole of New Forest (i.e. including the National Park area, but excluding the National Park where this falls outside of the District boundary); this is largely due to the District being the main building block for which reasonable data is available (e.g. population and household projections).

2.10   Additional analysis of the whole National Park is included towards the end of this section and should be seen as an important part of the study (not least due to the recognition in the 'Planning for the right homes in the right places' consultation noting that the proposed standard methodology will not provide housing need figures for National Parks).

Demographic Evidence of Housing Need – Start Point

2.11   The PPG [2a-015] states that *'household projections published by the Department for Communities and Local* Government *should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'*.

2.12   The most up-to-date projections are the 2014-based CLG household projections published in July 2016 (with the next set expected to be published in Spring/Summer 2018). These projections were underpinned by ONS (2014-based) subnational population projections (SNPP) – published in May 2016. Between 2016 and 2036, these projections show a growth in the number of households by around 13,700; in housing need terms (and including a vacancy allowance of 4.0% drawn from Council Tax data) these projections show a need for 712 dwellings per annum.

2.13 Whilst the 2014-based data is the latest 'official' population projection and therefore forms the start point for analysis in line with the PPG, it is worth testing the assumptions underpinning the projection to see if it broadly reasonable in the local context – this involves considering both the population projections (the SNPP from ONS) and also the way CLG have converted this data into households. The analysis below initially considers the validity of the population projections and their consistency with past trends, before moving on to consider alternative scenarios for population growth.

2014-based Subnational Population Projections (SNPP)

2.14 The latest SNPP were published by ONS on the 25th May 2016. They replaced the 2012-based projections. Subnational population projections provide estimates of the future population of local authorities, assuming a continuation of recent local trends in fertility, mortality and migration which are constrained to the assumptions made for the 2014-based national population projections. The new SNPP are largely based on trends in the 2009-14 period (2008-14 for international migration trends).

2.15 They are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors might have on demographic behaviour. The primary purpose of the subnational projections is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields as they are produced in a consistent way.

Overall Population Growth

2.16 Between 2016 and 2036, the SNPP projects an increase in the population of New Forest of around 21,900 people. The figure below shows past and projected population growth in the period 2001 to 2036. The data also plots a linear trend line for the last five years for which data is available (2011-16) and also longer-term periods from 2006 to 2016 (a 10-year trend) and 2001-16 (15-years). The data shows that the population is projected to grow at a rate which is substantially above that seen in any of the past trend periods. This analysis would suggest that the SNPP is potentially overestimating future population growth – there is a clear disconnect between past trend and the projection.

Figure 2.1: Past and projected population growth – 2014-based SNPP – New Forest
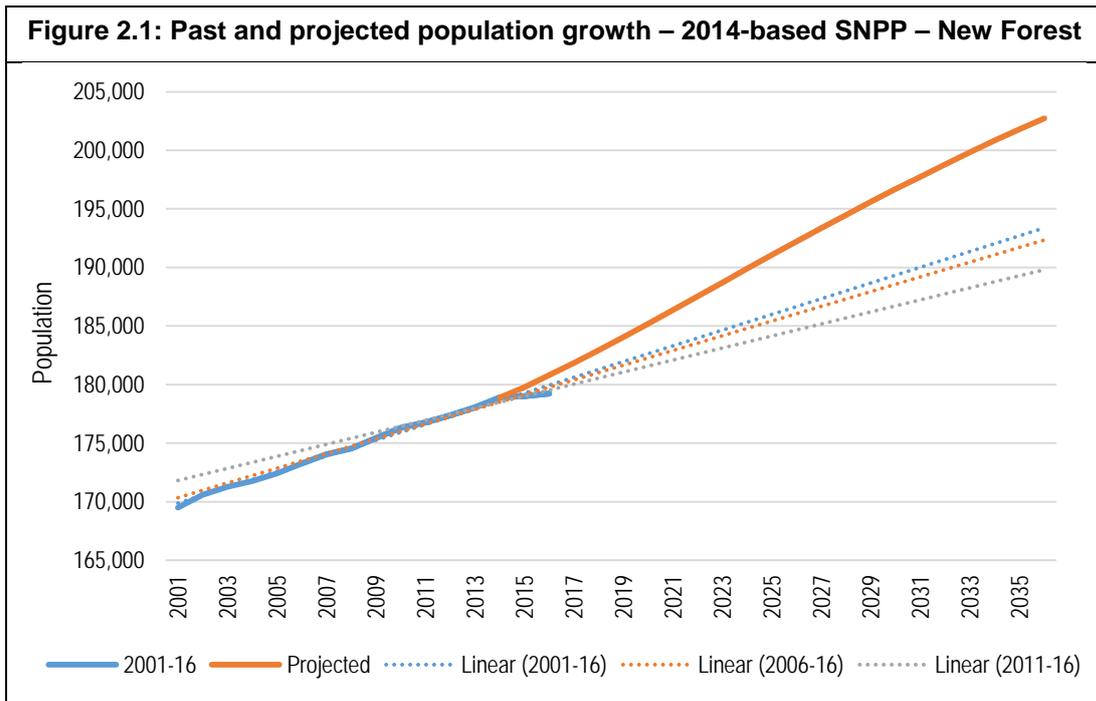
Source: ONS

2.17   The disconnect between past trends and the future projection can also be seen in short-term data. Between 2014 and 2016, the SNPP was projecting for the population of the District to increase by around 1,900 people; the ONS mid-year population estimates (MYE) show that the population is only recorded as having grown by around 300 people. This is a substantial difference over just two years.

2.18   The realism of the SNPP can also be studied by comparing past trends and future projections of migration. The figure below shows this information. From this it is clear that projected migration is significantly higher than typical past trends and net migration is projected to increase moving forward, this is despite the general past trend being in a downward direction. Over the 2001-16 period, ONS has recorded an average net migration of around 1,300 people per annum, whereas the projection (2016-36) averages nearly 1,700. The projection is over 30% higher than the 15-year trend (and is 43% higher than the average level of net migration seen over the past 10-years (2006-16).

Figure 2.2: Net migration to New Forest – trend and projection (2001-36)
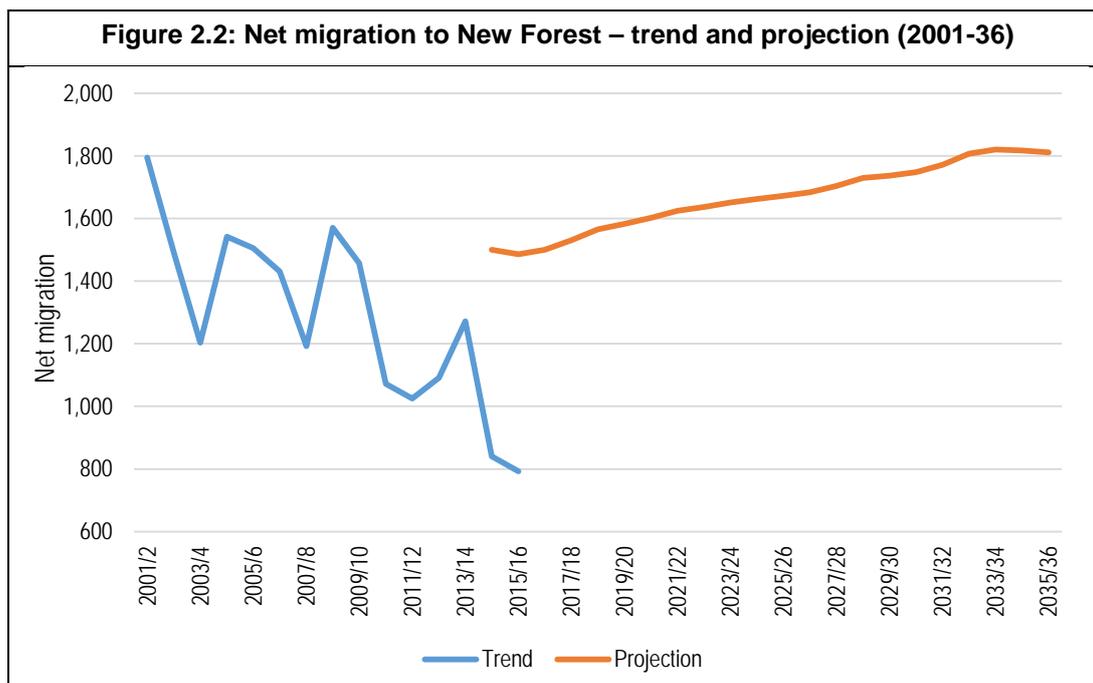
Source: ONS

2.19   All of this analysis points towards the SNPP being an unreliable projection for New Forest and in looking at a demographic-based OAN, it would be reasonable to consider altering some of the migration and population growth assumptions. As well as the analysis above, there is additional support from ONS components of change data that the projection is too high; the ONS data suggests that population growth in New Forest (between 2001 and 2011) was overestimated by more than 2,400 people, this could have been (at least in part) due to the misrecording of migration. Any misrecording could have been taken forward into the SNPP (and hence projecting an unrealistically high level of population growth). The 2,400 figure can be seen as the total of Unattributable Population Change (UPC) in ONS population estimates and was set out in the earlier JGC report (Demographic Projections – July 2017).

Alternative Demographic Scenarios

2.20   As noted above, the SNPP does not seem to be a sound projection with regard to population growth in the District. On this basis it would be reasonable to consider alternative (sensitivity) scenarios – such an approach is set out in para 2a-017 of the PPG which states *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections…'.*

2.21   The sensitivity scenarios take account of past trends in population growth in the District and include analysis of ONS mid-year population estimates (MYE) to 2016 – MYE data from 2014-16 is not used by ONS in the 2014-based SNPP, but will form an important part of the 2016-round of projections. The table below shows levels of population growth in each of three different trend periods. This level of population growth has been used to develop three scenarios. For clarity, these are:

- 5-year population trends (modelling the same level of population growth as seen in the 2011-16 period);
- 10-year population trends (modelling the same level of population growth as seen in the 2006-16 period); and
- 15-year population trends (modelling the same level of population growth as seen in the 2001-16 period).

Figure 2.3: Population growth in a range of past trend periods – New Forest				
	Start population (2001, 2006 or 2011)	End population (2016)	Change in population	Per annum change
5-year population trends	176,789	179,236	2,447	489
10-year population trends	173,269	179,236	5,967	597
15-year population trends	169,506	179,236	9,730	649

Source: Derived from ONS data

2.22   In many assessments carried out by JGC, adjustments are made to migration rather than simply looking at population growth. However, in the case of New Forest, there is such a disconnect between past trends and the future projection that it is not considered that making adjustments to migration would be a sound approach (albeit by definition modelling a population growth scenario does alter migration assumptions).

2.23   The table below shows the estimated level of population growth in the scenario projections developed. The analysis shows a range of population growth from 5.5% when looking over the past five years, up to 7.2% when considering 15-year trends.

Figure 2.4: Projected population growth (2016-2036) – alternative scenarios – New Forest				
	Population 2016	Population 2036	Change in population	% change
5-year population trends	179,236	189,024	9,788	5.5%
10-year population trends	179,236	191,170	11,934	6.7%
15-year population trends	179,236	192,209	12,973	7.2%

Source: Demographic projections

2.24   The figure below plots the projected population growth in each of these scenarios along with past trend data. This shows that the sensitivity scenarios show a much closer relationship with past trends than the official projections (i.e. the SNPP). In terms of the most realistic projection to take forward into an analysis of OAN, it is considered that using 10-year trends is most robust; as the analysis of housing need has developed over time, it has become common practice to consider 10-year trends, additionally, the 10-year trend projections sits in the middle of the range of alternatives developed.

2.25   In taking forward the 10-year population trend projection, it should also be noted that the level of net migration within the modelling is actually slightly higher than in the past trend period. From 2006 to 2016, ONS records an average net in-migration of 1,174 people to New Forest. The 10-year projection scenario has an average of 1,258 per annum (2016-36). This would suggest that the scenario projection is not underestimating a reasonable level of population growth when contrast with trend-based data.

Figure 2.5: Past and projected population growth – range of demographic scenarios – New Forest

Source: ONS and demographic projections
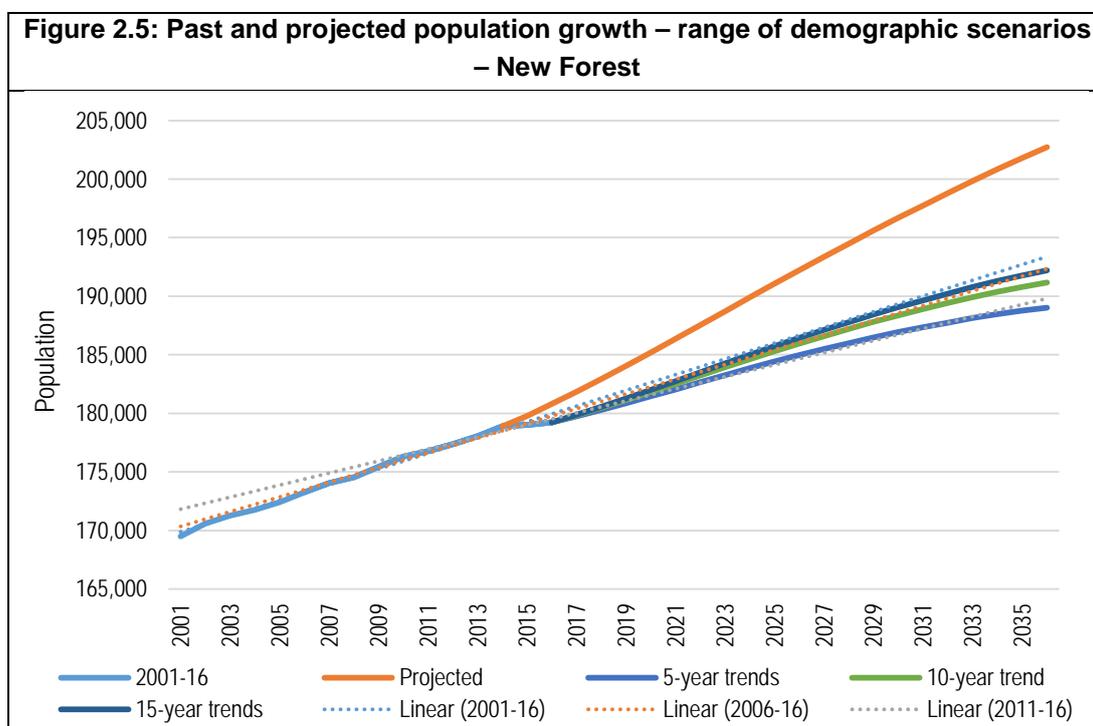
2.26   A final point to note in terms of alternative projections is to recognise that the population data that is due to feed into the next (2016-based) SNPP already exists (through the MYE to 2016). Hence it is possible to test if the next set of projections will be lower or higher than the current set. Assuming no change in SNPP methodology, it is the case that migration patterns will be based on internal moves over the past five years and international moves over the past six. The level of net migration in the 2014 base period was around 1,200 people per annum, whereas for the 2016 base period it is around 1,000 – net migration has therefore dropped by 15% and this will have an impact on population growth, household growth and housing need.

