

Local Housing Requirements Study Update

Herefordshire Council

September 2014

Prepared by

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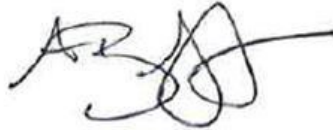
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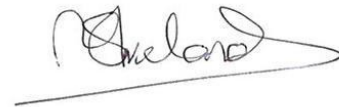
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1 INTRODUCTION

- 1.1 Herefordshire Council has commissioned GL Hearn to prepare an update to the Local Housing Requirements Study. The report is intended to support Herefordshire Council's Submission Core Strategy.
- 1.2 GL Hearn has previously prepared the following reports for the Council:
- Local Housing Market Assessment (June 2011);
 - Local Housing Requirements Study (July 2011);
 - Local Housing Requirements Study Update (March 2012);
 - Local Housing Market Assessment: 2012 Update (November 2013).
- 1.3 The previous local housing requirements studies have considered the overall need for housing. The 2012 HRS was based on demographic data which has now been superseded, namely the ONS 2010 Mid-Year Population Estimates, 2010-based Sub-National Population Projections and CLG 2008-based Household Projections.
- 1.4 Since the preparation of the 2012 Local Housing Requirements Study the Government has published the National Planning Policy Framework (NPPF, CLG March 2012) and Planning Practice Guidance on *Housing and Economic Development Needs Assessments* (CLG, March 2014). These set out how the Objectively Assessed Need (OAN) for housing is expected to be identified, and other factors which are relevant in translating this into policy targets for housing provision in local plans.
- 1.5 This Study thus, in effect, updates and supersedes previous work. It takes account of the latest demographic evidence, Government policy and Guidance to define the Objectively Assessed Need (OAN) for housing in Herefordshire. In doing so it follows the methodology and approach set out in the Planning Practice Guidance.
- 1.6 The analysis takes account of the latest demographic data, namely:
- ONS 2011-based Household Projections;
 - Herefordshire Council 2012-based Population and Household Projections;
 - ONS 2012-based Sub-National Population Projections;
 - ONS 2013 Mid-Year Population Estimates.
- 1.7 It also considers up-to-date economic forecasts and economic growth potential within Herefordshire, and the implications of this on future housing provision.

National Policy and Guidance

- 1.8 The Coalition Government has reformed the policy framework for strategic planning, particularly on issues such as housing. Regional strategies have been revoked (the West Midlands RSS was

revoked in May 2013) and responsibility for planning on cross-boundary issues has been returned to local authorities.

- 1.9 The primary legislation to support this is the 2011 Localism Act which now 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.
- 1.10 National policies for plan-making are set out within the National Planning Policy Framework¹. 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.
- 1.12 The NPPF highlights the 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. Recent local plan examinations have demonstrated the importance of properly identifying and addressing the housing market area as a whole².
- 1.14 Paragraph 181 sets out that 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

¹ CLG (March 2012) National Planning Policy Framework

² For example Bath and NE Somerset or Coventry

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. However it also makes clear in Paragraph 173 that plans must be deliverable.

National Planning Practice Guidance

- 1.16 New Planning Practice Guidance was issued by Government in March 2014 on 'Assessment of Housing and Economic Development Needs'. This is relevant to this report 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.

- 1.17 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, 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."

- 1.18 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 2011-based 'Interim' Household Projections³. It also outlines that the latest population projections should be considered. These are the 2012 Sub-National Population Projections published by ONS in May 2014.

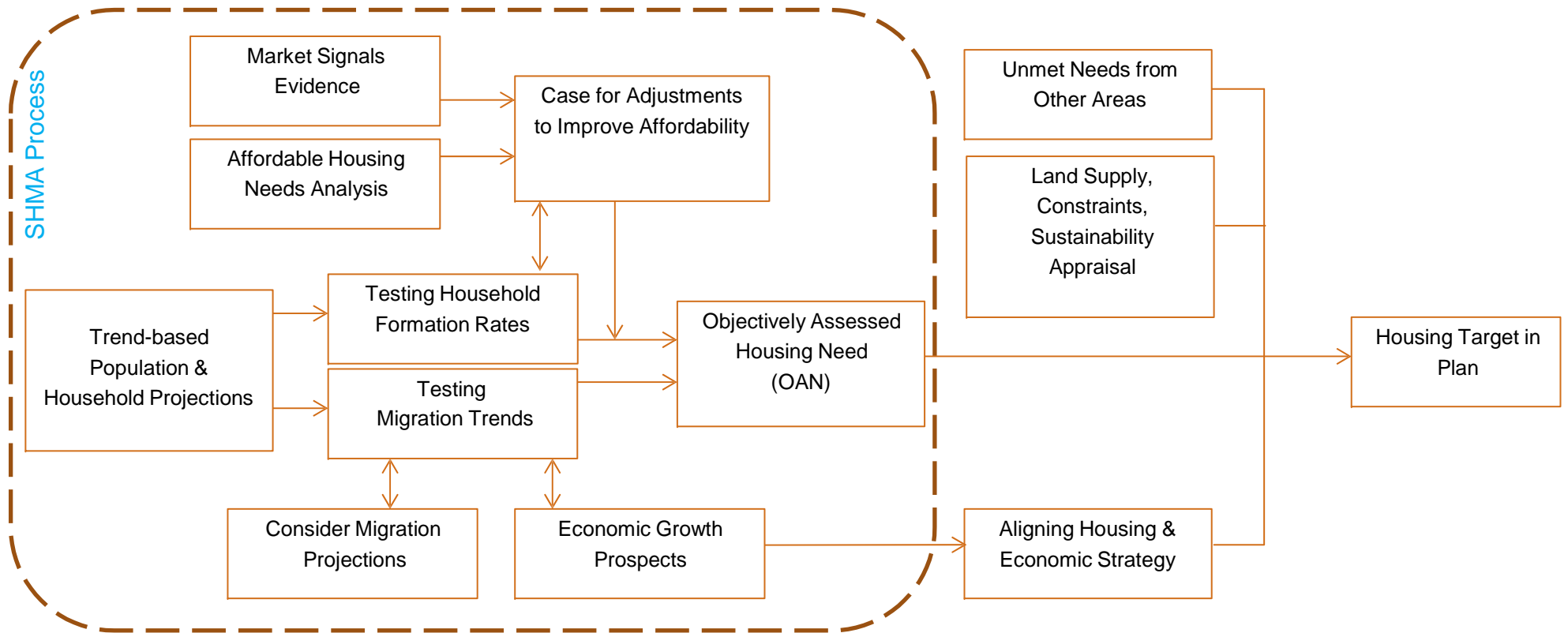
³ CLG (April 2013) *2011-based Interim Household Projections*

- 1.19 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. It suggests that proportional adjustments should be made where the market signals point to supply being constrained relative to long-term trends or to other areas in order to improve affordability.
- 1.20 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. In some instances it suggests this may provide a case for increasing the level of overall housing provision.
- 1.21 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.

