

Report for:

Hart District Council

**2016-based Subnational Population
Projections and Housing Need
Using the 'Standard Method'**

June 2018

SUMMARY

1. This report studies the implications of the new 2016-based subnational population projections (SNPP) for housing need in Hart. The analysis uses changes in the age/sex breakdown over time and applies household representative rates (HRRs) to estimate the likely level of household growth over a ten-year period (2016-26 and 2017-27 have been studied). This data is then used along with the Standard Method set out in the draft Planning Practice Guidance (PPG) to provide an up-to-date view about housing need.
2. The Standard Method uses published household projections as a starting point for assessing need and then uplifts this into a housing need figure based on a median price:income 'affordability' ratio. In some cases (depending on the status of a Local Plan/evidence base) the level of need may be capped at 40% above household projections. Due to ONS stating that they are not planning any major changes to the household projections, it is possible to apply data from the 2014-based projections to the 2016-based SNPP to establish a level of household growth and housing need.
3. Between 2016 and 2026 the population of Hart is projected to increase by around 3.1%, this is lower than was projected for the same period in the 2014-based SNPP (4.2%). In total, over the 10-year period, the population of Hart is projected to increase by about 3,000 people. Population growth in the District is driven by both natural change (births minus deaths) – accounting for 57% of the population growth – and net migration (43%). With population growth there is expected to be an ageing of the population; although this is consistent with national and regional trends.
4. To study the likely change in the number of households in the District, data was taken from the 2014-based CLG household projections. This is likely to provide a reasonable indication of the level of household growth associated with the new projections as ONS have stated that the 2016-based household projections (due to be published in September 2018) will *'use the current methods as a starting point for the next release of the projections'*.
5. For Hart the analysis suggested a household growth of 205 per annum if using annual growth for the 2016-26 period, and a slightly lower figure (199 per annum) if looking at 2017-27. The latter data is important as it has the same base date as the most recent ONS affordability statistics.
6. Data from ONS about affordability ratios for Hart shows a figure of 11.97 in 2016, rising to 11.99 in 2017. Using the Standard Method, this implies a need to uplift figures (from household growth) by 50%. In doing this the analysis shows an annual housing need for between 299 and 307 dwellings (depending on the base date used). However, using the standard method, these figures would be capped (at 40% above household growth). This reduces the need to something in the range of 279 to 287; both of these figures are slightly below the equivalent figure calculated by CLG as part of their September 2017 'right homes, right places' consultation (292 dwellings per annum).

1. Introduction

- 1.1 The latest (2016-based) set of subnational population projections (SNPP) were published by ONS on the 24th May 2018. They replace the 2014-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 2016-based national population projections.
- 1.2 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.
- 1.3 This document seeks to take forward the 2016-based SNPP to study the likely implications for household growth and housing needs in Hart. The emerging National Planning Policy Framework (NPPF) and accompanying Planning Practice Guidance (PPG) sets out a standard method for using projections to 'determine the minimum number of homes needed'. This method is clear that latest projections should be the start point for assessing overall housing need.
- 1.4 Whilst the projections are only for population growth, it is the case that they will form the main part of future household projections. The next set of household projections (which are due to be produced for the first time by ONS) are not programmed for release (provisionally) until September 2018.
- 1.5 In the period until the household projections are released it is of interest to see what level of household growth is to be expected. A reasonably accurate view can be ascertained by taking data from the 2014-based household projections; in doing so it can be noted that ONS stated in June 2017 that they would '*use the current methods as a starting point for the next release of the projections*'¹. Hence it does not appear that there are any proposals to radically alter the methodology (and by implication the data used).
- 1.6 The analysis in this report uses the 2016-based SNPP and develops two scenarios for household growth; these are based on the former Department for Communities and Local Government (CLG) Stage 1 projections. The two scenarios cover the 2016-26 and 2017-27 periods. Analysis is then carried out to consider the emerging Standard Method; this applies an uplift to household growth depending on the local price:income ratio with ONS having updated ratios to a 2017 base in April 2018.