2.27 Modelling this reduction in migration on top of the 2014-based SNPP suggests that housing need would drop by around 17% (an estimated need of 594 dwellings per annum rather than 712). This is not promoted in this report as an alternative scenario as this adjustment still does not deal with the clear disconnect between trends and projections seen in the 2014-based SNPP. The analysis is hover clear; the next set of population and household projections are likely to show a substantially lower level of need in New Forest than the 2014-based version.

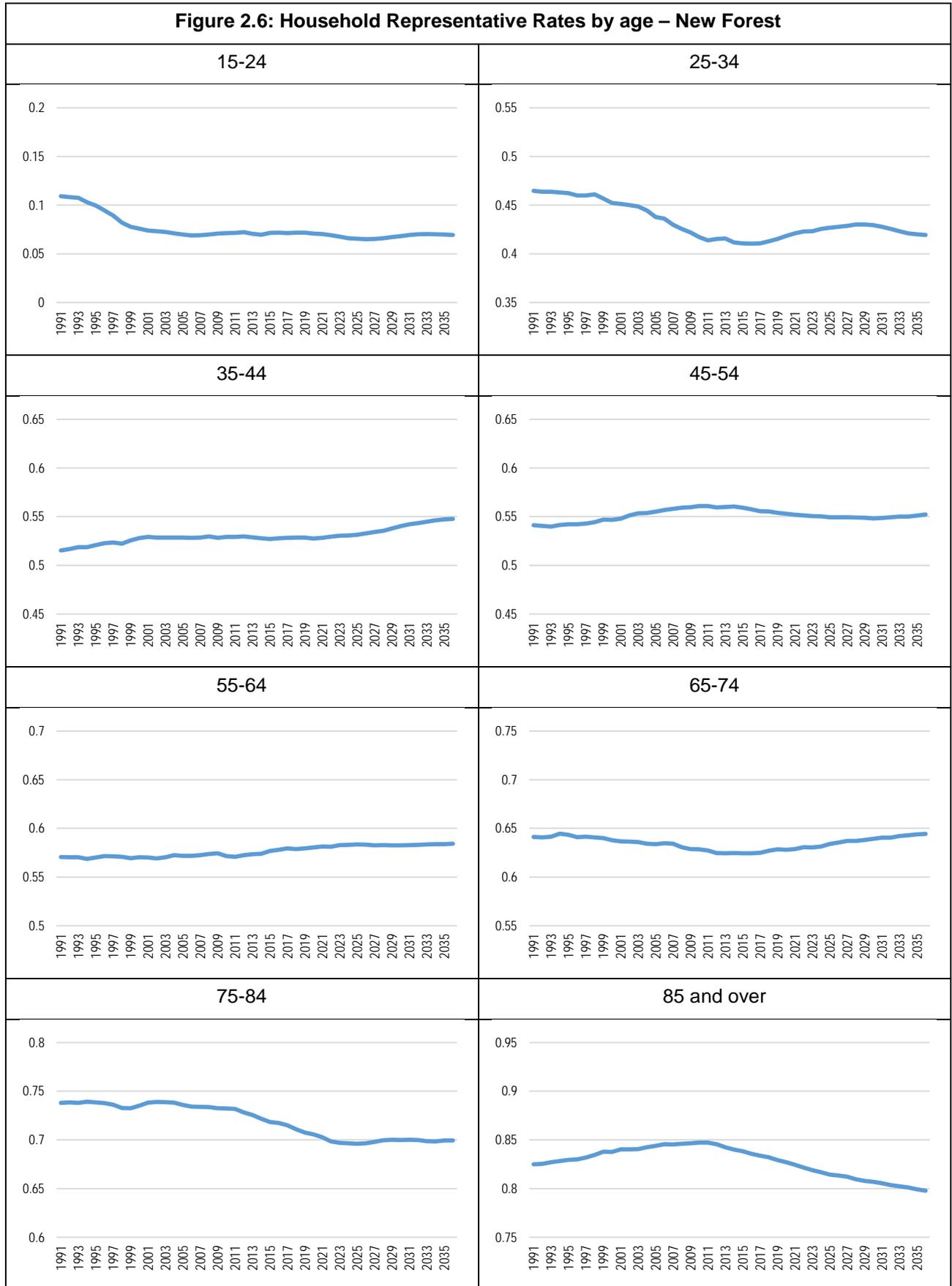## Household Growth (Household Representative Rates (HRRs)

2.28 Having studied future population growth the next step in the process is to convert this information into estimates of the number of households in the area. To do this the concept of household representative rates (HRR) is used. HRRs can be described in their most simple terms as the number of people who are counted as heads of households (or in this case the more widely used Household Reference Person (HRP)).

2.29 On the 12th June 2016, CLG published a new set of (2014-based) household projections – the projections contain two core analyses. The Stage 1 household projections project HRRs based on data from the 1971, 1981, 1991, 2001 and 2011 Censuses with outputs for age, sex and marital status. For younger age groups greater weight was given in the CLG projections methodology to the dampened logistical trend than the simple logistics trend; the effect of which is to give greater weight to the shorter-term trends.

2.30 The Stage 2 household projections consider household types and the methodology report accompanying the projections is clear that these projections are based on just two data points – from the 2001 and 2011 Census. Overall outputs on total household growth are constrained to the totals from the Stage 1 Projections. This means that both sets of projections show the same level of overall household growth (when set against the last set of SNPP) but some of the age specific assumptions differ. Differences can however occur between the Stage 1 and 2 HRRs when modelled against different population projections (due to differences in the age structure).

2.31 Overall, it is considered that the Stage 1 projections should be favoured over the Stage 2 figures for the purposes of considering overall household growth; this is for two key reasons: a) the Stage 1 figures are based on a long-term time series (dating back to 1971 and using 5 Census data points) whereas the Stage 2 figures only look at two data points (2001 and 2011) and b) the Stage 2 figures are constrained back to Stage 1 values, essentially meaning that it is the Stage 1 figures that drive overall estimates of household growth in the CLG household projections themselves. The analysis to follow therefore focuses on Stage 1 figures.

2.32 The figure below shows how Stage 1 figures differ for different age. It is evident from the analysis that HRRs amongst households in their late 20s and early 30s fell slightly over the 2001-11 decade – the projections are however suggesting that this trend will stop and the HRR will begin to rise (albeit dropping off again from about 2029). The 2014-based household projections also expect HRRs amongst older age groups to fall over time. Given improving life expectancy this 'trend' looks to be reasonable (as it would be expected that more people would remain living as couples).

Figure 2.6: Household Representative Rates by age – New Forest

15-24

25-34

35-44

45-54

55-64

65-74

75-84

85 and over

Source: Derived from CLG data

Critical Review of Headship Rates

2.33   The headship rates in the 2014-based CLG household projections should not be used uncritically. Paragraph 2a-015 of the PPG is clear that the *'household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends'*. Essentially this is suggesting, where the projections include a suppression of household formation that some sort of adjustment should be made.

2.34   It is not straightforward to determine if the projections contain any level of suppression (either in the past or projected forward) given that household formation rates can be influenced by a range of factors. One person to recognise this was the late Alan Holmans in the September 2013 Town and Country Planning Association (TCPA) publication *'new estimates of housing demand and need in england, 2011 to 2031'* where he stated:

'The working assumption in this study is that a considerable part but not all of the 375,000 shortfall of households relative to trend was due to the state of the economy and the housing market. 200,000 is attributed to over-projection of households due to the much larger proportion of recent immigrants in the population, whose household formation rates are lower than for the population as a whole. This effect will not be reversed. The other 175,000 is attributed to the economy and the state of the housing market and is assumed to gradually reverse'.

2.35   Broadly what Mr Holmans was saying is that about half of changes to household formation are due to market factors and about half due to international migration. Whilst the international migration impact is not expected to change (in terms of household structures), any suppression as a result of the economy and housing market could improve in the future.

2.36   In interpreting the view of Mr Holman's, it is worth noting that he only had access to data from the 2011-based 'interim' household projections, which unlike the 2014-based release only looked at trends in the 2001-11 period. Focussing on the 25-34 age group (the only one that arguably shows any suppression) it is clear that the latest (2014-based) projections are showing a break from the 2001-11 trend and are therefore not continuing to build in any suppression.

2.37   This view is supported by subsequent articles on the topic of household formation rates. One of note is *new estimates of housing requirements in england, 2012 to 2037* (Neil McDonald and Christine Whitehead – TCPA – November 2015). In this it is stated that:

'The 2012-based projections, which use the 2011 Census and up-to-date population figures, are more immediately relevant and more strongly based than earlier estimates. The latest projections can therefore be taken as a reasonable indication of what is likely to happen to household formation rates if recent trends continue. This is because, although economic growth might be expected to increase the household formation rate, there are both longer-term structural changes and other factors still in the pipeline (such as welfare reforms) that could offset any such increase'

2.38   Whilst this refers to the 2012-based projections, it is the case that the household formation rates in the 2014-based figures are almost identical. Overall, on the basis of the evidence available, it seems unlikely that the 2014-based household formation rates include any degree of suppression and can therefore realistically be used to assess levels of household growth when set against population projections.

Housing Need (linked to 2014-based headship rates)

2.39   The table below shows estimates of household growth and housing need under each of the population growth based scenarios. On the basis of the information below it is concluded that the demographic need for housing falls in the range of 466-530 dwellings per annum. Using 10-year trends (the preferred scenario) shows a need for 509 dwellings per annum. This is considered as the most realistic figure to use in assessing need, taking account of past population trends and the components of population growth.

Figure 2.7: Projected housing need – range of demographic based scenarios and 2014-based headship rates – New Forest					
	Households 2016	Households 2036	Change in households	Per annum	Dwellings (per annum)
5-year population trends	79,046	88,009	8,963	448	466
10-year population trends	79,046	88,839	9,794	490	509
15-year population trends	79,046	89,242	10,196	510	530

Source: Demographic projections

Housing Need in Different Areas

2.40   The analysis in this section is based on statistics and outputs for New Forest District; this is because the local authority area is the one for which statistics are most readily available. It is however important for this study to also look at needs for the National Park separately from the rest of the District. It is also necessary to consider needs in those parts of the National Park which sit outside the District boundary (i.e. small areas of Test Valley and Wiltshire). Additionally, it should be noted that the New Forest District and National Park areas are covered by two separate Local Plans, prepared under different national planning policy contexts.

2.41   Projections have therefore been developed for these smaller areas. For the areas within the District boundary, this has drawn on previous work undertaken by JGC in July 2017 – the previous work developed projections for four sub-areas, including the National Park (where this was inside the District boundary). An additional model has therefore been set out for this project that looks at needs within the National Park, but outside New Forest District. The methodology is the same as for the sub-areas in previous work and it should be noted that the area of the National Park outside of the District is quite small. Given this and some of the data issues around National Park area, the outputs for this smaller area (i.e. outwith the District but within the National Park) should be treated with some degree of caution; although outputs for the whole of the National Park area are considered to be robust.

2.42   The table below shows estimated housing need in a number of different areas – this is based on the 10-year population trends projection, which is the preferred scenario as discussed previously. Due to the way that the sub-area data is built up from smaller area statistics (with a range of assumptions) it will be noted that figures do not exactly sum to District totals. However, overall conclusions (in terms of a per annum need) are consistent. Overall, the analysis shows a need in the New Forest District Council planning authority area of 453 dwellings per annum and a need for the National Park (including those parts in Test Valley and Wiltshire) of 55 dwellings per annum. Interestingly, the analysis suggests a negative need in the Test Valley/Wiltshire area.

Figure 2.8: Projected housing need by area – 10-year population trends scenario					
	Households 2016	Households 2036	Change in households	Per annum	Dwellings (per annum)
NFD outside NP	65,052	73,821	8,769	438	453
NFD within NP	13,987	15,042	1,055	53	56
NFD total	79,039	88,863	9,824	491	509
NP outside District	1,048	1,030	-18	-1	-1
NP total	15,035	16,072	1,037	52	55
Study area	80,086	89,893	9,806	490	508

Source: Demographic projections (NFD=New Forest District, NP=National Park)

2.43   The finding of a negative need in the National Park outside of the District boundary (in data modelling terms) is driven by this area having a notably older population structure than the rest of the National Park (in 2016, it was estimated that 38% of the population of this area were aged 65 and over, compared with 30% of the National Park within the New Forest District). This older population structure means that the number of deaths is projected to exceed the number of births significantly; even projecting for there to be a notable level of net in-migration does not provide a positive level of population or household growth.

2.44   In reality, there are uncertainties about how the population will change in the future and it is not suggested that much weight is put on the outputs for this smaller area (which contains less than 3,000 people and less than 10% of the total population of the National Park). The outputs for the National Park as a whole can however be considered as robust and it is these figures that should inform the overall view about housing need for the National Park Authority.

The Impact of Brexit for Population and Household Projections

2.45   One key question for this assessment is whether or not the United Kingdom leaving the European Union ('Brexit') will have any impact on future migration and population growth, and hence housing need, over the period to 2036. As a preamble, it should be stressed that the impact of Brexit is clearly unknown and so the analysis to follow is mainly discursive, highlighting a series of issues.