Overview of the Approach to Deriving OAN

- 1.22 The NPPF and Practice Guidance set out a clear approach to defining OAN for housing. We have sought to summarise this within the diagram below, Figure 1. This summarises the approach we have used to considering OAN.

Figure 1: Overview of Approach



Herefordshire's Geography and Housing Market

- 1.23 Herefordshire is a predominantly rural county covering 842 square miles situated in the south-west corner of the West Midlands region bordering Wales. Population density is low. The city of Hereford is the centre of the county for employment, administration, health, education and shopping facilities. The other principal locations are the five market towns (in descending order of size) of Leominster, Ross-on-Wye, Ledbury, Bromyard and Kington.
- 1.24 The 2011 Census showed that just under a third of residents (58,900) live in Hereford City. Just over a fifth live in the five market towns: Leominster with a population of 11,700; Ross-on-Wye 10,600, and then other smaller towns of Ledbury (9,600), Bromyard (4,500) & Kington (3,200).
- 1.25 The county has limited access to the motorway network via the M50, which starts near Ross-on-Wye and joins the M5 north of Tewkesbury in Gloucestershire, and the M5 at Worcester. The other main road links, which all pass through Hereford City, are the A49 (running from north to south), the A438 (running from east to west) and the A4103 to Worcester.
- 1.26 Within Herefordshire, Hereford City, Ledbury and Leominster have railway stations, although many of the lines through the county are single tracks.
- 1.27 The Planning Practice Guidance (PPG) sets out that a housing market area is a geographical area defined by household demand and preferences for all types of housing, reflecting the key functional linkages between places where people live and work. It identifies that house prices, migration and contextual data such as commuting patterns can be used to identify housing market areas (HMAs). PAS has recently produced a Technical Advice Note which⁴ clarifies that in practice the main indicators used to define HMAs are migration and travel to work patterns.
- 1.28 The PPG outlines that analysis of migration flow patterns can help to identify these relationships and the extent to which people move house within an area. The findings can identify the areas within which a relatively high proportion of household moves (typically 70 per cent) are contained. This excludes long distance moves (e.g. those due to a change of lifestyle or retirement), reflecting the fact that most people move relatively short distances due to connections to families, friends, jobs, and schools.
- 1.29 We have reviewed migration flows of people to Herefordshire based on origin-destination statistics recently released using 2011 Census data. These show that:
- Of total moves of people with a destination in Herefordshire in 2011, 62% lived in Herefordshire a year previously;
 - If we exclude long-distance moves by looking at those with an origin in either the West Midlands or South West regions or Wales, the proportion of those living a year previously within the county rises to 77%. This is above the 70% threshold set out in the guidance.

⁴ Peter Brett Associates for PAS (June 2014) *Objectively Assessed Need and Housing Targets*

1.30 In numbers terms, there were 19,608 persons who moved within or to Herefordshire in the year to March 2011. Of these 12,245 moved within the county. The chart below shows flows of over 50 persons:

Table 1: Previous Location of those moving in year to March 2011 to Herefordshire

Address one year ago	Living in Herefordshire
Herefordshire, County of	12,245
Malvern Hills	365
Powys	311
Shropshire	300
Forest of Dean	270
Monmouthshire	158
Birmingham	140
Worcester	118
Wychavon	101
Telford and Wrekin	94
Gloucester	78
Cheltenham	68
Wyre Forest	53

Source: 2011 Census

1.31 Of those who lived in Herefordshire in 2010 who moved over the 2010-11 year, two thirds moved within Herefordshire, with the self-containment level rising to 85% when long-distance moves are excluded. This again is above the threshold in the Guidance⁵. In comparison with the 18,471 moves contained within the county, the strongest flows of people moving into Herefordshire were from Malvern Hills (380 persons) and Shropshire (332 persons). In all cases the flows are of relatively small volumes.

⁵ There is no published information on migration flows for households as opposed to persons

Table 2: Location of Persons who have moved out of Herefordshire in 2010-11

Previous Location	No of Persons
England and Wales	18,471
West Midlands	13,875
Herefordshire, County of	12,245
South West	1,482
Wales	1,046
Malvern Hills	380
Shropshire	332
Forest of Dean	285
Powys	233
Monmouthshire	226
Worcester	208
Telford and Wrekin	145
Birmingham	139
Cheltenham	122
Gloucester	93
Wychavon	76

Source: 2011 Census

- 1.32 Turning to look at commuting, 17% work at home with a further 58% of the population in work are identified in the 2011 Census data as working somewhere else in Herefordshire and 9% having no fixed place of work. Excluding the latter category the self-containment level (as a proportion of residents in work) is 82%.

Table 3: Residence-based Commuting Self-Containment

Category	Persons	%
Usual Resident Population (Workers)	92,942	
Live and Work in Herefordshire	53,751	58%
Home Workers	15,685	17%
No Fixed Place of Work	7,938	9%
Out-Commuters	15,568	17%
Self-Containment (excl. no fixed place)		82%

Source: 2011 Census

- 1.33 We have analysed in Table 4 the main destinations of people commuting out of Herefordshire to work. The largest flow is to Malvern Hills, but this represents just 2.0% of Herefordshire's working population. 0.4% of the working population commute to Birmingham.