¹ <https://consultations.ons.gov.uk/communication-division/changes-to-household-projections-for-england/>

2. The Emerging ‘Standard Method’

Introduction

- 2.1 In March 2018, the Ministry of Housing, Communities and Local Government (MHCLG) published a draft National Planning Policy Framework (NPPF), this was shortly followed by a draft Planning Practice Guidance (PPG). Both documents talk about the introduction of a Standard Method for assessing housing need with the draft PPG providing the detail about how the need should be calculated. This section provides some key quotes and brief commentary on the relevant parts of the draft NPPF and PPG.

Draft National Planning Policy Framework

- 2.2 Section 5 of the draft NPPF (from paragraph 60) deals with ‘Delivering a sufficient supply of homes’ with paragraph 61 stating that *‘in determining the minimum number of homes needed, strategic plans should be based upon a local housing need assessment, conducted using the standard method in national planning guidance – unless there are exceptional circumstances’*. It is not entirely clear what exceptional circumstances might be, but one possibility might be where there appear to be issues with the quality of the household projections and the data feeding into them.
- 2.3 Even where there are exceptional circumstances, the draft NPPF suggest that any alternative approach would still need to take account of *‘current and future demographic trends and market signals’*. The draft NPPF also notes that unmet needs from neighbouring authorities should be taken into account when establishing the number of homes to be included within the Local Plan.
- 2.4 The remainder of Section 5 of the draft NPPF discusses more specific details within the overall housing number, such as about the mix of housing (including housing for older people) and a range of particular groups about which information should be provided. The section also looks at affordable housing, including the expectation that 10% of all homes (on larger sites) should be of an affordable home ownership tenure. Section 5 finishes by discussing housing requirements for neighbourhood areas.

Draft Planning Practice Guidance

- 2.5 The draft PPG sets out in more detail how the standard method is to be used in calculating a housing need. The discussion starts from page 24 of the draft PPG (the document does not have any paragraph numbers). The PPG starts by confirming the text of the draft NPPF (i.e. that the standard method should be used unless there are exceptional circumstances). The draft PPG then sets out a three-step process.
- 2.6 The first step is to establish a demographic baseline of household growth; this is to be taken directly from published household projections and should be the annual average household growth over a 10-year period. Whilst this 10-year period is not specified, it is the case that earlier analysis in the September 2017 ‘right homes, right places’ consultation used a 2016-26 period.

- 2.7 The second step of the proposed methodology seeks to adjust the demographic baseline on the basis of market signals. The adjustment increases the housing need where house prices are high relative to workplace incomes. This uses the published median affordability ratios from the Office for National Statistics (ONS) based on workplace-based median house price to median earnings ratio for the most recent year for which data is available. In April 2018, ONS published data for 2017 and so in terms of the 10-year period used it is logical that the latest ratios should be set against household growth for the 2017-27 period.
- 2.8 Specifically, the draft PPG says that *'each 1% increase in the ratio of house prices to earnings above 4 results in a quarter of a per cent increase in need above projected household growth'*. Although not specified, the use of a ratio of 4.0 is likely to be justified on the basis that four is the typical multiple used by mortgage providers to gauge affordability. The equation to work out the adjustment factor is as follows:

$$\text{Adjustment factor} = \left(\frac{\text{Local affordability ratio} - 4}{4} \right) \times 0.25$$

- 2.9 As an example, if the workplace affordability ratio in an area was 8.00; i.e. median house prices were eight times the median earnings of those working in the area, then the adjustment would be 0.25 or 25%. This is calculated as follows: $(8 - 4) / 4 \times 0.25$.
- 2.10 The final step in the proposed standard method is to possibly cap the market signals uplift; in the draft PPG it is noted that *'the market adjustment could lead to a significant increase in the local housing need in some parts of the country. To help ensure the method is deliverable, a cap on the local housing need may be applied'*.
- 2.11 There are two situations where a cap is applied. The first is where an authority has reviewed their plan (including developing an assessment of housing need), or adopted a plan within the last five years. In this instance the need may be capped at 40% above the requirement figure set out in the plan. The second situation is where plans and evidence is more than five years old. In such circumstances a cap may be applied at 40% of the higher of the projected household growth or the housing requirement in the most recent plan (where this exists).