2.46   Initially, it is observed that one of the key parts of the Brexit 'pledge' is to reduce levels of immigration to the UK. Given that Brexit will impact on EU migration, an initial analysis considers trends in migration from EU countries. The table below shows net migration to the UK from 2010/11 to 2015/16. This shows an average net migration of about 256,000 people, with this figure having been rising since 2011/12; the data also shows that an average of 41% of net migrants are from EU countries, and the remaining 59% from the rest of the World – the proportion of migrants from the EU has however been steadily rising over time.

2.47   This analysis would suggest that any reductions to EU migration will only impact on about two-fifths of the migrants seen to the UK in a typical year.

Figure 2.9: Net migration to the United Kingdom by broad location (2010-2015)					
	British	EU (not-British)	All other	Total	% EU (excluding British)
2010/11	-55,000	79,000	222,000	263,000	26%
2011/12	-76,000	72,000	172,000	167,000	30%
2012/13	-63,000	106,000	139,000	182,000	43%
2013/14	-48,000	138,000	164,000	254,000	46%
2014/15	-46,000	180,000	202,000	336,000	47%
2015/16	-50,000	189,000	197,000	336,000	49%
Average	-56,000	127,000	183,000	256,000	41%

Source: ONS

2.48   To look at international migration at a local authority level, data has been taken from the Census about migrants in the year to 2011 – these figures only cover in-migration and not net flows (as in the table above). This shows that relative to other areas, the District sees a slightly higher proportion of EU in-migrants, totalling 51% compared with 42% nationally. This would suggest that the migration impact of Brexit might be slightly higher in the District than other locations (although it should be remembered that this data is only based on one year of information, and should therefore be treated with some caution). However, it should also be noted that international migration generally in the District is quite low. Using the ONS components of change data, it is calculated that international migration accounted for only 8% of in-migrants and 6% of out-migrants (over the 10-year period to 2016).

Figure 2.10: International in-migration (2011) – Census data				
		EU in-migration	Non-EU in-migration	Total in-migration
New Forest	Population	547	520	1,067
	% of population	51%	49%	100%
South East	% of population	42%	58%	100%
England	% of population	42%	58%	100%

Source: Census 2011

2.49   The final issue to consider are the assumptions relating to international migration underpinning the latest (2014-based) ONS projections; this is important as this source drives assessments of need at a local level. The table below shows that ONS were projecting net international migration to be around 329,000 in 2014/15 (a figure close to the actual estimated level in MYE); moving forward they assume that net in-migration will reduce to 185,000 by 2020/21 (this figure is projected moving forward from that date); the 185,000 represents a 45% reduction on the 2015 net level and is 28% down on the 2010-16 average shown above.

Figure 2.11: Projected net migration – United Kingdom	
Period	Projected net migration
2014/15	329,000
2015/16	256,000
2016/17	232,000
2017/18	226,000
2018/19	206,000
2019/20	196,000
2020/21	185,000

Source: 2014-based ONS national population projections

2.50   On the basis of this analysis (i.e. reflecting the fact that around 50% of the international migration is not EU related, that international migration in New forest is fairly low and the fact that ONS are already projecting a reduction in international migration) it is difficult to confidently say that Brexit will have any impact on future migration levels and population growth. The next set of ONS projections to be produced (2016-based) will need to reflect a view about the impact of Brexit, and the Council and NPA should consider reviewing this evidence when it is released.

Trend-Based Demographic Projections: Key Messages

- The start point for assessing housing need in line with the PPG is the most recent official household projections; these are the 2014-based CLG projections which suggest a need for around 712 dwellings per annum to be provided (2016-36) across the New Forest District. These projections were underpinned by the most recent ONS subnational population projections (SNPP – also 2014-based). There are significant doubts about the validity of the 2014-based SNPP with future population growth and migration being projected to be substantially above past trends (regardless of whether long- or short-term trends are considered).

- Given issues with the SNPP, alternative projections based on past trends in population growth were developed (including more up-to-date information from ONS mid-year population estimates to 2016). The housing need linked to 10-year population trends is for 509 dwellings per annum (2016-36) and is considered sound when looking at the link between trends and the projection. Other sensitivity scenarios developed show levels of need either slightly above or below this figure. Additionally, it was observed that the levels of migration which will feed into the next set of ONS projections (2016-based) are lower than feeding into the 2014-based version. New projections are therefore likely to show a (potentially substantially) lower level of need than the current 'official' figures.

- When looking at the data about headship rates underpinning the 2014-based CLG household projections it was observed that the 25-34 age group had reduced slightly in the 2001-11 period, although this trend was not projected to continue into the future. Overall there was no evidence of any suppression of household formation and hence the 2014-based CLG projections can readily be used as published to translate population figures into household growth and housing need.

- Overall, the analysis identifies a demographic based need for 509 dwellings per annum. Whilst this is lower than the start point (as set out in the PPG), it is considered realistic once the link between past trends and the projection is properly understood. In the case of New Forest District the latest official projections do not look to be fit for purpose.

- Analysis also considered needs arising in the New Forest National Park area and the New Forest District Council Planning authority area separately. On the basis of the same scenario (10-year population trends) the need in the National Park was shown to be for 55 dwellings per annum and some 453 in the planning authority area of the District.

3.   Future Employment and the Link to Housing

Introduction

3.1   The PPG sets out that consideration should be given to future economic performance in drawing conclusions on the overall need for housing. Where the evidence suggests that a different level of migration might be needed than seen in past trends in order to support economic growth, consideration should be given to adjusting the spatial distribution of housing. Specifically, the Guidance [2a-018] outlines that:

'Plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to the growth of the working age population in the housing market area. Any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant local planning authority under the duty to cooperate. Failure to do so will mean that there would be an increase in unmet housing need.'

And that:

'Where the supply of working age population that is economically active (labour force supply) is less than the projected job growth, this could result in unsustainable commuting patterns (depending on public transport accessibility or other sustainable options such as walking or cycling) and could reduce the resilience of local businesses. In such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems.'

3.2   The actual wording of the PPG needs to be carefully considered. It is clear that understanding the link between jobs and population/housing is an important part of looking at the OAN, however, the PPG is clear that this issue is one in relation to the location of housing rather than overall housing numbers per se. Indeed, the wording of the PPG shows a notable departure from the wording in the draft PPG (of August 2013) where it was stated that *'in such circumstances [a shortfall in labour supply], plan makers will need to consider increasing their housing numbers to address these problems'*.

3.3   This is a clear, conscious and logical change to the PPG between draft and final version. Clearly it would be illogical for an area to increase population growth above the levels shown in trend-based projections (and hence increase housing need) without consideration of the impact this would have on other locations – i.e. given that there is a finite level of population growth projected nationally (as informed by national population projections) any increase in one area would need to come with a commensurate decrease in other locations.

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3.4   Despite the entirely logical wording in the PPG it is the case that a number of areas have sought to show a higher need linked to job growth than in trend-based projections; and this has often been done without consideration of the impact in other locations. Such an approach has been accepted by inspectors in some instances with the PAS technical advice note (para 8.2) noting for example that *'planning inspectors have interpreted this [the PPG] to mean that demographic projections should be tested against future jobs, to see if housing supply in line with the projections would be enough to support those future jobs. If that is not the case, the demographically projected need should be adjusted upwards accordingly.'*

3.5   To be clear, it appears from the PPG that the jobs/housing link is very much in relation to the locations of housing rather than the overall OAN. This position has support in the NPPF which in para 159 (bullet 1) states that the SHMA should *'identify the scale and mix of housing and the range of tenures that the local <u>population</u> is likely to need over the plan period which: - meets <u>household and population projections</u>, taking account of migration and demographic change'* [emphasis added].

3.6   Hence it is considered that any upward (or indeed downward) adjustment to the OAN as a result of job growth will need to be undertaken alongside an analysis of where the additional population will come from (or go to) and therefore include proportionate adjustments to the need in other locations.

Approach in New Forest

3.7   The approach to the link between homes and jobs in New Forest in this report is to project what level of labour-supply growth can be expected and then form a view about whether any changes are likely to act as a constraint to economic growth. Given the New Forest's position between Southampton to the east and the Bournemouth/Christchurch/Poole urban area to the west it is considered that economic impacts will cover a much wider area than New Forest and hence analysis for New Forest alone should be treated as indicative.

3.8   To be clear, unlike many reports undertaken by JGC (and indeed other consultants working in the field of OAN), the analysis does not seek to provide a forecast of job growth and then test what level of housing delivery might be needed to the labour-supply to grow. It is considered that job forecasts are inherently uncertain, and in any case it will be important to consider the situation in adjoining urban areas. Moving forward, there may be specific economic issues that the Council and NPA will need to factor in to any analysis (such as development at the Port of Southampton) but this report simply seeks to answer the following question: *'will the level of housing growth suggested act as a barrier to economic growth in New Forest?'*.

Projected Growth in the Economically Active Population

3.9   To seek to answer this question, the population and household projections developed have been used to estimate the likely growth in the number of people who are economically active. This is a very thorny issue with no set methodology and a range of different methods and views being used. It is considered, having studied this for many years is that it is impossible to robustly project how economic activity or employment rates will change in the future and hence such an approach is not sufficiently rigorous when looking at the link between jobs and housing.

3.10   For example, all of the main forecasting houses (Experian, Oxford Economics and Cambridge Econometrics) use population data as an input to their forecasts and each will estimate different levels of job growth. Inherently, each of the forecasting houses are therefore suggesting that whatever level of job growth they expect, this will be met by the population (and the population as it is projected to change). Given the different levels of job growth it is therefore implicit that there will be an assumption about how employment rates are likely to change, and this assumption will be different depending on the forecasting house. There could also be changes such as double jobbing within the modelling although this is difficult to determine.

3.11   Some consultancies (both for public and private sector clients) have looked for other sources of employment or economic activity rate data; one of the most commonly used being a set of figures published by the Office for Budget Responsibility (OBR). These however are of little use as they are not linked to economic forecasts and they relate to a completely different set of national assumptions (when compared with the main forecasting houses). Another, source is a set of rates developed by Experian; these have the advantage of actually being related to economic forecasts and generally they look to be realistic when comparing projections with past trends. However, it is arguable that the Experian figures should only really be used if linking data to an Experian economic forecast.

3.12   Hence, there is no clear and agreed set of figures which can be used to estimate how economic activity rates might change in the future. At best, any rates will be informed guesswork and at worse they can simply be unrealistic when set against the forecasts being used (either being too positive of too negative).

3.13   For these reasons, this report has sought to look at changes to economic activity rates using as much data as possible for which there is relative certainty, whilst some level of assumption is required, the method used is designed to limit the amount of speculation and therefore provide some certainly that the outputs properly reflect what might be expected to happen. The method used considers two key groups of the population:

- The population of working age who are economically active;
- The population who have reached retirement age who are economically active.

3.14   Below is a discussion of these two groups and how the number of economically active people is projected to change.

Working-age population

3.15   The first part of the analysis looks at the working-age population. Such an analysis is uncontentious, with working age being fixed by Central Government through the setting of pensionable age (most recently in the Pensions Act of 2014). The use of working-age is also consistent with wording in the PPG [2a-018] which states that:

'plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to growth of the <u>working age population</u> in the housing market area' [emphasis added]

3.16   Estimating the working age population and how this will change over time is not as straightforward
        as it has been in the past where conventionally the working age population has been defined as the
        population aged 16-64 (and previously 16-64 for males and 16-59 for females). The situation
        currently is one where there are incremental changes to pensionable age for both sexes which
        means that gradually people will be able to draw a state pension later in life.

3.17   The tables below are taken from supporting information from the 2014-based national population
        projections from ONS and show for both males and females the proportion of an age group who are
        considered to be of pensionable age. For example, the first table shows in 2019 that an estimated
        60% of males aged 65 will be of pensionable age and in 2020 about 10% will have reached that
        threshold. The data is cut off from 2027 and age 66 as there are currently no future proposals for
        changes to pensionable age until 2044 (which is some way beyond the date of projections
        developed in this report).

Figure 3.1: Proportion of males of pensionable age by age and date							
	Age group						
	60	61	62	63	64	65	66
2011	0	0	0	0	0	1	1
2012	0	0	0	0	0	1	1
2013	0	0	0	0	0	1	1
2014	0	0	0	0	0	1	1
2015	0	0	0	0	0	1	1
2016	0	0	0	0	0	1	1
2017	0	0	0	0	0	1	1
2018	0	0	0	0	0	1	1
2019	0	0	0	0	0	0.60274	1
2020	0	0	0	0	0	0.09863	1
2021	0	0	0	0	0	0	1
2022	0	0	0	0	0	0	1
2023	0	0	0	0	0	0	1
2024	0	0	0	0	0	0	1
2025	0	0	0	0	0	0	1
2026	0	0	0	0	0	0	0.84700
2027	0	0	0	0	0	0	0.35069

Source: ONS

Figure 3.2: Proportion of females of pensionable age by age and date							
	Age group						
	60	61	62	63	64	65	66
2011	0.35069	1	1	1	1	1	1
2012	0	0.84658	1	1	1	1	1
2013	0	0.34973	1	1	1	1	1
2014	0	0	0.84700	1	1	1	1
2015	0	0	0.35069	1	1	1	1
2016	0	0	0	0.76438	1	1	1
2017	0	0	0	0.01370	1	1	1
2018	0	0	0	0	0.26575	1	1
2019	0	0	0	0	0	0.60274	1
2020	0	0	0	0	0	0.09863	1
2021	0	0	0	0	0	0	1
2022	0	0	0	0	0	0	1
2023	0	0	0	0	0	0	1
2024	0	0	0	0	0	0	1
2025	0	0	0	0	0	0	1
2026	0	0	0	0	0	0	0.84700
2027	0	0	0	0	0	0	0.35069

Source: ONS

3.18 Using the demographic projections, it is possible to apply the rates above to see how the working-age population might change and this is shown in the table below (based on the 10-year population trends scenario). Over the 2016-36 period the working-age population is projected to remain fairly constant, reducing by around 0.5%.