Table 4: Main Destinations of People commuting out of Herefordshire to work

... Of Herefordshire Residents in Work	Persons	% Residents in Work
Work at Home/ within Herefordshire	69,436	75%
Work in ...		
Malvern Hills	1,835	2.0%
Shropshire	1,278	1.4%
Forest of Dean	1,178	1.3%
Worcester	1,144	1.2%
Powys	918	1.0%
Birmingham	334	0.4%

Source: 2011 Census

- 1.34 We can similarly look at flows of people commuting into Herefordshire to work. Of those working in Herefordshire, 83% also live within the county. The strongest in-flows are from Malvern Hills (2.6% of workers) followed by Powys. The proportion of people living and working in the county is high.

Table 5: In-Commuting into Herefordshire, 2011

Resident in who work in Herefordshire	Persons	% Herefordshire Working Population
United Kingdom	64,565	
Herefordshire, County of	53,751	83.3%
Forest of Dean	1,678	2.6%
Malvern Hills	1,341	2.1%
Powys	1,185	1.8%
Shropshire	1,173	1.8%
Monmouthshire	837	1.3%
Worcester	673	1.0%
Telford and Wrekin	370	0.6%
Gloucester	232	0.4%
Wychavon	208	0.3%
Birmingham	201	0.3%

Source: 2011 Census

- 1.35 Median house prices in Herefordshire stood at £181,500 in Q2 2013⁶. House prices were relatively similar in Malvern Hills (£187,000), but were above those in Powys and Forest of Dean (both £167,000) and Shropshire (£169,750).
- 1.36 Drawing the evidence together, the geography of Herefordshire – where the main towns are at some distance from larger employment centres in surrounding areas – together with the commuting and migration data – which both suggest very high levels of self-containment, both point towards the definition of a Herefordshire Housing Market Area.
- 1.37 Furthermore national research on *the Geography of Housing Markets* undertaken by a consortium of academics led by the Centre for Urban and Regional Development Studies (CURDS) at Newcastle University for national government in 2010⁷ identified a Hereford Strategic Housing Market Area which aligns broadly with the county.

⁶ The latest data published on a consistent basis by CLG Housing Statistics

⁷ C Jones, M Coombe and C Wong for CLG (Nov 2010) *Geography of Housing Markets, Final Report*

1.38 Reflecting the geography of the area, and wider evidence regarding commuting and migration flows, we consider that Herefordshire represents a Housing Market Area (HMA).

Report Structure

1.39 The remainder of the report is structured in the following way:

- Section 2: Trend-based Demographic Projections;
- Section 3: Economic Growth Potential;
- Section 4: Affordable Housing Need;
- Section 5: Market Signals;
- Section 6: Unmet Need in Adjoining Areas;
- Section 7: Conclusions and Summary.

2 TREND-BASED DEMOGRAPHIC PROJECTIONS

2.1 This section considers demographic projections, assessing projections for growth in both population and households in Herefordshire.

2.2 The core projections in this section look at housing needs over the 2011 – 2031 period to align with the Local Plan Core Strategy timeframe.

2.3 The Planning Practice Guidance on *Housing and Economic Development Needs Assessments* clearly sets out 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'.

2.4 At the time of writing the latest suite of demographic projections were the 2011-based 'interim' subnational population projections (SNPP) and the 2011-based 'interim' household projections from CLG (which are directly based on the SNPP). These projections are important as they provide a consistent approach where key inputs (such as levels of internal migration) sum at a national level.

2.5 The SNPP is also a good source of data as it uses a 'multi-regional' model that studies migratory movements by age and sex between all local authorities in the Country.

CLG Household Projections

2.6 Table 6 below shows household growth from the 2011-based CLG projections. The projections cover the 10-year period to 2021, which is the full period covered by CLG. For the whole period studied this projection suggests an 8,013 increase in households (801 per annum) for Herefordshire. The percentage increase in households is 10.2% which is virtually the same as the figure for England (10%) but notably above the West Midlands average (7.7%).

Table 6: Projected Household Growth 2011-21 – CLG 2011-based Household Projections

Herefordshire	
Households 2011	78,352
Households 2021	86,365
Change in households	8,013
Per annum	801
% change from 2011	10.2%

Source: CLG 2011-based Household Projections

- 2.7 We can also look back to older series of demographic projections such as the 2008-based CLG household projections. This projection has the advantage of extending beyond 2021 (which is the end date of the 2011-based version). The outputs from the 2008-based CLG projections are shown below (covering the period from 2011 to 2031). This shows a projected household growth of 714 per annum – somewhat lower than the 2011-based projections.

Table 7: Projected Household Growth 2011-31 – CLG 2008-based Household Projections

Herefordshire	
Households 2011	80,562
Households 2031	94,832
Change in households	14,270
Per annum	714
% change from 2011	17.7%

Source: CLG 2008-based Household Projections

2012-based Sub-National Population Projections

- 2.8 On the 29th May 2014 ONS published a new set of Sub-National Population Projections (SNPP). They replace the 2010- and 2011-based projections and will in due course be used to inform the next round of CLG household projections (due in November/December 2014). It is therefore worthwhile to consider the likely implications of this new data on the need for housing.
- 2.9 An initial analysis of the 2012-based SNPP reveals a lower expected level of population growth than was seen in the 2010- or 2011-based SNPP, but a level which sits above the figures in the 2008-based version. Over the period from 2012 to 2031, the new 2012-based SNPP shows population growth of 949 people per annum on average. This compares with 833 per annum in the 2008-based projections and around 1,500 in each of 2010- and 2011-based projections.