3. Key data from the Subnational Population Projections

Introduction

- 3.1 This section looks at some of the key outputs of the latest Subnational Population Projections (SNPP) for Hart. The analysis does not comment on the validity of the projections, but information is provided so that the data can be interpreted (e.g. to look at the fit between past trends and the future projection of population growth).

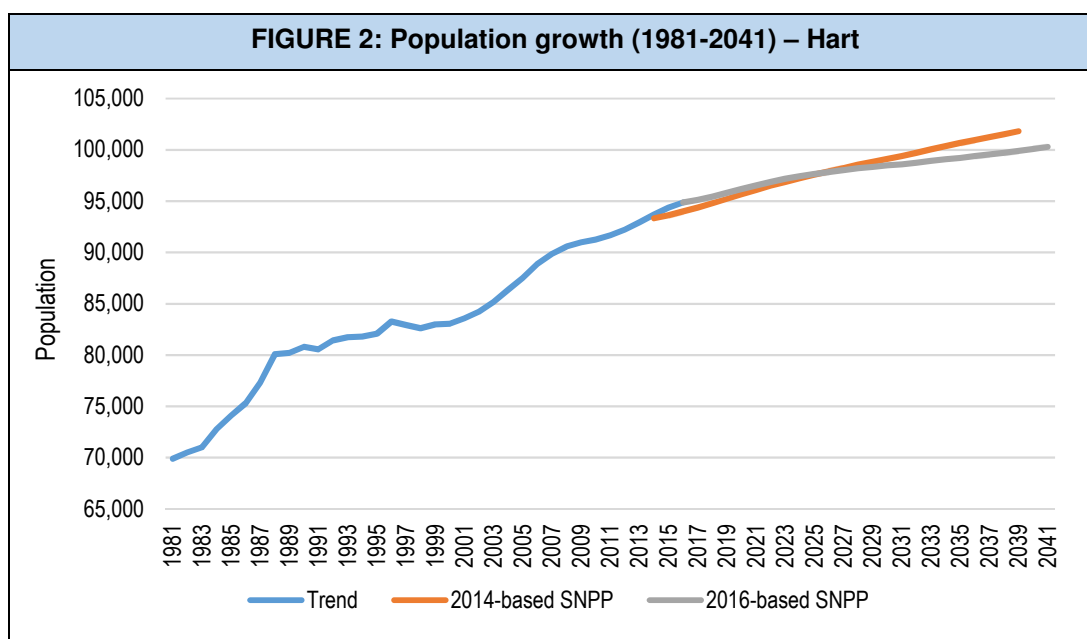
Overall Population growth

- 3.2 The table below shows projected population growth from 2016 to 2026 in Hart, this 10-year period has been chosen to be consistent with the period used in the ‘right homes, right places’ consultation, although conclusions later in this report also look at the 2017-27 period. The data shows that the population of Hart is expected to grow by around 3,000 people; this is a 3.1% increase – lower than was projected in the previous (2014-based) SNPP (3,900 people – 4.2%).

FIGURE 1: Projected population growth (2016-2026) – Hart				
	Population 2016	Population 2026	Change in population	% change
2014-based	93,997	97,911	3,913	4.2%
2016-based	94,882	97,840	2,958	3.1%

Source: ONS

- 3.3 The figure below shows past and projected population growth in the period 1981 to 2041. This shows that past population growth has been quite variable, the analysis also confirms that projected population growth in the 2016-based SNPP is somewhat lower than in the 2014-based version, and that a widening gap between the figures is projected to continue after 2026.