Figure 3.3: Projected change in working-age population				
	Working-age population (2016)	Working-age population (2036)	Change in working-age population	% change
10-year population trends	97,977	97,524	-453	-0.5%

Source: Derived from demographic projections

3.19 However, looking at the working-age population does not directly indicate how many are economically active; some people of working age will not be in work or actively seeking employment. To look at the proportion who are economically active, Census data (from 2011) has been analysed. This looks at the population aged 16-64 for males and 16-59 for females – the different age band for females reflects the fact that at the time of the Census changes to pensionable age were only just starting and so the vast majority of females in the 60-64 age band would have reached pensionable age.

3.20 The table below shows the proportion of the working age population who are economically active – across the District this is a figure of 83%.

Figure 3.4: Proportion of working-age population who are economically active			
	Working-age population (2011)	Economically active working-age population (2011)	% economically active
New Forest District	96,093	79,906	83.2%

Source: Census 2011

3.21   This proportion (83%) can be applied to the change in the working age population to estimate how the number of economically active residents would change. It is however worth briefly assessing if this figure is likely to increase (or decrease) over time.

3.22   To study this a time series analysis has been carried out using Annual Population Survey data looking at the 16-64 age group. This age group does not exactly match 'working-age' due to changes to pensionable age but is the closest match available to the age groups which need to be studied. The core analysis looks at how rates have changed across the whole United Kingdom – this is due to there being relatively high error margins associated with the data at a smaller are level. The time period covered is from 2004 to 2016 which is the longest consistent time series available from this source.

3.23   The analysis shows that if anything the proportion of the working-age population who are economically active has increased slightly over the past decade – however, it should be stressed that the changes are pretty modest and only start from about 2010 (which does coincide with the start of pension reforms).

3.24   On this basis it is considered that there is no evidence to suggest that the economic activity rates of the working-age population will increase in the future (and likewise no evidence of a decline). Hence for the purposes of modelling the percent of people economically active (as shown by the Census) is applied to the growth in the working age population to derive an estimate of the change in the economically active population.

Figure 3.5: Change in economic activity rate (United Kingdom) – population aged 16-64
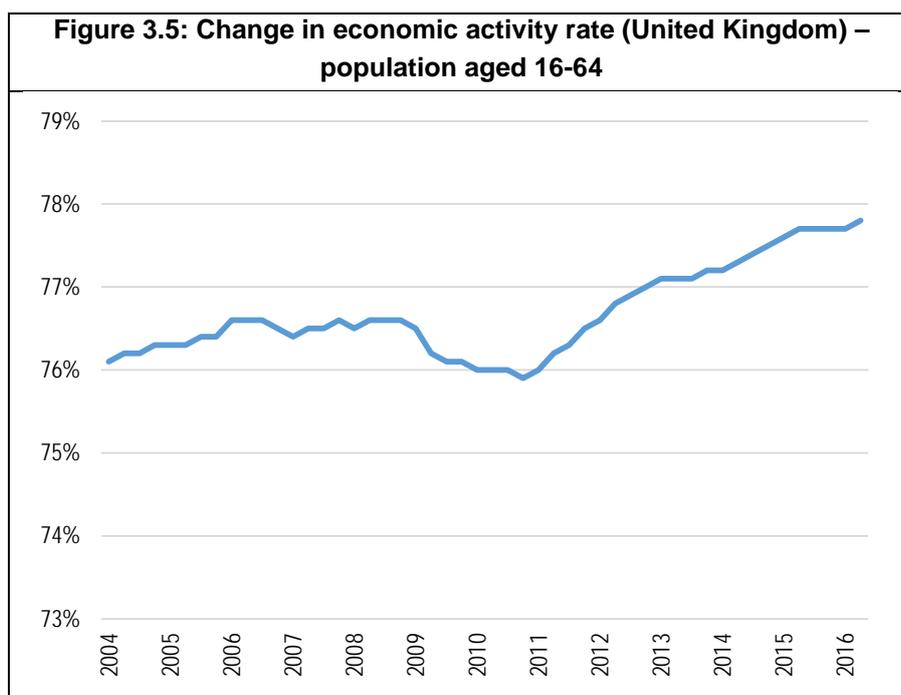
Source: Annual Population Survey (from nomis)

Economically active population of pensionable age

3.25 The analysis above has looked at the working age population and the likely proportion who will be economically active. To complete the analysis of how the economically active population might change it is also necessary to consider people who have reached pensionable age who are still working (or possibly seeking work).

3.26 A similar process has been undertaken and this begins by considering the pensionable age population and how this will change in the future; the table below shows that the number of people of pensionable age is projected to increase by 12,300 (23%).

| Figure 3.6: Projected change in pensionable-age population			
	Pensionable-age population (2016)	Pensionable-age population (2036)	Change in pensionable-age population	% change
10-year population trends	52,599	64,908	12,309	23.4%

Source: Derived from demographic projections

3.27 Again, the change in the number of people of pensionable age does not directly show how many are economically active. To look at the proportion who are economically active, Census data (from 2011) has again been utilised. This looks at the population aged 65+ for males and 60+ for females – consistent with the analysis undertaken for the working-age population.

3.28 The table below shows the proportion of the pensionable age population who are economically active – across the District this is a figure of 15%.

Figure 3.7: Proportion of pensionable-age population who are economically active			
	Pensionable-age population (2011)	Economically active pensionable-age population (2011)	% economically active
New Forest District	51,421	7,640	14.9%

Source: Census 2011

3.29   Again, this proportion could be applied to the change in the pensionable age population to estimate how the number of economically active residents would change. It is however again worth assessing if this figure is likely to increase (or decrease) over time.

3.30   To study this a time series analysis has again been carried out using Annual Population Survey data looking at the 65+ age group. This age group does not exactly match 'pensionable-age' but is the closest match available from this source. The core analysis looks at how rates have changed across the whole United Kingdom – this again is due to there being relatively high error margins associated with the data at a smaller are level. The time period covered is from 2004 to 2016 which is the longest consistent time series available from this source.

3.31   The analysis shows that the proportion of the pensionable-age population who are economically active has increased notably over the past decade (increasing from about 6.8% in 2006 to 10.5% in 2016) – this would suggest that further potential increase in activity rates of the older population might reasonably be expected. It is difficult to know by how much the economic activity rate of this cohort of the population might change in the future and the analysis takes the pragmatic view that further increases will be at half of the rate seen in the 2006-16 decade (this is a 0.2% increase per annum).

3.32   Whilst there is no precedent in the use of a 'half' increase, it is arguably a reasonable assumption for modelling given that the data clearly shows an upward trend with some evidence of this slowing down. However, it is noted that such a trend could not continue indefinitely on a linear pattern (to do so would mean that eventually everyone aged 65+ would be assumed to be economically active (which is not realistic)). Additionally, the use of a 'half' recognises that much of the ageing of the population is in older age groups (e.g. those aged 85+) where activity rates are likely to be very low; that said an ageing of the population will also be underpinning the Annual Population Survey analysis.

Figure 3.8: Change in economic activity rate (United Kingdom) – population aged 65+
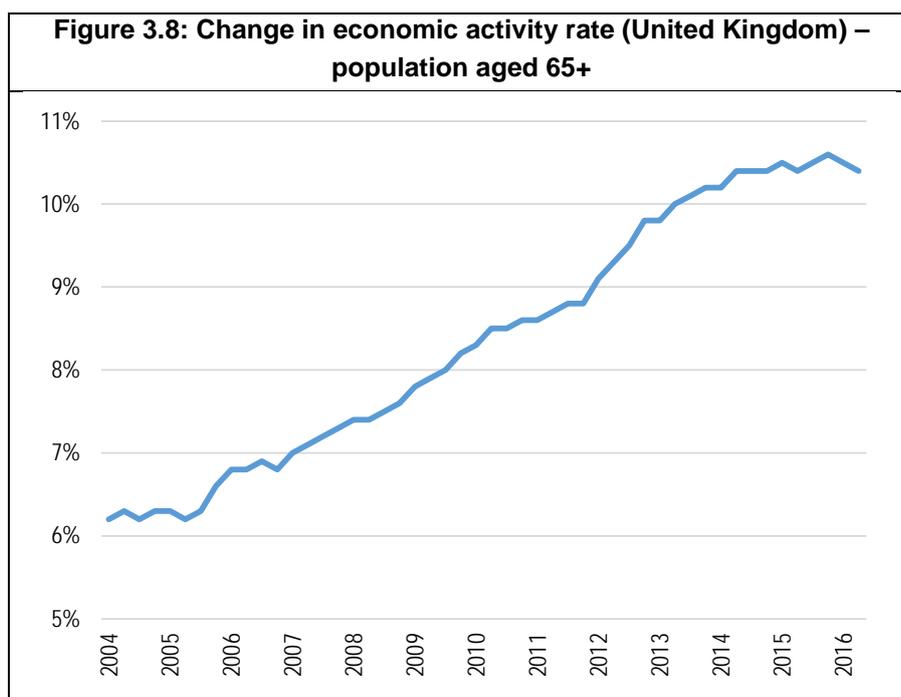
Source: Annual Population Survey (from nomis)

3.33   Hence, on the basis of the analysis and discussion above the following economic activity rates have been applied to the pensionable age population in each of 2016 and 2036.

Figure 3.9: Estimated economic activity rates 2011 and 2031 – population on pensionable age		
	% economically active (2011)	% economically active (2031)
New Forest District	15.9%	19.9%

Source: Census 2011

What is the change to the economically-active population?

3.34   Having run through an analysis of the two groups from which economically active people will arise (those of working age and those who have reached pensionable age) it is possible to estimate the overall change in the number of economically active people in the District. This is set out in the table below and uses the proportions of each group who are economically active (and changes as appropriate) applied to the relevant population. The analysis shows that linked to 10-year population trends, there would be an increase in the economically active population of about 4,200 people.

Figure 3.10: Estimated change to the economically active population (2016-36)				
	Change in working-age economically active	Change in pensionable age economically active	Total change in economically active	Per annum change
10-year population trends	-377	4,548	4,171	209

Source: Derived from demographic projections

Discussion

3.35   The analysis suggests that the number of people who are economically active in New Forest District might be expected to increase by around 4,200, based on modelling linking to population growth trends over the past 10-years. This is a reasonable positive level of growth and would suggest that there will be a sufficient labour-supply in the District to allow the economy to grow.

3.36   It should however be noted that the labour-supply growth is predicated on an increase in the number of older persons remaining economically active past retirement age. This is a continuation of trends and is not unreasonable. Additionally, it should be noted that this situation arises due to the ageing of the population. Whilst ageing is not a unique phenomenon to New Forest, it is the case that an older age structure will see greater ageing. The finding of growth being concentrated amongst older age cohorts should not be considered as a negative impact in the context of New Forest.

3.37   Overall, it is considered that the positive change in the economically active population does not suggest that there will be any barrier to economic growth in the District. Additionally, in drawing conclusions about economic growth, consideration of the role, function and demographic profile of neighbouring urban areas will need to be recognised.

**Future Employment and the Link to Housing: Key Messages**

- Analysis has sought to test whether the demographic need set out in the previous section would support a reasonable level of labour-supply growth in the District. In many OAN assessments, analysis is carried out to see what level of housing would be needed so that the labour-supply grow sufficiently to meet job growth forecasts. In New Forest, it was considered that such an approach was not appropriate, this is due to the nature of the area and the clear links with more urban locations (e.g. Southampton and Christchurch/Bournemouth/Poole)

- Essentially, the analysis seeks to answer the following question: *'will the level of housing growth suggested act as a barrier to economic growth in New Forest?'*.

- A key difficulty in matching job-growth to population growth (and ultimately housing need/requirements) is what assumptions to make about how employment or economic activity rates might change in the future. A range of potential sources are available to undertake this step, but none can be considered as robust given the wide range of assumptions (either implicit or explicit assumptions).

- The approach in this report is to draw on known data about changes to the working-age population (and the proportion who will be economically active) along with changes to the pensionable age population (again who are economically active). Such an approach reduces the number of assumptions needing to be made.

- This approach suggested that the labour-supply could be expected to increase by around 4,200 people over the 2016-36 period (about 210 per annum). This increase is due to an assumption that more people of retirement age will continue working, an assumption consistent with past trends. Given the demographic profile of New Forest, it is not surprising that additional labour-supply would be generated from older cohorts.

- Overall, the potential increase in the labour-supply suggests that there is potential for the economy of New Forest to grow in the future, and there is no reason to suggest that the housing need set against demographic projections would need to increase on account of economic growth. The Council and NPA should continue to monitor the local economy as housing/labour-supply needs can be impacted by particular events (in this case potentially development at the Port of Southampton). At present however, the labour-supply increase (in the context of the age profile of the District) is considered to be reasonable.

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4.   Affordable Housing Need

Introduction

4.1   This section discusses the level of affordable housing need in New Forest. This builds on the affordability analysis set out in the *Housing Affordability* report produced by JGC for New Forest Council in August 2017. The PPG (2a-022) describes affordable housing need as being an estimate of *'the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market'*.

4.2   The PPG sets out a model for assessing affordable housing need – this model largely replicates the model set out in previous SHMA guidance (of 2007). The 2007 guide contained more detail about specific aspects of the analysis and so is referred to in this section as appropriate. The analysis is based on secondary data sources. It draws on a number of sources of information including the 2011 Census data, demographic projections, house prices/rents, supply data and income information.

4.3   The affordable housing needs model is based largely on housing market conditions (and particularly the relationship of housing costs and incomes) at a particular point in time – the time of the assessment – as well as the existing supply of affordable housing which can be used to meet the need. The base date for analysis is 2016 (e.g. data about housing costs and incomes is for 2016). It is recognised that the analysis should align with other research and hence estimates of affordable housing need are provided in this section on an annual basis for the 20-year period between 2016 and 2036 (to be consistent with the demographic projections described in previous sections).

4.4   The analysis in this section largely updates a similar analysis carried out for New Forest Council and the National Park Authority in the 2014 SHMA. The methodology used is summarised in the graph below, which is in line with the Affordable Needs Assessment Model as set out in the PPG (2a-023 to 2a-029).