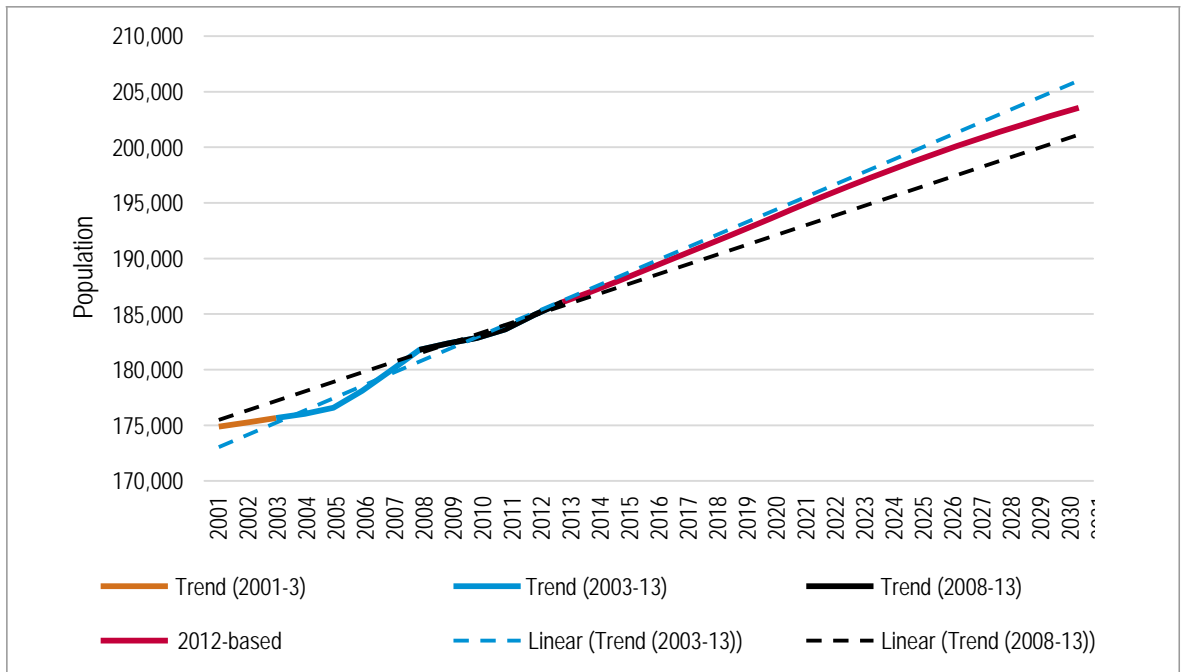
Table 8: Annual Population Growth in different ONS Population Projection Releases

Projection	Population growth – Herefordshire (per annum average)
2008-based (2011-31)	833
2010-based (2011-31)	1,463
2011-based (2011-21)	1,547
2012-based (2012-31)	949

Source: ONS

2.10 Figure 2 shows how the projected population growth in Herefordshire in the 2012 SNPP compares with past trends (over the past 5- and 10-years). Due to publication in June 2014 of mid-year population estimates for 2013 the analysis essentially uses mid-2013 as a start point for the projections with the trend periods looking to 2013, as an end date. The analysis shows that the rate of future projection growth projected sits somewhere between 5-year and 10-year trends. Given that ONS projections are largely built-up from five year trends this analysis suggests that the projected levels of population growth moving forward are not unreasonable.

Figure 2: Past and Projected Population Growth – Herefordshire



2.11 Looking more closely at past rates of population growth, it is possible to start to understand why some of the previous ONS projection releases show such different figures. The 2008-based projections will have considered trends from 2003 to 2008. Certainly in the early part of this period, population growth was very modest; which would explain the lower level of population growth.

- 2.12 The 2010- and 2011-based projections both used a trend period from 2005 to 2010. In this case population growth is thought to have been more rapid, which would explain the higher levels of population growth moving forward. These differences particularly reflect variance in levels of migration.
- 2.13 To reflect the impact of year-on-year variance in migration levels, a second demographic based projection has been developed. This uses levels of migration observed over a longer period (a time series back to 2001 which is the longest period for which reasonable data exists). This projection suggests an average level of net migration of 521 people per annum from other parts of the country (including cross-border migration) and 652 people (net) moving internationally to Herefordshire. Data underpinning this alternative projection can be found in Appendix A.
- 2.14 The long-term migration projection shows a slightly higher level of population growth than the SNPP (increasing by 21,100 people from 2011 to 2031 compared with 19,900 in the SNPP). It is however considered that the SNPP projection is a more robust demographic projection – this is particularly due to the way in which ONS project migration, which varies year-on-year to take account of changing age structures. It is a dynamic projection which takes account of demographic changes in Herefordshire and areas from which people typically move to Herefordshire and how this can be expected to influence in- and out-migration levels over time.
- 2.15 Table 9 below shows the housing need derived from an initial analysis which applies household formation rates from the 2011-based CLG Household Projections to the 2012-based SNPP and the alternative demographic (Long-Term Migration based) projection.
- 2.16 These initial projections suggest an annual need for 558 to 586 additional homes per annum over the 20-years 2011-31. This includes an allowance for vacant and second homes informed by the 2011 Census and Council Tax records of 3.8%.
- 2.17 The household growth figure of 537 per annum in the SNPP projection is notably lower than derived from the 2011-based projections (801 per annum) and also some way below figures in the earlier (2008-based) projections which showed a figure of 714 each year on average. This principally reflects differences in the modelled levels of migration and household formation rates.

Table 9: Projected Household Growth 2011-31 – 2012-based SNPP and Long-Term Migration trends with 2011-based Household Formation Rates

	2012-based SNPP	Long-Term Migration trends
Households 2011	78,368	78,368
Households 2031	89,112	89,668
Change in households	10,744	11,300
Per annum	537	565
Dwellings (per annum)	558	586

Considering Household Formation Rates

2.18 Whilst the analysis in Figure 2 points to the migration assumptions in the 2012-based SNPP as being broadly reasonable, we also need to consider the extent to which household formation in Herefordshire may have been constrained by housing market factors such as the difficulty in obtaining mortgage finance and declining affordability (and more importantly how any constraint is being projected forward).

2.19 The Planning Practice Guidance sets out that:

‘... formation rates may have been suppressed historically by under-supply and worsening affordability of housing [and] ... local planning authorities should take a view based on available evidence of the extent to which household formation rates are or have been constrained by supply’.

2.20 The 2011 Census revealed an average household size which was somewhat above the level projected in earlier (2008-based) CLG household projections. Projecting forward, the 2011-based projections show a far less rapid reduction in average household sizes than was expected in the 2008-based projections.