Source: ONS

Components of Population Growth

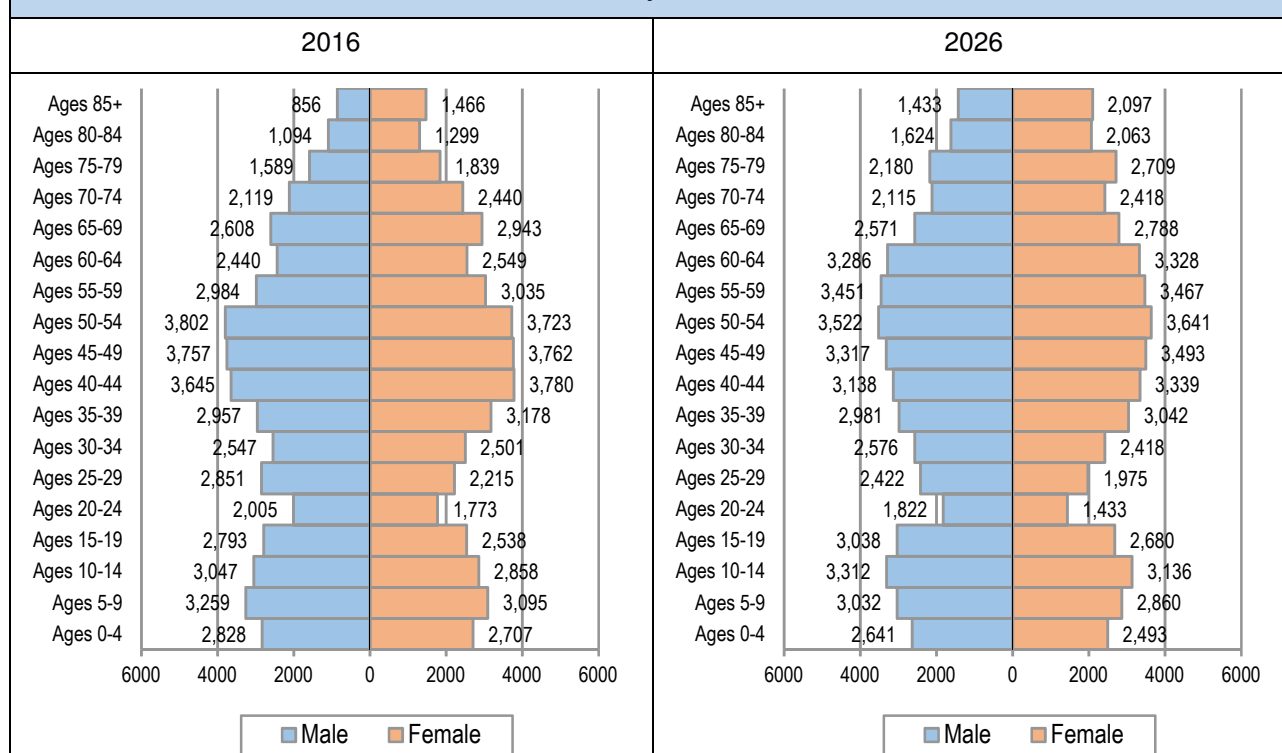
- 3.4 The analysis below looks at the components of population growth, along with a comparison of equivalent data from the 2014-based SNPP (focussing again on the 2016-26 period). The data shows the average number of births projected to be some 35 lower each year, along with an increase of 49 deaths. The net impact of this is for natural change to be around 84 people lower per annum on average for the 2016-26 period. When looking at net migration, it can be seen that internal migration is projected to be lower than in the 2014-based SNPP, however international migration is slightly higher. The overall net effect is that migration is projected to be on average around 12 people per annum lower.