Figure 4.1: Overview of affordable housing needs model
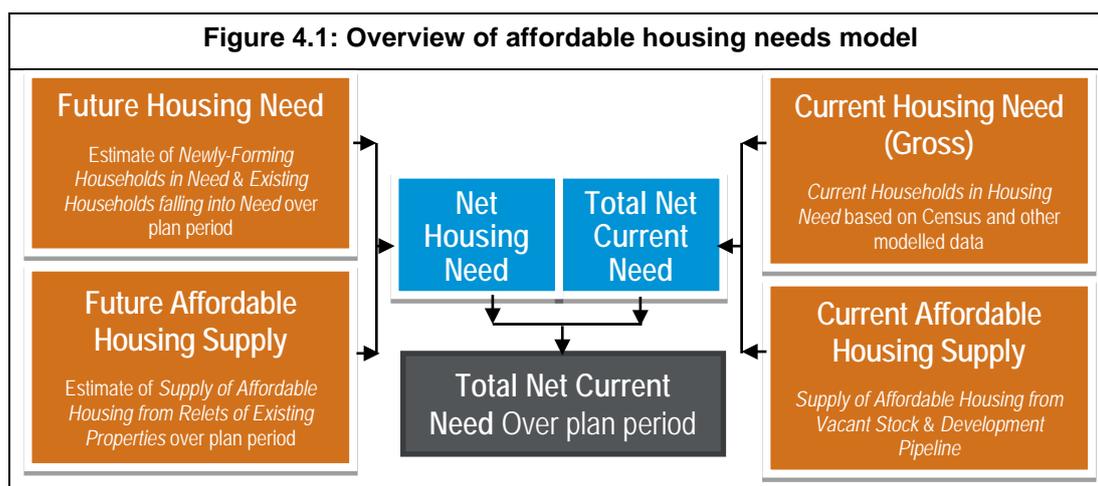
Methodology and Sources Overview

4.5   The analysis of affordable housing need draws on a range of secondary data sources; an approach consistent with the PPG. Specifically, paragraph 14 (ID: 2a-014-20140306) states that:

'Plan makers should avoid expending significant resources on primary research (information that is collected through surveys, focus groups or interviews etc. and analysed to produce a new set of findings) as this will in many cases be a disproportionate way of establishing an evidence base. They should instead look to rely predominantly on secondary data (e.g. Census, national surveys) to inform their assessment which are identified within the guidance'.

4.6   The table below sets out the main aspects of analysis and provides a description of the sources used.

Figure 4.2: Affordable Needs Model – core analysis and sources		
Aspect of analysis	Sources	Notes
Lower quartile private sector rents	Valuation Office Agency (VOA) data for the year to March 2017 – data from JGC affordability report	Used to establish the entry level cost of housing. Although in theory entry levels could also be the lower quartile sales price this would be highly unusual (and is not the case in New Forest).
Incomes	ONS small area income estimates, English Housing Survey (EHS), Annual Survey of Hours and Earnings (ASHE) – data from JGC affordability report	Used to estimate the average household income in 2016 and the distribution of income. Different distributions are developed for different household groups (e.g. newly forming households)
Affordability ratio	Valuation Office Agency (VOA) data for the year to March 2017 – data from JGC affordability report	Consideration of the relative cost of housing in the area compared with national benchmarks. In the case of New Forest, the analysis suggests that spending 32% of income on housing is an appropriate affordability threshold
Current need	2011 Census, CLG live table 784 (homelessness), EHS, income and housing cost data	Analysis using the categories of need set out in 2a-023 and 2a-024 of the PPG (along with affordability testing) – this approach is the same as in the 2014 SHMA (updated for this report)
Future need (newly forming households)	Demographic projections – number of newly forming households aged under 45, income and housing cost data	Analysis consistent with 2a-025 of PPG, including affordability testing. Also consistent with 2014 SHMA
Future need (existing households)	Continuous Recording of Sales and Lettings (CoRe), income and housing cost data	Analysis consistent with 2a-025 of PPG, including affordability testing. Also consistent with 2014 SHMA
Supply of affordable housing (through relets)	CoRe	Takes account of newbuild and transfers. Figures are only for social and affordable rented housing and are based on trends in lettings over the 2013-16 period.

Affordable Housing Need

4.7   The table below shows the overall calculation of affordable housing need. This excludes supply arising from sites with planning permission (the 'development pipeline') to allow for a comparison with the demographic projections set out in the report. The analysis has been based on meeting affordable housing need over the 20-year period from 2016 to 2036. Whilst most of the data in the model are annual figures the current need has been divided by 20 to make an equivalent annual figure.

4.8   As the table sets out, the analysis calculates an overall need for affordable housing of 8,600 units over the 20-years to 2036 (432 per annum) across the study area. The net need is calculated as follows:

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

Figure 4.3: Estimated level of Affordable Housing Need (2016-36) – New Forest (study area)		
	Per annum	2016-36
Current need	74	1,476
Newly forming households	465	9,290
Existing households falling into need	188	3,758
Total Gross Need	726	14,525
Supply from existing stock	294	5,887
Net Need	432	8,637

Source: Census (2011)/CoRe/Projection Modelling and affordability analysis

4.9   The data has also been split down by sub-area in the table below (just for annual need); this shows that there is a need for affordable housing in all locations with the South Coastal Towns seeing the highest need (for 163 homes per annum). It should be noted that the need for affordable housing is not just about a need for new homes, in many cases the households in question have accommodation but have a mismatch of tenure – this is discussed in more detail later in this section.

4.10   Additionally, the analysis suggests a need for 71 affordable homes per annum within the National Park area (67 within the New Forest District boundary and 4 in those parts of Test Valley and Wiltshire). Affordable housing need and National Park areas is also discussed in more detail below.

Figure 4.4: Estimated Need for Affordable Housing (per annum) – by sub-area						
	Current need	Newly forming households	Existing households falling into need	Total Gross Need	Relet Supply	Net Need
Avon Valley & Downlands	10	65	25	101	41	60
South Coastal Towns	23	169	58	249	86	163
Totton & the Waterside	26	161	82	268	131	138
NFD within NP	14	67	22	103	35	67
NFD total	72	461	187	721	293	428
NP outside District	1	3	1	5	1	4
NP total	15	70	23	108	37	71
Study area	74	465	188	726	294	432

Source: Projection Modelling/affordability analysis (NFD=New Forest District, NP=National Park)

Housing Need and the National Park areas

4.11   As well as looking at housing need across the whole District and study area, it is important to consider the needs arising in the National Park. This is because New Forest District Council is only the planning authority for that area sitting outside of the National Park, hence any housing targets (e.g. in the Local Plan) would not apply to the whole District Likewise, the National Park area is covered by a separate Local Plan.

4.12   The New Forest National Park Authority is the planning authority within the National Park. It has two statutory purposes, these are to:

- Conserve and enhance the natural beauty, wildlife and cultural heritage of the area; and
- Promote opportunities for the understanding and enjoyment of the special qualities of the Park by the public.

4.13   The National Park Authority has a duty to foster the socio-economic well-being of local communities within the New Forest National Park (Section 62, Environment Act 1995). National policy recognises that National Parks are not appropriate locations for unrestricted housing and new housing should therefore be focused on meeting local needs, rather than catering for external demand. This national policy and legislative framework enables National Park Authorities to prioritise affordable housing for local people..

4.14   Section 62 of the Environment Act 1995 requires all relevant authorities, including statutory undertakers and other public bodies, to have regard to these purposes. Where there is an irreconcilable conflict between the statutory purposes, the 'Sandford Principle' is statutorily required to be applied and the first Purpose of the National Park will be given priority. The Sandford Principle relates to a statement first made by Lord Sandford in his committee report on possible changes to the management and legislation governing National Parks and now in the Environment Act 1995 which states that: 'if it appears that there is a conflict between those two Purposes, any relevant Authority shall attach greater weight to the first [Purpose]'.

4.15   Paragraph 115 in the NPPF reaffirms this, setting out that "*great weight should be given to conserving landscape and scenic beauty in National Parks, the Broads and Areas of Outstanding Natural Beauty, which have the highest status of protection in relation to landscape and scenic beauty. The conservation of wildlife and cultural heritage are important considerations in all these areas, and should be given great weight in National Parks and the Broads.*"

4.16   National Park Authorities also need to take into account the 2010 Circular[1] which sets out national policy in respect of National Parks. In this the Government is clear that action by National Park Authorities should include fostering and maintaining thriving rural economies, and supporting the delivery of affordable housing. The Circular is cross-referenced within paragraph 115 of the NPPF and the PPG – clearly showing how the Government in preparing the NPPF in 2012 commended the guidance in the Circular.

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[1] DEFRA (2010) English national parks and the broads: UK government vision and circular 2010

4.17   The 2010 Circular recognises that National Parks often have higher house prices than surrounding areas, and can have include low paid jobs in their local economies. It clearly sets out that national park authorities have an important role to play in the delivery of affordable housing, setting out that:

"Through their Local Development Frameworks they should include policies that pro-actively respond to local housing needs. The Government recognises that the National Parks are not suitable locations for unrestricted housing and does not therefore provide general housing targets for them. The expectation is that new housing will be focused on meeting affordable housing requirements, supporting local employment opportunities and key services.

The Government expects the Authorities to maintain a focus on affordable housing and to work with local authorities and other agencies to ensure that the needs of local communities in the Parks are met and that affordable housing remains so in the longer-term.[2]"

4.18   There is thus a particular emphasis in national policy on meeting affordable housing needs within national parks; and recognition that unrestricted provision of housing is not appropriate.

4.19   As noted above, the analysis suggests a need for 71 affordable homes per annum within the National Park (including 67 within New Forest District). This figure could arguably be considered as the OAN, although it should be noted that the demographic based OAN is slightly lower (55 dwellings per annum). It needs to be recognised that the affordable need outputs are not just a number in relation to newbuild homes, but do include a number of households who have a home but where there is a mismatch in tenure. The relationship between affordable needs and OAN is discussed later in this section.

Comparison with previous SHMA

4.20   It is worthwhile to briefly make a comparison between the findings in this report and the last assessment of affordable housing need. The last full assessment was undertaken in the 2014 SHMA (by GL Hearn); a comparison has therefore been made with this assessment.

4.21   Whilst, both this study and the previous SHMA both followed the same broad methodology (linked to CLG guidance) there are some differences that need to be noted to allow for a direct comparison to be made. The main difference is that the 2014 study looked at meeting the current need over an 18-year period rather than the 20-years assumed in this assessment. Hence to make comparable figures, the current need in the 2014 study has been divided by 20 to provide an equivalent annual figure. Both sets of figures below are for the whole study area (i.e. to include those parts of Wiltshire and Test Valley that are within the National Park, but outside the New Forest District boundary).

4.22   The analysis shows a lower affordable need in this assessment compared with previous work – a need for 432 dwellings per annum, compared with 520. The difference is driven by a lower level of projected need from newly forming households, which in turn will be linked to the updating of demographic projections. There are also smaller differences to other components of the needs assessment model.

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[2] DEFRA (2010) Circular: National Parks, Paragraphs 78 and 79

4.23   Regardless of any differences, both studies show a substantial need for additional affordable housing, and the Council and NPA should seek to provide such accommodation where the opportunities arise.

Figure 4.5: Comparison of affordable housing needs assessments (2014 and 2017) – all figures per annum		
	2017 (this study)	2014 SHMA
Current need	74	48
Newly forming households	465	612
Existing households falling into need	188	216
Gross need	726	876
Relet Supply	294	356
Net need	432	520

Source: This study and 2014 SHMA

Relating Affordable Need and OAN

4.24   There have been a number of legal judgments that have considered the link between overall housing need and affordable need (including in Warrington, Oadby & Wigston, King's Lynn and Hinckley & Bosworth). Whilst these cases can provide some useful background, there is a concern that none really seek to understand exactly how affordable housing sits within estimates of the overall need for housing. The latest (Hinckley & Bosworth) comes closest to doing this, by making it clear that the OAN is not simply a computed figure comparing the affordable need with likely delivery.

4.25   The Planning Advisory Service (PAS) technical advice note on Objectively Assessed Need and Housing Targets of July 2015 does provide some useful thoughts on affordable housing. The consideration of affordable housing need and its relationship to overall housing need is covered in some detail within Section 9 of the document. PAS set out a suggested approach for looking at the relationship between OAN and affordable housing (which is broadly in line with the approach in this report) before going on to consider their own view about the relationship.

4.26   They initially suggest that affordable housing is "a policy consideration" that bears on housing targets rather than OAN and note that they are not comparable because they relate to different meanings of the term "need." They also highlight that the OAN relates to new dwellings whereas much of the affordable need relates to existing households, who, when moving, would free up dwellings to be occupied by other households. PAS conclude that there is no arithmetical way of combining the OAN (calculated through demographic projections) and the affordable need before concluding that the affordable need cannot be a component part of the OAN.

4.27   The PAS view looks to be entirely sensible. When the components of need are looked at it is clear that the relationship between affordable housing and overall housing need is complex. Firstly, the modelling contains a category in the projection of *'existing households falling into need'*; these households already have accommodation and hence if they were to move to alternative accommodation, they would release a dwelling for use by another household – there is no net need to provide additional homes. The modelling also contains *'newly forming households'*; these households are a direct output from the demographic modelling and are therefore already included in the overall housing need figures.

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4.28   This just leaves the *'current need'*; much of this group will be similar to the existing households already described (in that they are already living in accommodation) although it is possible that a number will be households without housing (mainly concealed households) – these households are not included in the demographic modelling and so are arguably an additional need. In terms of the PPG, concealed households are analysed as part of the market signals and therefore any uplift to the OAN is discussed in the following section of the report.

4.29   The analysis above does however indicate a clear need for affordable housing. The Planning Practice Guidance sets out how it expects the affordable housing need to be considered as part of the plan-making process. It outlines in Paragraph 029 that:

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

4.30   This 'consideration' is difficult to quantify – as noted most of the affordable need is not a need for additional dwellings over and above the overall need identified through demographic modelling. If the Council and the National Park Authority were to consider an uplift then this would mean additional provision of market homes – the demographic modelling itself does not demonstrate a market demand for these additional dwellings. Additionally, if the Council/NPA were to increase planned housing figures, then this would generate increased migration and population growth, which would mean a lower level in other areas (and hence other locations would logically be expected to plan for fewer dwellings).