2.21 We however need to consider to what degree trends in household formation reflect market and economic factors which have resulted in households being unable to form, and how much might be due to other factors particularly different household structures within new or growing migrant communities. A September 2013 study produced by the Cambridge Centre of Housing and Planning Research (CCHPR) on behalf of the TCPA⁸ does shed some light on this issue, stating:

“The central question for the household projection is whether what happened in 2001 – 11 was a structural break from a 40-year trend; or whether household formation was forced downwards by economic and housing market pressures that are likely to ease with time. At the time of the 2011 Census, the British economy was still in recession and the housing market was depressed. 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

⁸ Holmans, A. for TCPA (2013) *New Estimates of Housing Demand and Need in England, 2011 to 2031*

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.”

- 2.22 The study suggests that at a national level, around half of the lack of expected households not formed is due to market factors with roughly half attributable to other issues (notably international migration). To look at how this is relevant to Herefordshire, analysis has been carried out to look at the growth in the Black and Minority Ethnic (BME) population relative to the growth seen nationally to see what the likely relative impact of housing market factors is. The table below shows the key analysis for this.
- 2.23 The data, presented in Table 10, shows that growth in the BME community (taken to be the non-White (British/Irish) population) in England was 115% of all population growth. In Herefordshire this figure is lower (at 85% of population growth). It is assumed that nationally 0.53 of movement away from long-term trends nationally is due to international migration (taken here to be BME growth), based on the above CCHPR Research. On this basis we estimate that 40% (85/115 x 53%) of movement away from long-term trends in Herefordshire is due to BME growth. Put another way, around 60% of the difference in Herefordshire is expected to be due to housing market factors, such as affordability pressures and difficulties in obtaining mortgage finance.

Table 10: Growth in BME Population (2001-11)

	Herefordshire	England
BME population (2001)	3,519	5,767,580
BME population (2011)	10,846	10,216,219
Change (2001-11)	7,327	4,448,639
Total population growth	8,606	3,873,625
BME growth as % of total growth	85%	115%
Variance from national position	0.74	1.00
Part return adjustment factor	0.40	0.53

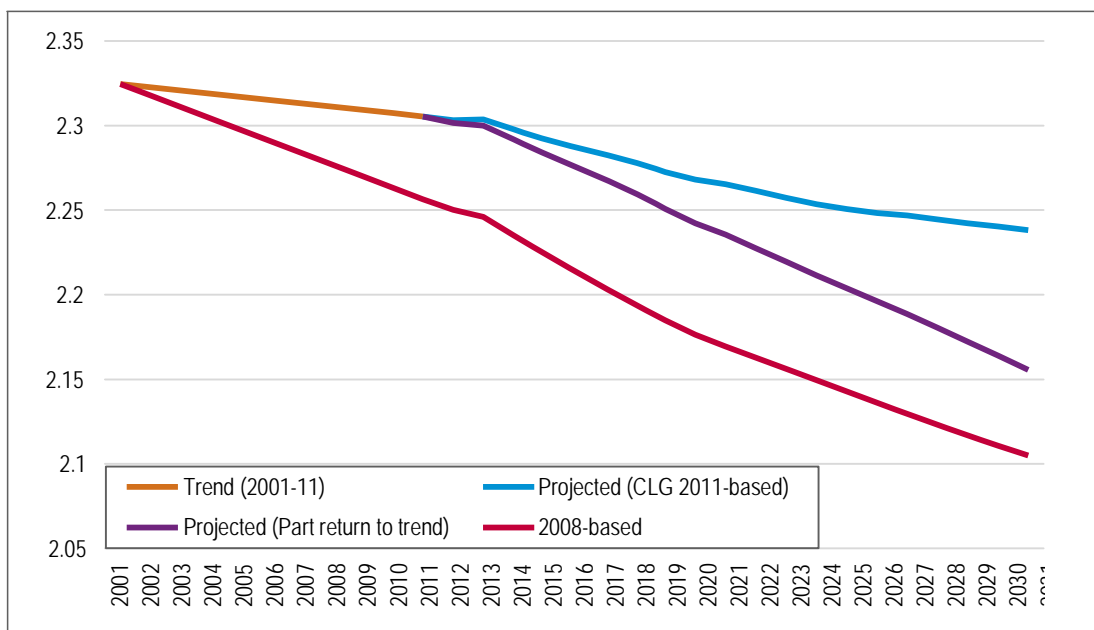
Source: Census 2001 and 2011

- 2.24 We have sought to amend the household formation rates used in the projections on this basis, modelling that household formation rates can be expected to improve as the economy and market recovers (in the absence of other constraints). Our approach assumes that after 2011 household formation rates recover towards the 2008-based rates, reaching 60% of the 2008-based rates by the end of the projection period (in 2031) on the basis of the above analysis. This core assumption is chosen on the basis that it is unlikely that there will no move back towards the previous trend; and improbable that there will be a full return to the trends in the 2008 household projections in the foreseeable future, not least given the impact of international migration on household structures.

The modelling approach adjusts household formation rates to see an improvement in household formation in younger households in their 20s and 30s (as Figure A1.13 in Appendix A shows) on the basis that this represents a positive planning scenario in tune with the tone of the NPPF and Planning Practice Guidance. It ensures that future planning assumptions are not based on a continuation of recessionary conditions.

2.25 The modelling of household formation rates is undertaken on an age specific basis. However to provide a simple comparison, Figure 3 below shows how these will pan out in terms of average household size estimates. Figure 3 also shows the trend that would have been observed if the 2008-based projections had been followed back to 2001 and moving forward. The 2011-based headship rates and 'part return to trend' scenario are compared to this.

Figure 3: Past and projected trends in Average Household Size – Herefordshire



Source: Derived from ONS and CLG data

2.26 Using the 'part return to trend' approach, we have therefore developed a series of headship rates to apply to our demographic data. These demographic projections suggest a need for 735 to 765 dwellings per annum from 2011 to 2031.

Table 11: Projected household growth 2011-31 with 'Part Return to Trend' Household Formation Rates

	2012-based SNPP	Long-Term Migration trends
Households 2011	78,368	78,368
Households 2031	92,526	93,101
Change in households	14,158	14,733
Per annum	708	737
Dwellings (per annum)	735	765

- 2.27 This approach effectively assumes higher household formation rates for all age groups. For the 25-34 age group in particular the CLG 2011-based Household Projections project forward a decline in household formation rates (as shown in Figure A1.13 in the appendix). This is likely to have been influenced by declining affordability and the impact of the economic recession over the preceding decade. The 'Part Return to Trend' methodology adjusts this, and models an improvement in household formation rates of those aged between 25-34 (and in other age groups as Figure A1.13 shows).
- 2.28 The 2011 CLG household projections model a growth in households of 801 per annum between 2011-21. However this is based on out-dated demographic information and influenced by the impact of the recession on household formation rates. Our demographic projections, using a part return to trend approach to modelling household formation, indicate a need for 14,700 to 15,300 homes in Herefordshire between 2011-31 (735-765 homes per annum).