FIGURE 3: Components of population change in the 2014- and 2016-based SNPP (2016-26 – per annum) – Hart			
	2014-based	2016-based	Difference
Births	973	938	-35
Deaths	723	772	49
Natural change	250	166	-84
Internal net	119	56	-63
International net	18	70	52
Total net migration	137	125	-12

Source: ONS

Age Structure Changes

- 3.5 With the overall change in the population will also come changes to the age profile. The figure below shows population pyramids for 2016 and 2026. The 'pyramids' show the growth in population overall and highlight the ageing of the population with a greater proportion of the population expected to be in age groups aged 60 and over (and even more so for older age groups) – in particular, the oldest age group (85+) shows an increase from 2,322 people to 3,529.
- 3.6 The table on the following page also summarises the findings for key (5 year) age groups. The largest growth will be in people aged 65 and over. In 2026 it is projected that there will be 22,000 people aged 65 and over. This is an increase of 3,700 from 2016, representing growth of 21%. The population aged 85 and over is projected to increase by an even greater proportion, 52%. Looking at the other end of the age spectrum the data shows that there are projected to be around 2% fewer people aged under 15, with increases or decreases shown for other age groups.

FIGURE 4: Distribution of Population 2016 and 2026 – Hart

Source: ONS

FIGURE 5: Population change 2016 to 2026 by five-year age bands – Hart

Age group	Population 2016	Population 2026	Change in population	% change from 2016
Under 5	5,535	5,134	-401	-7.2%
5-9	6,354	5,893	-461	-7.3%
10-14	5,905	6,447	542	9.2%
15-19	5,331	5,718	387	7.3%
20-24	3,778	3,256	-522	-13.8%
25-29	5,066	4,397	-669	-13.2%
30-34	5,048	4,994	-54	-1.1%
35-39	6,135	6,022	-113	-1.8%
40-44	7,425	6,477	-948	-12.8%
45-49	7,519	6,809	-710	-9.4%
50-54	7,525	7,163	-362	-4.8%
55-59	6,019	6,918	899	14.9%
60-64	4,989	6,614	1,625	32.6%
65-69	5,551	5,359	-192	-3.5%
70-74	4,559	4,533	-26	-0.6%
75-79	3,428	4,889	1,461	42.6%
80-84	2,393	3,687	1,294	54.1%
85+	2,322	3,529	1,207	52.0%
Total	94,882	97,840	2,958	3.1%

Source: ONS

- 3.7 The table below reproduces the above information and compares this with population change (by age) in the 2014-based SNPP. The analysis shows that the change in population differs between the two releases, with some age groups seeing a higher change and some lower. Of note, the analysis shows that the change in the number of children is lower in the 2016-based SNPP, as well as for age groups from 15 to 39. The analysis also shows a higher population change in age groups 40 to 59 and generally a lower change for older age groups.
- 3.8 This analysis is important when converting population into households (in the following section) as a change in overall population growth will not necessarily translate into the same proportionate change in households – for example, as children do not form households, the lower growth shown below would not impact on household growth.

FIGURE 6: Population change 2016 to 2026 by five-year age bands – comparing 2014- and 2016-based SNPP – Hart			
Age group	2014-based	2016-based	Difference
Under 5	-66	-401	-335
5-9	-315	-461	-147
10-14	383	542	159
15-19	617	387	-230
20-24	-534	-522	12
25-29	-420	-669	-249
30-34	256	-54	-310
35-39	-8	-113	-105
40-44	-980	-948	32
45-49	-953	-710	243
50-54	-682	-362	320
55-59	767	899	133
60-64	1,661	1,625	-36
65-69	-48	-192	-144
70-74	106	-26	-132
75-79	1,534	1,461	-72
80-84	1,276	1,294	18
85+	1,321	1,207	-114
Total	3,913	2,958	-956