4.31   Overall, it is difficult to see a situation where a Council should provide additional homes due to the affordable need, unless this is agreed under the Duty-to-Cooperate, which would then become a policy decision.

4.32   Given the level of affordable housing need, the Council/NPA should however seek to maximise delivery where possible and it should be borne in mind that besides delivery of affordable housing on mixed-tenure development schemes, there are a number of other mechanisms which deliver affordable housing. These include:

- National Affordable Housing Programme – this (outside London this is administered by the HCA) provides funding to support Registered Providers in delivering new housing including on sites owned by RPs;
- Building Council Homes (where there is a stock holding council) – following reform of the HRA funding system, Councils can bring forward affordable housing themselves;
- Empty Homes Programmes – where local authorities can bring properties back into use as affordable housing. These are existing properties, and thus represent a change in tenure within the current housing stock;
- Rural Exception Site Development – where the emphasis is on delivering affordable housing to meet local needs (this could also form part of the three mechanisms above).

4.33   Funding for specialist forms of affordable housing, such as extra care provision, may also be available from other sources; whilst other niche agents, such as Community Land Trusts, may deliver new affordable housing. Net changes in affordable housing stock may also be influenced by estate regeneration schemes, as well as potentially by factors such as the proposed extension of the Right to Buy to housing association properties and increased disposals of vacant dwellings. Affordable housing can be met by changes in the ownership of existing housing stock, not just by new-build development.

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

4.35   Whilst the Private Rented Sector (PRS) does not fall within the types of affordable housing set out in the NPPF 'for planning purposes', it has evidently been playing a role in meeting the needs of households who require financial support in meeting their housing need. Government recognises this, and indeed legislated through the 2011 Localism Act to allow Councils to discharge their "homelessness duty" through providing an offer of a suitable property in the PRS.

4.36   It is also worth reflecting on the NPPF (Annex 2) definition of affordable housing. This says: *'Affordable housing: Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market'* [emphasis added]. Clearly where a household is able to access suitable housing in the private rented sector (with or without Housing Benefit) it is the case that these needs are being met by the market (as within the NPPF definition). As such the role played by the private rented sector should be recognised – it is evidently part of the functioning housing market. There are however issues with the use of Housing benefit in the private rented sector, including the cost to the public purse and a disincentive barrier to reduce benefit dependency (i.e. there is potentially a disincentive for households to work if benefit losses are greater than the income they can earn).

4.37   Data from the Department of Work and Pensions (DWP) has been used to look at the number of Housing Benefit supported private rented homes. As of May 2017 it is estimated that there were around 2,750 benefit claimants in the private rented sector in New Forest (District) – this serves to illustrate that there is some flexibility within the wider housing market.

4.38   However, national planning policy does not specifically seek to meet the needs identified through the Needs Assessment Model in the Private Rented Sector. Government's benefit caps may reduce the contribution which this sector plays in providing a housing supply which meets the needs of households identified in the affordable housing needs model. In particular future growth in households living within the PRS and claiming LHA cannot be guaranteed.

Affordable Housing Need: Key Messages

- An assessment of affordable housing need has been undertaken which is compliant with Government guidance to identify whether there is a shortfall or surplus of affordable housing in New Forest. Overall, in the period from 2016 to 2036 a net deficit of 432 affordable homes per annum is identified across the study area (i.e. including those parts of the National Park in Test Valley and Wiltshire). There is thus a requirement for new affordable housing in the District and National Park areas and the Council and National Park Authority are justified in seeking to secure additional affordable housing.

- How affordable housing need sits with the overall need for housing needs to be properly understood, it is important to bear in mind that the affordable housing needs model includes existing households who require a different size or tenure of accommodation rather than new accommodation per se. Additionally, the modelling includes newly forming households, who are already part of the demographic projections (i.e. they are already included within the need). Furthermore, many households secure suitable housing within the Private Rented Sector, supported by housing benefit.

- Once account is taken of the range of outputs with the modelling and the fact that many of the households in need are already living in accommodation (existing households) and the role played by the private rented sector, the analysis does not suggest that there is any strong evidence of a need to consider additional housing to help meet the affordable need. There are however a number of concealed households within the modelling who are not picked up by demographic projections (and are without housing). There is merit in considering these households as an additional need and this is addressed in the market signals section of the report.

- Looking at affordable need in the National Park areas is also important as this typically is the main focus when looking at new housing development. The analysis suggests a need for 71 affordable homes per annum within the National Park (including 67 within the New Forest District). This figure could arguably be considered as the OAN; although consideration should also be given to the demographic-based needs (which are discussed again under the heading of market signals below). The affordable need and demographic-based numbers are two separate calculations and should not be added together when looking at OAN. Additionally, it need to be noted that the affordable need is not just a need for newbuild homes (much of it relates to households who have a home, but a mismatch of tenure).

- The estimated need for affordable housing is lower in this assessment than previous SHMA research. However, despite a lower level of need being suggested in this report, it is still clear that provision of new affordable housing is an important and pressing issue in the District. It does however need to be stressed that this report does not provide an affordable housing target; the amount of affordable housing delivered will be limited to the amount that can viably be provided.

5.   Market Signals

Introduction

5.1   In line with the PPG, this section has sought to analyse in detail the housing market signals. This section initially reviews housing market dynamics including national and macro- economic drivers. This is then developed at a more local level with quantitative analysis of local prices, sales volumes and affordability.

Conceptual Framework

5.2   It is important to understand that the housing market is influenced by macro-economic factors, as well as the housing market conditions at a regional and local level. There are a number of key influences on housing demand, which are set out in the diagram below:

Figure 5.1: Understanding Housing Demand Drivers
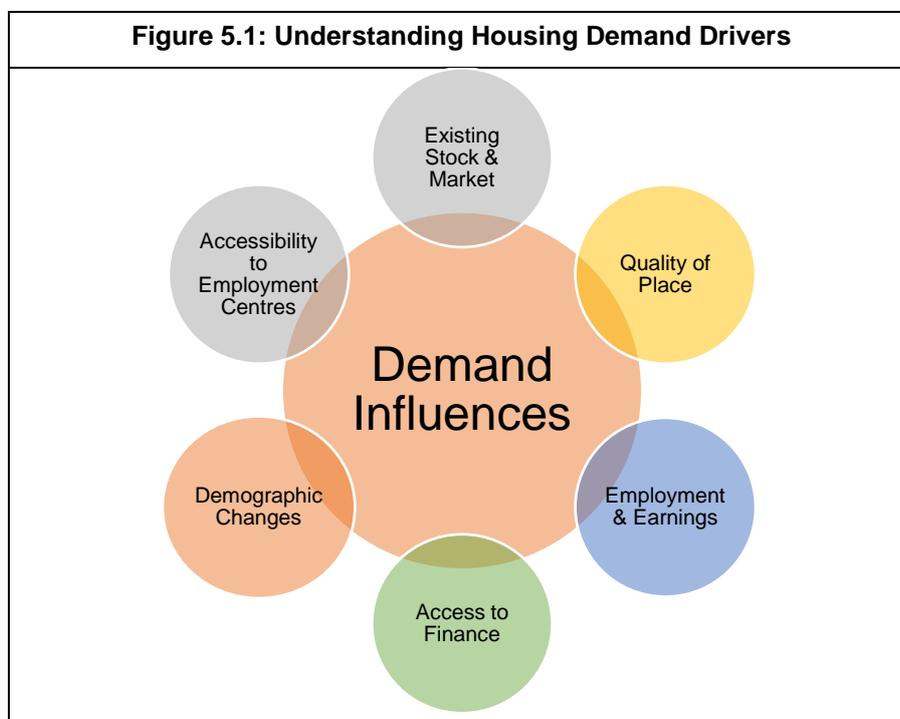
5.3   At the macro-level, the market is particularly influenced by interest rates and mortgage availability, as well as market sentiment (which is influenced by economic performance and prospects at the macro-level). Economic uncertainty resulting from the Brexit vote appears to be impacting on confidence within the housing market at the time of writing.

5.4   The market is also influenced by the economy at both regional and local levels, recognising that employment trends will influence migration patterns (as people move to and from areas to access jobs) and that the nature of employment growth and labour demand will influence changes in earnings and wealth (which influences affordability).

5.5   Housing demand over the longer-term is particularly influenced by population and economic trends: changes in the size and structure of the population directly influence housing need and demand, and the nature of demand for different housing products. There are then a number of factors which play out at a more local level, within a functional housing market and influence demand in different locations. Local factors include:

- quality of place and neighbourhood character;
- school performance and the catchments of good schools;
- the accessibility of areas including to employment centres (with transport links being an important component of this); and
- the existing housing market and local market conditions.

5.6   The influence of these factors can be particularly local and thus there is a limit to the extent that they can be covered in a strategic study; however key market characteristics and local trends are picked up through the qualitative research undertaken.

5.7   These factors influence the demand profile and pricing within the market. At a local level, this often means that the housing market (in terms of the profile of buyers) tends to be influenced and consequently reinforce to some degree the existing stock profile. However, regenerative investment or delivery of new transport infrastructure can influence the profile of housing demand in a location, by affecting its attractiveness to different households.

5.8   Local housing markets or sub-markets are also influenced by dynamics in surrounding areas, in regard to the relative balance between supply and demand in different markets; and the relative pricing of housing within them. Understanding relative pricing and price trends is thus important.

5.9   In this section, references to New Forest are for the District area (i.e. to include the vast majority of the National Park area) unless otherwise stated.

Local Demand Indicators and Market Signals

5.10   The PPG outlines that the housing need suggested by household projections should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between supply and demand for housing. Prices or rents rising faster than the national/ local average may well indicate market undersupply.

5.11   In assessing market signals, the PPG outlines that as individual indicators can be volatile, consideration should be given to longer-term trends (in terms of absolute and relative changes), as well as to similar demographic/ economic areas and nationally.

5.12   It is also considered important to understand how trends relate to different market cycles and thus consider trends over the period to 2007/8; post-2007/8 in the analysis. The analysis considers dynamics within each local authority and compares these to regional and national trends.

House Prices

5.13   The figure below shows the growth in average house prices over the pre-recession decade 1998 -
2007. Strong, sustained house price growth was seen at both a national and regional level over this
period, prices typically increasing by around 200%. As the figure shows, a similar trend was seen
across New Forest, although a greater increase in prices since about mid-2002 is notable.

5.14   The analysis largely points to national, macro-economic factors as driving house price growth, rather
than a particular acute lack of supply in New Forest (although again the data since mid-2002 should
be recognised). However, it does highlight a general supply/demand imbalance over this period
which contributed to strong house price growth. The availability of mortgage finance and buy-to-let
investment, coupled with the inelasticity of housing supply, contributed to house price growth over
this period.

Figure 5.2: Average House Price Change, 1997-2007

Source: Land Registry
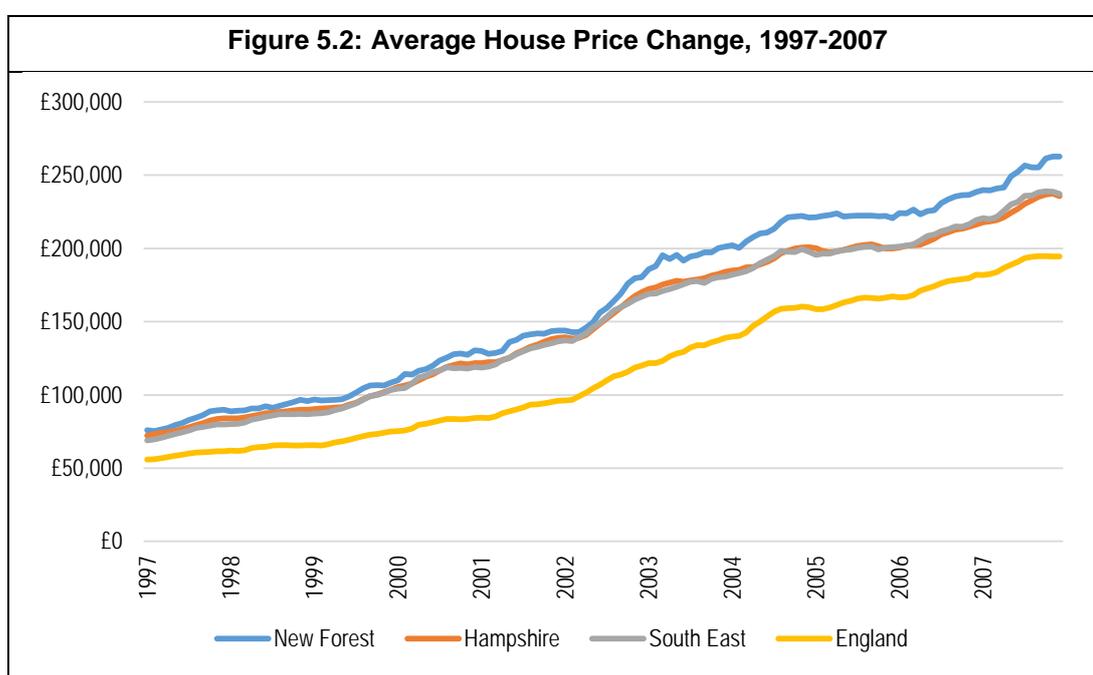
5.15   In absolute terms, house price growth in New Forest was above the County and regional average,
and also substantially above the national position, although in percentage terms all of the figures are
quite similar.

Figure 5.3: Absolute and Relative House Price Changes, 1998-2007				
	1998 (Q1)	2007 (Q4)	Price Change	Price Change (%)
New Forest	£89,111	£262,249	£173,138	194%
Hampshire	£84,189	£236,645	£152,455	181%
South East	£80,460	£238,205	£157,745	196%
England	£61,938	£194,525	£132,587	214%

Source: Land Registry

5.16   Housing market conditions in the last economic cycle, since 2008, have been notably different. This period has seen more subdued market demand, associated with weaker economic conditions – particularly in the earlier part of the period – coupled with enhanced mortgage market regulation and more prudent lending attitudes. Using a consistent scale to the previous figure, the different trend seen in house prices is self-evident.