3 ECONOMIC GROWTH POTENTIAL

3.1 This section seeks to consider potential economic growth in Herefordshire, to assess whether there is a case for adjustments to housing provision within the plan to support economic growth.

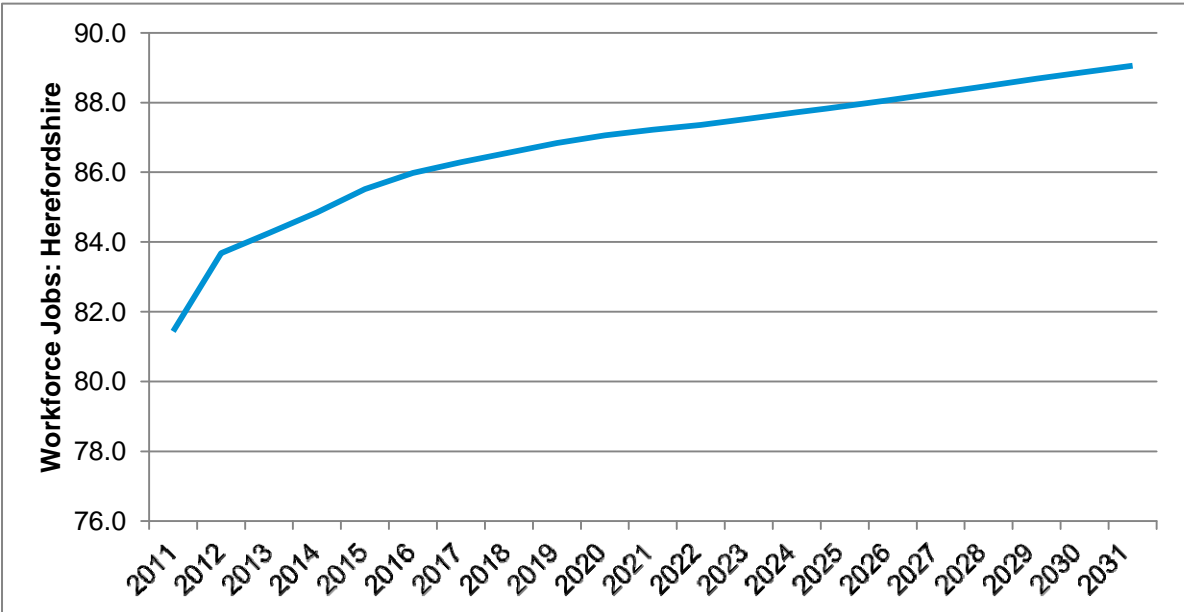
3.2 Predicting economic performance over 15+ years is notoriously difficult. To do so, economic forecasters must make assumptions regarding the performance of different sectors of the economy. In translating this into an assessment of housing need, further assumptions need to be made regarding how many people of different age groups can be expected to be in employment and commuting patterns. There is thus a relatively high error margin associated with any one economic-led scenario. To address this we have sought to draw on a range of evidence.

3.3 We are also mindful that population is an input to most econometric forecast models and thus can be potential issues of circularity. This is something which the PAS Technical Advice note comments on.

Baseline Econometric Forecasts

3.4 We have first sought to consider baseline economic forecasts from Experian’s Regional Planning Service. The Experian forecasts are for total employment growth of 7,700 over the 2011-31 period, representing a 9.4% growth in employment.

Figure 4: Experian Forecasts for Growth in Workforce Jobs, 2011-31



Source: Experian (Sept 2013), GL Hearn

- 3.5 Experian expect the manufacturing sector to shed around 2,300 jobs between 2011-31 in net terms, taking account of past trends locally and the outlook for the sector. Key sectors in which there is expected to be a net growth in employment include professional, business and private services; government services (which includes health and education); accommodation and food; and distribution.
- 3.6 It should be borne in mind that economic forecasting is an inexact science and as with any forecasts there will be a range of uncertainties in predicting economic performance over the short-term, let alone over 15+ years. To seek to address these issues we have sought to consider more local economic drivers, and to compare the Experian findings with alternative econometric forecasts.

Table 12: Experian Econometrics Forecasts for Growth in Workforce Jobs, 2011-31

	Experian
1 Agriculture etc	-0.5
2 Mining & quarrying	0.0
3 Manufacturing	-2.3
4 Elect., gas, water etc	0.1
5 Construction	0.9
6 Distribution	1.4
7 Transport & storage	-0.2
8 Accom. & food serv.	1.6
9 Inform. & commun.	0.3
10 Prof, Business & Private Services	4.0
11 Government serv.	2.5
Total	7.7

Source: Experian, GLH

Reviewing the Local Economic Strategy

Marches Strategic Economic Plan & Growth Deal

- 3.7 Herefordshire forms part of the Marches Local Enterprise Partnership (LEP) with Shropshire and Telford and Wrekin. The LEP published its Strategic Economic Plan (SEP) in March 2014 setting out a strategic direction for economic development activities and bid to Government for funding.
- 3.8 The SEP identifies key challenges and market failures which influence economic growth potential, including a lack of critical mass to drive economic activity (reflecting the rural nature of the area and settlement pattern); a lack of identity and appeal affecting levels of investment; a lack of local higher education facilities; low levels of R&D and commercialisation; a road and rail network which provides poor accessibility to employment centres and inhibits investment; and limited broadband connectivity in rural areas.