Source: ONS

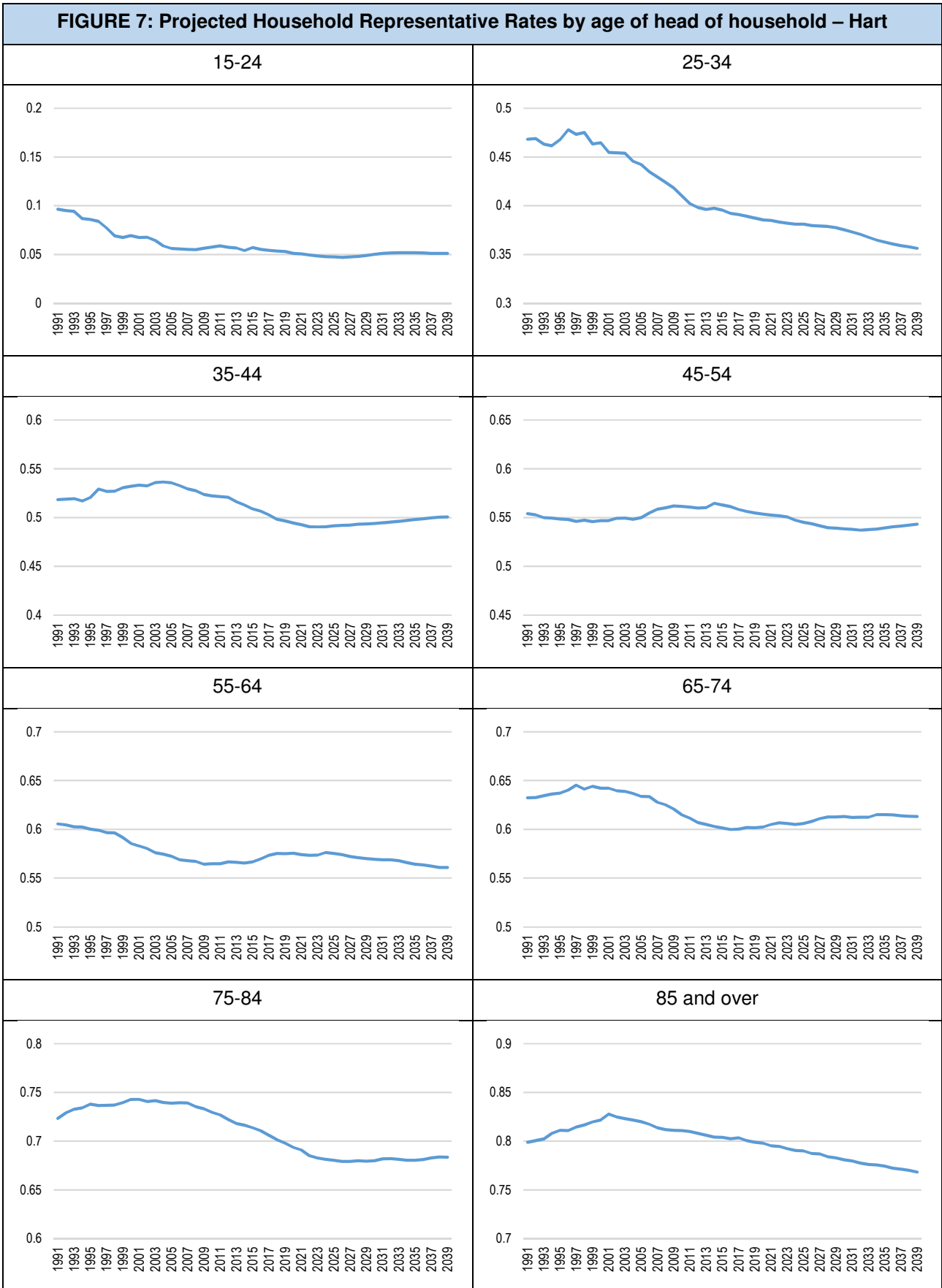
4. Household Growth Projections

Introduction

- 4.1 Having studied the population size and the age/sex profile of the population 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 (HRRs) 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)).
- 4.2 The latest data about HRRs is from the 2014-based CLG household projections, and this has been used in this assessment. Whilst there could be some changes to the HRRs when ONS publish new projections in September 2018, it seems unlikely that there will be any substantial differences. As part of a consultation on the projections, ONS have confirmed that they will continue to use current methods 'as a starting point' for the next (2016-based) round of projections.