Figure 5.4: Average House Price Change, 2008-2017
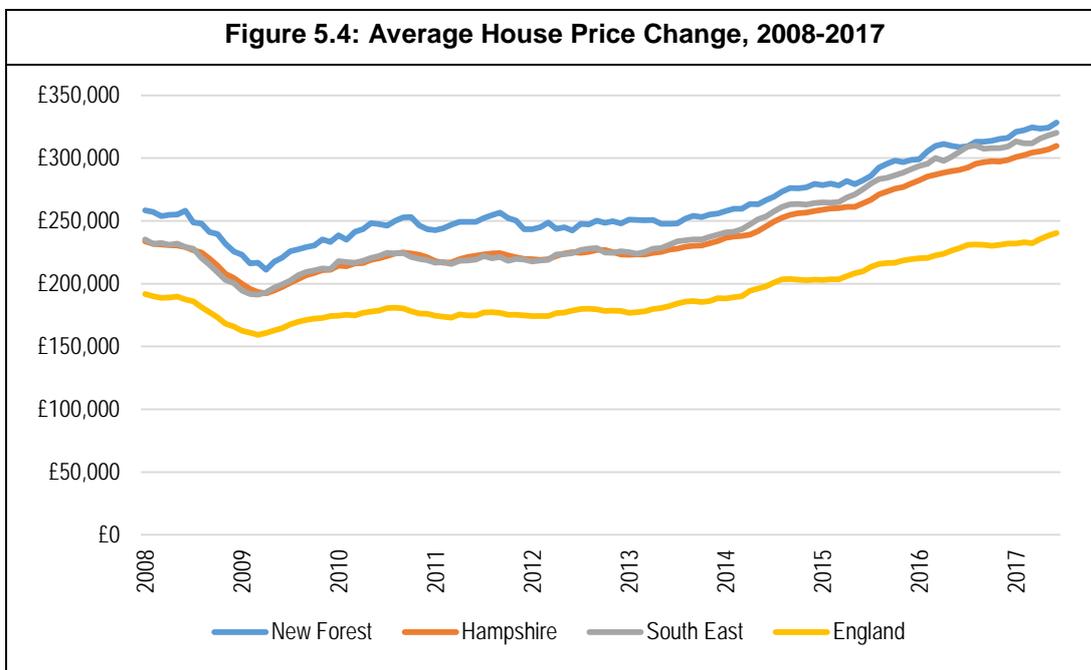
Source: Land Registry

5.17   Over the market cycle since 2008, a more modest change in house prices has been seen in the District, and a lower increase than observed across the County or regionally. Price increases have however been some way above those observed across England.

Figure 5.5: Absolute and Relative House Price Changes, 2008-2017				
	2008 (Q1)	2017 (Q1)	Price Change	Price Change (%)
New Forest	£256,402	£322,554	£66,152	26%
Hampshire	£232,252	£302,612	£70,360	30%
South East	£233,207	£312,362	£79,155	34%
England	£190,158	£232,391	£42,233	22%

Source: Land Registry

5.18   Additional data provided by the National Park Authority suggests that the New Forest has the highest average house prices of any National Park in the country, with an average house price of well over £550,000 and a price to earnings ratio of more than 15:1 (these ratios are discussed in more detail later in this section).

Sales Volumes and Effective Demand

5.19   Sales are an important indicator of effective demand for market housing. Analysis below has benchmarked sales performance against long-term trends to assess relative demand. The figure below benchmarks annual sales over the period of 1997 to 2017. It uses an index where 1 is the average annual sales over the 1997/8-2007/8 pre-recession decade.

5.20   The analysis points to a significant and sustained impact of the 2008 economic recession on the housing market, with a reduction in sales of around 50%. Sales volumes (and thus effectively demand) remained low through the 2010-13 period. Sales volume were improving significantly year-on-year between 2013-15; during 2016-17 this momentum has been lost. What is notable however is that sales volumes in 2016/17 remained generally around 25% down on the averages seen in the pre-recession decade.

5.21   Trends in sales for New Forest have largely mirrored those seen at a County, regional and national level, highlighting the influence of macro-economic factors on the market.

**Figure 5.6: Indexed Analysis of Sales Trends (1997 – 2017)**
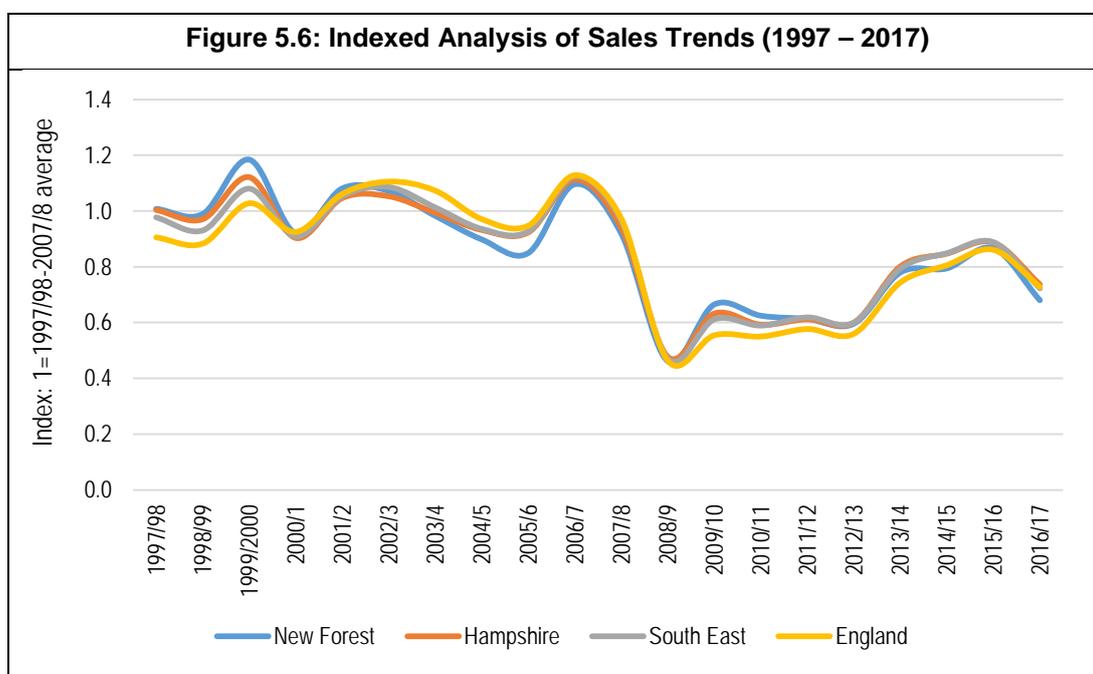
Source: Land Registry

Rental Costs

5.22   Median rental costs in New Forest are above the national average but slightly below equivalent figures for Hampshire and the South East Region.

Figure 5.7: Median Private Rents, Year to March 2017		
	Median Rent, Year to March 2017	% Difference to England
New Forest	£840	+24%
Hampshire	£843	+25%
South East	£875	+30%
England	£675	-

Source: Analysis of VOA Private Rental Market Statistics

5.23   The figure below shows trends in rents over the period since 2011 (the longest period consistently available from VOA data). Rental growth in New Forest has been below the regional average, and slightly above that seen across Hampshire and England. From 2011 to 2017, the median rent in New Forest rose by 20%; this compares with a national increase of 18%. It should be noted that all data in the chart below is for the year to March, apart from 2011 data which is the year to June 2011.

Figure 5.8: Benchmarked trend in median private rental values (2011 – 2017)
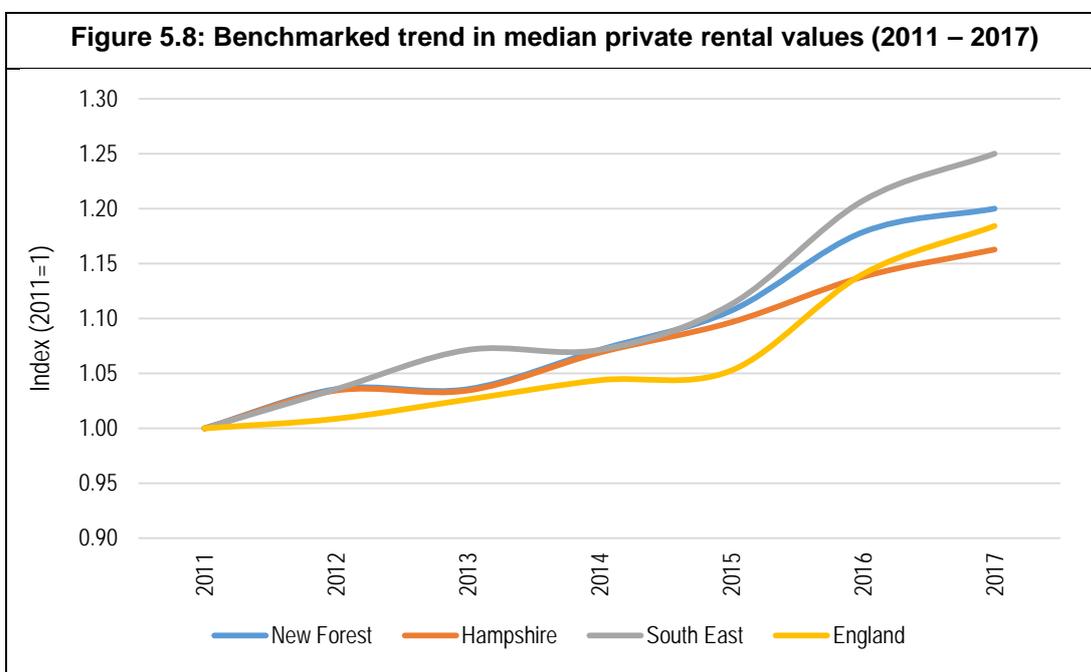
Source: VOA Private Rental Data

Affordability of Market Housing

5.24   Evidence of affordability has been studied by looking specifically at the relationship between lower quartile house prices and lower quartile earnings, as published by ONS. There are two datasets, the first looks at a comparison between workplace incomes and prices, and the second looks at residence-based incomes. The initial analysis looks at data for the past three years before progressing on to look at trends over time.

5.25   The latest data points to lower quartile house price-to-income ratios across New Forest which are above the national average, and also above regional and County average. This does point to affordability pressures for younger would-be first-time buyers.

Figure 5.9: Lower Quartile House Price-to-Income Ratio, 2014-16 – workplace-based incomes				
	2014	2015	2016	Average
New Forest	10.29	10.17	11.83	10.76
Hampshire	8.96	9.25	10.01	9.41
South East	8.90	9.34	9.99	9.41
England	6.91	7.11	7.16	7.06

Source: ONS

Figure 5.10: Lower Quartile House Price-to-Income Ratio, 2014-16 – residence-based incomes				
	2014	2015	2016	Average
New Forest	10.05	10.73	11.19	10.66
Hampshire	8.51	9.01	9.51	9.01
South East	8.60	9.05	9.74	9.13
England	6.91	7.11	7.16	7.06

Source: ONS

5.26   The figure below shows a longer-term trend (back to 1997) – this is for the workplace-based data. This analysis shows that there has been some deterioration of the house price to income ratio over the 2015-16 period, however this is a relatively short period and follows a period in which affordability had improved since about 2005. The figure does also show that the price:income ratio in the District is some way above that for other areas throughout the period studied.

Figure 5.11: Lower Quartile Affordability Trend (1997 – 2016) – workplace-based incomes
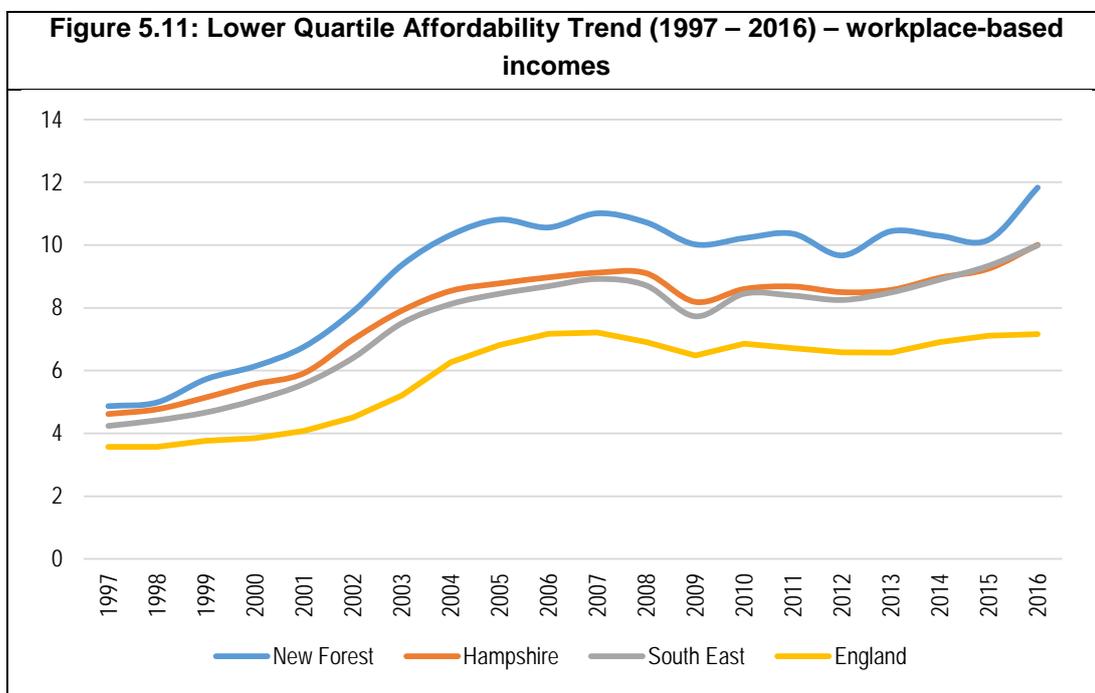
Source: ONS

Land Values

5.27   As the PPG sets out, residential land values can provide direct information on the shortage of land in any locality for a particular use. Data published by CLG indicates residential land values in New Forest that are significantly above the national average (excluding London) and also notably above the regional figure. This potentially points to a shortage of residential land.