- 3.9 It points to opportunities to address these issues, and build on a number of sector strengths which include food and drink; agri-technology; advanced and automotive manufacturing; defence and securities; tourism and leisure; and environmental technologies.
- 3.10 The SEP identifies a vision for growth of almost 40,000 jobs across the LEP area over the next twenty years. No figures are provided for how this is expected to be split between different parts of the LEP Area, and from discussions with Herefordshire Council we understand that there is no statistical evidence or research which sits behind the headline figures set out.
- 3.11 In July 2014 the Government announced the funding secured as part of the Marches Growth Deal. This comprises £75.3 million from the Government's Local Growth Fund⁹ which in headline terms is expected to support delivery of 6,000 jobs and allow 3,000 homes to be built over the period to 2021.
- 3.12 In Herefordshire the 2015/16 allocation supports the 'Hereford City Centre Transport Package' including a new link road to enable major mixed-use development as part of the Edgar Street Grid Regeneration Project. Over the 2016-21 period the Growth Deal supports transport improvements in the South Wye area of Hereford to support delivery of new homes and the Herefordshire Enterprise Zone.

Herefordshire Enterprise Zone

- 3.13 The Herefordshire Enterprise Zone (Skylon Park) comprises a 72-hectare site at Rotherwas Business Park on the south side of Hereford. The strategic focus for the site is on nurturing defence/ security activities, related to Hereford's status as home to the SAS.
- 3.14 The EZ status offers business rate relief; a simplified planning process; and superfast broadband. A Local Development Order is in place; and site infrastructure delivery is underway. These have helped to support development interest.
- 3.15 A critical issue however relates to the potential additionality of the investment in regard to the economic forecasts. The Enterprise Zone *Placement Statement* (Sept 2012) outlines activities which will be supported on the site. This is limited to the following sectors:
- Security and defence;
 - Food and drink;
 - Advanced engineering;
 - Sustainable technologies;
 - Professional services.

⁹ Including committed funding for 2015-16 and a provisional funding allocation from 2016-21

- 3.16 Storage and distribution activities, retail, trade counter, wholesale, showroom and vehicle repair/maintenance activities are not to be permitted.
- 3.17 The Council estimates that land at the Zone will support 4,200 jobs in gross terms. This is a gross figure and is based on the expected floorspace composition of development to be delivered. However we would expect that a proportion of these jobs would be through companies based within Herefordshire relocating to the site; and thus the net figure would be lower than this.
- 3.18 To avoid displacement, the expectation is that businesses moving to the EZ from elsewhere within Herefordshire will need to be able to demonstrate 30% employee growth over three years.
- 3.19 At a national level, evaluations of previous enterprise zone policies have provided some evidence regarding levels of additionality. This evidence includes:
- Department of Environment (2005) *Final Evaluation of Enterprise Zones* – found that of 126,000 jobs created in 22 of the 25 EZ's designated between 1981-84, that 58,000 jobs were additional at the local level, with the highest levels for manufacturing businesses;
 - Centre for Cities (2011) *Enterprise Zones –Back to the Future* – found that of the 58,000 jobs which were identified as additional in the DoE Study, that 24% were in firms which had relocated within the region and 17% from relocations from other parts of the UK;
 - Work Foundation (2011) *Do Enterprise Zones Work* – found that up to 80% of jobs created in 11 original EZs were taken from other places based (based on DoE Research); and taking account of a survey of businesses on EZ sites, only 25% of jobs were attributable to the EZ designation.
- 3.20 Clearly Herefordshire Council and the Marches LEP are keen to maximise the additionality associated with the EZ. The degree to which the EZ will support enhanced employment growth relative to the Experian forecasts will be influenced by the extent to which it drives enhanced growth in key sectors relative to the past trend within Herefordshire.
- 3.21 The EZ is focused particularly on activities which would fall within the manufacturing sector. We consider that the EZ may help to support a more positive outlook for this sector than is shown in the Experian forecasts.
- 3.22 We would expect the EZ to support delivery of some office floorspace, supporting employment growth in professional services. However whilst the impact here is positive; this needs to be set against wider market conditions where current rental values are likely to inhibit delivery of significant quantum of office floorspace in the absence of public funding or support. The Experian forecasts indicate notable growth in professional services, and we would expect the EZ to support delivery of the jobs numbers indicated therein.
- 3.23 The Council's experience from marketing land at the Enterprise Zone site is that there is a lack of speculative developer interest in either B1 or B2 uses, without public subsidy. The predominant

interest currently is from B1c and B2 uses. This suggests that employment growth in the manufacturing sector could feasibly be stronger than forecast by Experian.

- 3.24 A further factor which could potentially influence economic growth potential is development economics. The Council's 2014 Whole Plan Viability Assessment¹⁰ outlines some difficulties in bringing forward employment development, identifying that values for B-class employment floorspace are not sufficient to provide commercial returns. Speculative development is thus not viable in Herefordshire in most instances, and relies on business (either on an owner occupied or pre-let basis) paying above market values for new-build space. In regard to other employment-generating uses, it does identify that retail development is viable in most instances, although town centre retail viability is sensitive to cost changes. This is similarly true for budget hotels. Development of full-service hotels was not found to be viable.

Economic Development Strategy for Herefordshire (2011-2016)

- 3.25 The strategy outlines the path and direction to foster economic vitality in Herefordshire. This includes developing the county's built infrastructure so enterprise can flourish. These include the road and rail infrastructure, access to broadband, and a supply and range of good quality employment land.
- 3.26 The strategy identifies several issues with relation to housing:
- For the emphasis on affordable housing in the county to continue, enabling developers and social landlords to invest in the county;
 - To improve the availability and range of housing stock in the county, including decent housing and housing regeneration schemes;
 - For mixed live and work developments particularly in rural areas to be part of the Herefordshire offer;
 - Potential for regeneration of the Oval area in South Wye;
 - Support initiatives which link skills development and employment to housing development.

Alternative Economic Forecasts

- 3.27 The Council has reviewed representations received on the Draft Local Plan Core Strategy. These included a study from GVA (for Gladman Developments) entitled *Objectively Assessed Housing Need Report* which reviewed other recent economic forecasts. This references the following econometric forecasts for economic growth in Herefordshire:
- Experian Spring 2014 Forecasts: employment growth of 9,420 jobs between 2011-31 representing annual growth of 471 jobs or 453 jobs when 'double jobbing' is taken into account;

¹⁰ Three Dragons (May 2014) *Herefordshire Council – Whole Plan Viability Assessment*

- Oxford Economics UK Local Markets Forecasts: employment growth of 7,830 jobs between 2011-30 representing annual jobs growth of 412 per annum or 397 jobs per annum once ‘double jobbing’ is taken into account.