Household Representative Rates (HRRs)

- 4.3 The latest set of HRRs were published in July 2016 and contain detailed outputs using two methodologies (Stage 1 and Stage 2). The Stage 1 household projections projected 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.
- 4.4 The Stage 2 household projections considered household types and the methodology report accompanying the projections is clear that these projections are based on just two points – the 2001 and 2011 Censuses. 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 headship rates when modelled against different population projections (due to differences in the age structure and therefore applicable to the 2016-based SNPP).
- 4.5 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 (from 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.
- 4.6 It is evident from analysis of the 2014-based Stage 1 data that household representation amongst the population in their late 20s and early 30s fell over the 2001-11 decade. Whilst the Stage 1 projections show some slowing down of this falling rate, it is the case that household representation amongst this age group is projected to continue to fall. The 2014-based household projections also project household representative rates 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).



Source: Derived from CLG data

Household Growth Estimates

- 4.7 The table below shows estimated household growth linked to the 2014- and 2016-based SNPP for each of two different time periods. To be consistent with the standard method, data has been provided for a 10-year period (both 2016-26 and 2017-27). The analysis shows an annual growth of between 199 and 205. The data also shows that household growth is projected to be slightly lower with the 2016-based SNPP than the 2014-based release; this is despite there being a more notable difference in the levels of projected population growth.

FIGURE 8: Projected household growth under different HRR scenarios – Hart			
		2014-based	2016-based
2016-26	Households 2016	37,096	37,564
	Households 2026	39,185	39,614
	Total change	2,089	2,050
	Per annum	209	205
2017-27	Households 2017	37,303	37,791
	Households 2027	39,379	39,785
	Total change	2,076	1,994
	Per annum	208	199

Source: Derived from a range of sources as discussed

- 4.8 The table below shows how the number of households in each age band is projected to change – this data is just provided from the 2016-based projections, and for the 2016-26 period. The analysis shows that household growth is very much concentrated in older age groups, with the number of households with a household reference person (head of household) aged 75 and over being projected to increase by about 2,500 (greater than the overall growth in households of about 2,050). This means that some age groups are projected to see a decline in numbers; the most notable being those aged 40 to 54.

FIGURE 9: Household change 2016 to 2026 by five-year age bands – Hart				
Age group	Households 2016	Households 2026	Change in households	% change from 2016
Under 20	40	45	5	13.0%
20-24	405	339	-66	-16.3%
25-29	1,628	1,315	-313	-19.2%
30-34	2,221	2,106	-115	-5.2%
35-39	2,967	2,926	-41	-1.4%
40-44	3,853	3,229	-624	-16.2%
45-49	4,164	3,670	-494	-11.9%
50-54	4,274	3,961	-313	-7.3%
55-59	3,407	3,942	535	15.7%
60-64	2,877	3,899	1,023	35.6%
65-69	3,237	3,200	-38	-1.2%
70-74	2,840	2,839	0	0.0%
75-79	2,319	3,191	872	37.6%
80-84	1,739	2,540	801	46.1%
85+	1,595	2,413	819	51.3%
Total	37,564	39,614	2,050	5.5%