Figure 5.12: Residential Land Values, 2015		
	Residential Land Value per Ha	% Difference to England Average
New Forest	£5,495,000	+262%
South East	£3,600,000	+171%
England (excl. London)	£2,100,000	-

Source: CLG Land Value Estimates for Policy Appraisal, December 2015

Housing Delivery

5.28   The PPG sets out that rates of development should be considered, including the flow of actual completions relative to the planned number. It sets out that if the historic rate of development shows actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.

5.29   The table below shows net completions from 2006/7 compared with the target in the Core Strategy (an average of 196 dwellings per annum for the District outside of the National Park). This analysis clearly indicates a surplus when compared with the target, and by 2015/16 this surplus had reached nearly 700 dwellings.

Figure 5.13: Net completions compared with Core Strategy target – New Forest District (excluding National Park)					
	Net completions	Cumulative completions	Target	Cumulative target	Balance
2006/7	283	283	196	196	87
2007/8	434	717	196	392	325
2008/9	485	1,202	196	588	614
2009/10	212	1,414	196	784	630
2010/11	259	1,673	196	980	693
2011/12	236	1,909	196	1,176	733
2012/13	192	2,101	196	1,372	729
2013/14	119	2,220	196	1,568	652
2014/15	150	2,370	196	1,764	606
2015/16	138	2,508	196	1,960	548

Source: Annual Monitoring Reports

5.30   Instead of using the Core Strategy target, alternative figures from the 2014 SHMA can be used (from 2011) – a range of need from 587 to 687 dwelling per annum. This analysis (not reported in detail) shows a shortfall in provision of between about 1,400 and 1,900 homes by 2016 – rather than the surplus shown above.

5.31   Despite this finding (of a shortfall in provision) it is not considered that there is any need to add this on to OAN estimates; the evidence in this report essentially 'resets the clock' to 2016. This position is supported by a High Court ruling; Zurich Assurance Ltd vs Winchester City Council and South Downs National Park Authority of March 2014 and more recently by the Secretary of State (APP/C1570/A/14/2213025) in August 2016 where it was confirmed that there is no requirement to add to the housing need to cater for any shortfall calculated against years preceding the base-year of the plan.

5.32   However, in terms of the PPG, any shortfall in past delivery should be analysed as one of the market signals and may provide evidence that the housing need number should be increased (as appears to be the case in this study). The shortfall in delivery therefore feeds into the consideration as to whether or not an uplift to housing need is appropriate (alongside the other market signals set out in the PPG) – this 'consideration' is discussed later in this section.

5.33   In the National Park area, the Authority's Core Strategy is to provide 220 dwellings between 2006 and 2026. As of the 2016 Annual Monitoring report, a total of 240 homes had been delivered in the decade between April 2006 and March 2016, and so this target has already been exceeded.

Overcrowding and wider indicators

5.34   The PPG sets out that consideration should be given to long-term increases in overcrowded, concealed and shared households, as well as those in homelessness and temporary accommodation. Long-term increases may point to a need to increase housing provision.

5.35   The analysis below firstly looks at levels of overcrowding in New Forest compared with other areas (based on the bedroom standard) before moving on to consider how overcrowding has changed over time (in this case using the room standard as historical bedroom standard data is not available from the Census source used).

5.36   The table below shows that in 2011 some 2.2% of households in New Forest were overcrowded. This is below the average for the comparison areas shown in the table (and less than half of the national average).

Figure 5.14: Overcrowding (2011) – bedroom standard		
	Overcrowded (no.)	Overcrowded (%)
New Forest	1,698	2.2%
Hampshire	14,830	2.7%
South East	127,456	3.6%
England	1,024,473	4.6%

Source: Census (2011)

5.37   The table below shows overcrowding (as measured through the room standard) in 2001 and 2011. The data confirms that levels of overcrowding in New Forest are lower than regional and national figures. Across the District, the number of overcrowded households (measured using the Census occupancy rating) increased by just under 650 (0.6%) between 2001-11, a small change compared to the regional and national picture.

Figure 5.15: Change in Overcrowded Households 2001-11					
	Overcrowded, 2001		Overcrowded, 2011		Change: Nos	Change: %
	No.	%	No.	%		
New Forest	2,793	3.9%	3,436	4.5%	643	0.6%
Hampshire	21,605	4.3%	29,128	5.3%	7,523	1.0%
South East	195,392	5.9%	265,974	7.5%	70,582	1.5%
England	1,457,512	7.1%	1,928,596	8.7%	471,084	1.6%

Source: Census data

5.38   As well as studying overcrowding the table below looks at the number of Houses in Multiple Occupation (HMOs). For the purposes of this analysis, data has been taken from the Census about the number of households in the 'Other' household composition category – this category is largely made up of multi-adult households where residents are unrelated. This therefore provides an indication of the number of sharing households.

5.39   The table below shows that the proportion of households sharing accommodation is below County, regional and national averages. The level of sharing households has increased slightly over the decade to 2011 – although the increases are more modest than seen nationally (albeit higher than equivalent figures for Hampshire and the South East).

Figure 5.16: Changes in sharing households (2001-2011)			
	2001	2011	Change
New Forest	2.7%	3.3%	0.7%
Hampshire	3.2%	3.6%	0.4%
South East	3.7%	4.2%	0.6%
England	3.7%	4.5%	0.8%

Source: Census (2001 and 2011)

5.40   The final analysis in this section concerns the number of concealed households. A concealed household is defined in the Census as *'a family living in a multi-family household in addition to the primary family, such as a young couple living with parents'*. The concept of concealed households is important in studying objectively assessed need as such households will not be included within demographic projections (as the projections work on the basis of one family per household).

5.41   The table below shows in 2011 that there were 726 concealed families in New Forest; generally, the proportion of concealed families in the District is low when compared with regional and national data. However, the number of concealed households has increased over time and in 2011 there were 291 more such households in the District than were recorded in 2001.

Figure 5.17: Concealed households and changes (2001-2011)					
	Concealed families (2001)	% of all families (2001)	Concealed families (2011)	% of all families (2011)	Change from 2001
New Forest	435	0.8%	726	1.3%	291
Hampshire	3,339	0.9%	5,548	1.4%	2,209
South East	23,063	1.0%	39,465	1.6%	16,402
England	161,254	1.2%	275,954	1.9%	114,700

Source: Census (2001 and 2011)

Drawing the analysis together

5.42   Drawing the analysis together, conclusions can be made on whether an adjustment to overall housing provision should be made for market signals. The evidence for New Forest indicates:

- House prices slightly above the regional average and above the national average; rents which are well above the national average (but similar to regional figures) – house prices have grown by around 26% over the past decade or so and rent increasing by 20% since 2011;
- Sales trends that have recovered from a 60% reduction in 2008/9, but which are still some way below pre-recession trends;
- A lower quartile affordability ratio of around 11 which is well above the national average, although this has not changed to any notable degree over the last decade;
- An over-provision of housing relative to the adopted Core Strategy targets for both the District and the National Park areas (and under-provision if delivery is compared to the previous SHMA OAN),
- Higher land values than seen across the region, and also notably above national figures (excluding London);
- Wider indicators point to increase in overcrowding and other relevant indicators, but levels are low in comparison with other areas.

5.43   Overall the analysis of market signals points towards some notable affordability pressures in New Forest and therefore there is strong evidence that housing provision should be increased. What level of uplift is appropriate is a matter of judgement. Recently, a number of inspectors have used a percentage increase and this has to some degree been based on looking at the lower quartile affordability ratio.

5.44   Data from Lichfields (formerly NLP), published as evidence to the Waverley Local Plan examination, plots the percentage uplift applied in a number of areas, and how this compares with the lower quartile affordability ratio – a trendline is then put through this data (as shown on the figure below). Given that the affordability ratio in New Forest is around 11 times income, it can be seen from the graph that an uplift of 15% would be appropriate. Whilst this is analysis provided by Lichfields for the development industry, it does not seem wholly unreasonable.

Figure 5.18: Comparison of lower quartile affordability ratio and market signals uplift applied
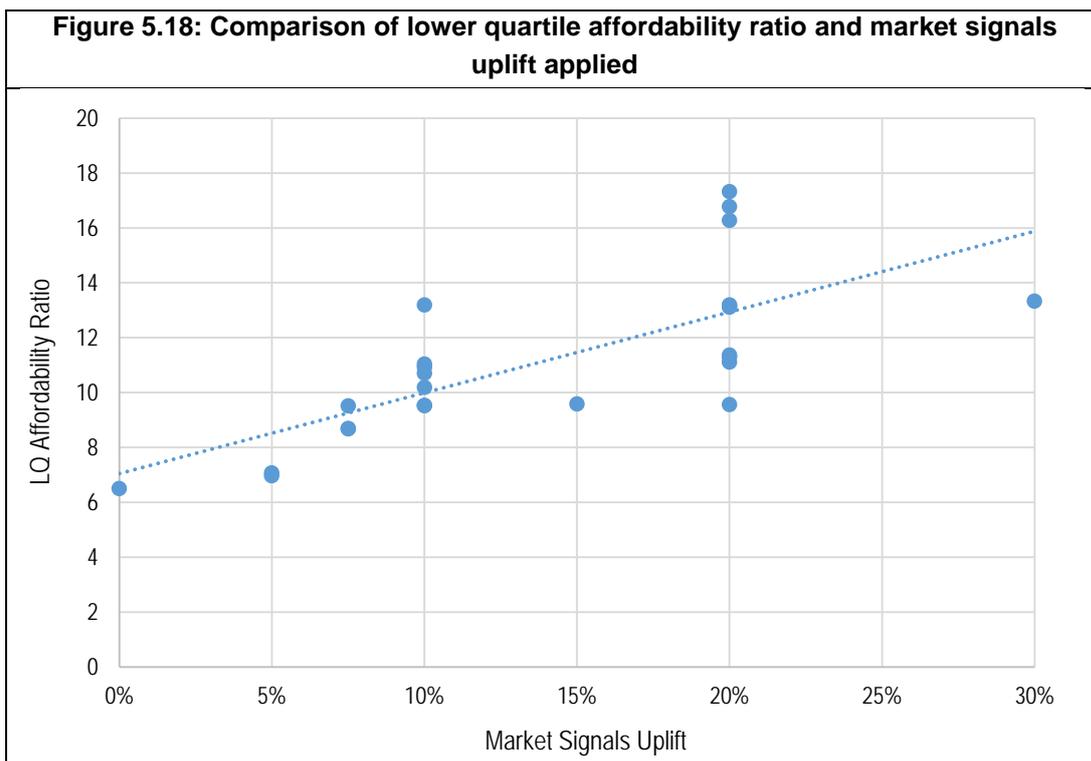
Source: Lichfields (evidence to Waverley LPI)

5.45   The PPG (2a-019) suggests that any increase needs to be judged against the start point need. The start point is defined as the latest official household projections. In the case of New Forest, there is good evidence that the start point is too high and is not based on a sound projection (when considering the projection and past trends), hence it is suggested that the uplift should be applied to the demographic conclusion of this report (based on 10-year population trends).

5.46   Although the analysis in this section has not looked at data below District level (e.g. for the National Park separately) it is considered that the 15% could be applied for all locations. The table below shows the OAN for the District and the National Park. Overall, the OAN for the District is put at 585 dwellings per annum and for the National Park 63 dwellings per annum – this latter figure is slightly lower than the estimate of affordable housing need derived in the previous section (which could alternatively be considered as the OAN).

Figure 5.19: Projected housing need by area – 10-year population trends scenario (+15% market signals uplift)

	Dwellings (per annum) from demographic modelling	Market signals uplift (15%)	Objectively Assessed Housing Need (OAN)
NFD outside NP	453	68	521
NFD within NP	56	8	64
NFD total	509	76	585
NP outside District	-1	0	-1
NP total	55	8	63
Study area	508	76	584

Source: Demographic projections (NFD=New Forest District, NP=National Park)

5.47   It is considered that an uplift of this scale would also assist in providing more affordable housing and therefore no further increase in the housing figures would be appropriate (this comment is in addition to noting that the link between affordable housing and OAN is complex and does not necessarily imply the need for additional dwellings).

Comparison with Previous SHMA

5.48   The figures above represent the OAN for New Forest District and the National Park, following the stages of analysis set out in the PPG. These figures can be compared with similar outputs from the earlier 2014 SHMA completed by GL Hearn (in association with JGC). The previous SHMA concluded (Table 72) that the need in the New Forest District Council Planning Authority area was for 587-687 dwellings per annum (midpoint of 637) and in the National Park the need fell in the range of 140-164 dwellings per annum (midpoint of 152).

5.49   These figures are higher than is shown in this study, with the difference in the National Park being substantial (a need for 63 dwellings per annum in this study compared with the 152 figure). The key difference appears to be around the choice of scenarios to use in analysis. In the 2014 SHMA, the core outputs were drawn from the most recent published household projections (2011-based) with some adjustment to take account of more recent population data. In this report, it has been questioned if the latest (now 2014-based) data is a reasonable projection, with the conclusion being that it is not.

5.50   The OAN has therefore been based on looking at actual population growth trends in the past decade and this does show population growth that is more in line with what might reasonably be expected. Given that population growth in the National Park has been quite modest (growth of just 1.7% over the 2005-15 decade) it does mean that the method used in this report will show much lower future needs than that used in the 2014 SHMA, which more closely linked to overall District-wide projections and assumed population change (by age and sex) which was roughly in proportion to District-wide changes in all parts of the study area.

5.51   Whilst the method used in the 2014 SHMA is not unreasonable, it is considered that the analysis in this report, which more properly looks at past trends in different areas, should provide a more robust trend-based assessment of need in the National Park area (and indeed across the study area).

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Market Signals: Key Messages

- Analysis of a range of market signals has been undertaken to consider if any adjustments should be made to the demographic-based assessment of housing need. The market signals studied are consistent with those in the PPG and included; house prices, rents, affordability ratios, land values, rates of development and overcrowding/concealed households.

- The analysis did identify some particular issues to suggest that provision in New Forest should be increased; although this finding was not universal across all indicators.

- An analysis of recent practice in terms of uplifts applied to demographic projections suggested that an increase from the demographic need of around 15% would be appropriate. If applied this gives an OAN of 585 dwellings per annum across New Forest District (including the National Park) and an OAN of 63 in the National Park (including those parts outwith the New Forest District).