Source: Derived from a range of sources as discussed

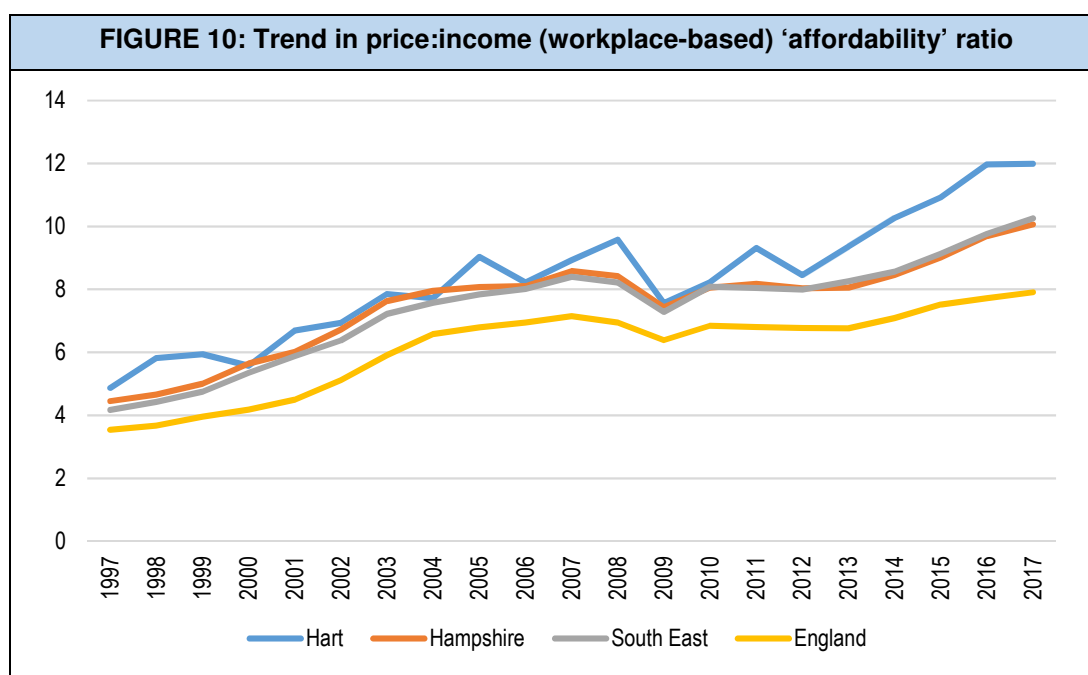
5. Standard Method Calculations

Introduction

5.1 As noted previously, the proposed standard method uses the household growth figures (over a 10-year period) and then applies an uplift based on the price:income 'affordability' ratio – the income being based on workplace incomes. ONS provides data annually with the latest figures being for 2017 (published in April 2018). The analysis below sets out the affordability ratio and for Hart, the price and income information used to derive the number.

Price:Income Ratios

5.2 The figure below shows the price:income ratio in Hart and compares this with a number of other areas – the data is provided back to 1997. The information shows that the ratio has been rising over the last five-years or so and that the ratio in Hart is now higher than in other locations (having been historically at a similar level). As of 2017, the ratio for Hart was 11.99, compared with 10.06 for the County, 10.26 regionally and 7.91 across England.



Source: ONS

5.3 The table below shows the income level and house prices used by ONS to derive the affordability ratio. Data for both 2016 and 2017 has been provided as this can be set against household growth for different 10-year periods (i.e. 2016-26 and 2017-27); it does not seem appropriate to mix base periods (e.g. to use household growth for 2016-26 and then an affordability ratio for 2017). The analysis shows a price:income ratio of 11.97 in 2016, rising very slightly to 11.99 in 2017.

FIGURE 11: Derivation of Price:Income ratios from ONS data – Hart		
	2016	2017
Median price	£384,000	£400,000
Median income	£32,077	£33,371
Price:income ratio	11.97	11.99

Source: ONS

- 5.4 Using the equation for turning these ratios into a market signals uplift it can be calculated that the increase from household projections in 2016 would be around 50%, the same figure is calculated when using the 2017 data.

Housing Need and the Standard Methodology

- 5.5 The final step is to bring together the estimated household growth and the affordability ratios to show the housing need under the standard method. For contrast, the figure provided by MHCLG as part of the 'right homes, right places' consultation is also shown.
- 5.6 The analysis shows a housing need in the range of 299-307 depending on the 10-year period used and the different affordability ratios. Given that the market signals uplift is above 40%, these figures can therefore be capped (at 40% above household growth) – this is shown in the last column of the table; this identifies a need for between 279 and 287 dwellings per annum. Both of these figures are very slightly lower than the figure suggested in the MHCLG consultation (which was solely linked to 2014-based data) – 292 dwellings per annum.

FIGURE 12: Estimated housing need using MHCLG proposed standard methodology – Hart				
	Base household growth	Market signals uplift	Housing need	Capped at 40%
2016-26	205	50%	307	287
2017-27	199	50%	299	279
MHCLG consultation	209	50%	313	292

Source: Derived from a range of sources as discussed