3.28 The Experian forecasts which we have considered above show an annual average of 385 jobs per annum. These alternative forecasts suggest that employment growth could be marginally stronger than forecast in the 2013 Experian forecasts. We have therefore sought to provide a sensitivity analysis, modelling the implications of these alternative forecasts for housing provision.

Potential Implications of Jobs Growth

3.29 The interaction between employment growth and housing need is complex. It is influenced by how the population age structure changes, by changes in employment rates and commuting dynamics. The precision of any numerical-based assessment of this relationship is influenced by these factors.

3.30 The Planning Practice Guidance sets out that:

‘Plan makers should make an assessment of the likely growth 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.

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 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 or infrastructure development could help to address these problems.’

3.31 The analysis in this report looks at the alignment of housing and economic growth at a Herefordshire level associated with the three econometric forecasts discussed above. The GVA report provides data from both Experian and Oxford Economics and works out a level of job growth taking account of double jobbing (discussed below). It is considered that this level of ‘job’ growth will equate to the change in the number of people who are employed (including self-employment). In modelling the Experian 2013 forecasts, no allowance has been made for double-jobbing.

3.32 Over the 2011-31 period studied, the Experian 2013 forecasts indicate a growth in employment of 7,600. The Experian 2014 forecast expects an increase of around 9,060 jobs – this is an increase of about 9.9% from 2011 levels. The Oxford Economics (OE) forecast shows a lower level of job growth – up by 7,940 (8.7%). The figures in Table 13 below for job growth since 2011 is taken from the demographic modelling as an estimate of the number of residents in employment.

Table 13: Employment Increase (2011-31)

Projection	Change (2011-31)
Experian 2013	7,620

Experian 2014	9,060
Oxford Economics	7,940

Source: Experian and Oxford Econometrics

- 3.33 For the purposes of modelling demographic change associated with these job figures it has been assumed that job growth will be fairly linear with incremental adjustments being made to the migration assumptions in the 2012-based SNPP so that the overall growth in the 2011-31 period matches the totals shown in Table 13 above.
- 3.34 Projecting the linkage between job growth and housing need is also quite difficult as a number of additional assumptions need to be built into the modelling. Key ones to impact on the figures locally include:
- How economic participation rates will change in the future. Although unemployment increased during the recession, there have generally been increases in the proportion of people who are economically active (particularly for females and people aged over 50) over the last decade. In the future we may see a continuation of these trends – particularly in relation to people working longer (partly linked to pensionable ages) and have modelled for there to be some increase in employment rates as we move through to 2031.
 - Double jobbing – the analysis assumes that some people hold down more than one job. Looking at the estimates in the GVA document referred to above it can be seen that it is estimated that there are roughly 96 people working for every 100 jobs (for example the Experian forecast is for 471 jobs per annum and this is reduced to 453 once account is taken of double jobbing). This level of double jobbing does not seem unreasonable and has been taken forward in our own modelling. .
 - Understanding occupancy patterns. Whilst additional housing growth might be required to meet job growth projections it is the case that no control can be exercised as to who occupies a home. An additional home could for example be taken up by a retired household who would not aid the increase in the workforce. The modelling therefore assumes that current migration patterns (in terms of age and sex) are maintained with a different level of migration being input into the modelling to meet job targets. This means that the extent to which economically inactive people move to or from the area will be maintained (in proportionate terms), and so inherently the modelling assumes that some additional housing would be lived in by those who are not working. Generally, people/households of working age are more migrant than other households so a higher level of migration will tend to increase the working population proportionately at a higher rate than for lower assumed levels of migration.
 - Commuting dynamics. The relationship between jobs and homes is also influenced by commuting patterns. Labour markets may extend across individual local authority boundaries, and commuting can change over time.
- 3.35 Any demographic modelling will be sensitive to these factors.
- 3.36 We have modelled changes in employment rates through analysis comparing national economic and demographic projections, and trends in employment rates in different age groups. The full analysis is set out in the Appendix to this report. Our core assumption is that the employment rate will increase from 68.3% of the population aged 16-74 in 2011 to 72.1% by 2031. This builds in both reductions in unemployment, changes to pensionable age and a trend towards increasing

employment rates within certain age groups (particularly amongst women). The employment rate calculated as a proportion of the total population aged 16 or over would actually be expected to fall slightly (from 59.9% to 58.1%).

3.37 We have considered commuting patterns to understand whether or not the growth in the working population might be expected to be higher (or lower) than the job growth figures. To study this we have looked at the relationship between the number of residents in employment and the number of people who work in Herefordshire. Information about this is shown in the table below and has been taken from the 2001 Census and also the 2011 Census. Attempts have been made to make the data as comparable as possible although some of the categories used (e.g. about people with no fixed place of work) do vary between the data sources.

3.38 2011 census data shows that there are around 3% more people who live in the area (and are working) than currently work in the area. Herefordshire therefore sees a level of net out-commuting – the data does suggest a small reduction in the commuting ratio over time although the number of net out-commuters has not changed significantly (from 3,747 in 2001 to 3,062 in 2011).

Table 14: Commuting Patterns in Herefordshire

	Residents in employment	People working in area	Commuting Ratio
2001	80,952	77,205	1.05
2011	91,250	88,188	1.03

Source: Census (2001 and 2011)

3.39 In projecting forward it would be possible to adjust the job growth figures to reflect these trends; however, **for the purposes of the modelling in this report the job growth and growth in working residents has been assumed to be on a 1:1 basis**. Herefordshire has a relatively high level of commuting self-containment; and this approach is considered to be consistent with achieving sustainable development through supporting a balanced approach to growth in jobs and the workforce.

3.40 This means we are assuming that net commuting will remain at a constant level in numeric terms, but will reduce slightly in proportionate terms. Given that across the County there is a level of out-commuting this assumption will show a slightly lower level of apparent housing need through the data modelling although given that the commuting ratio is close to one, the differences will be very small.

Economic-Led Projections

- 3.41 The outputs from the economic based projections are as follows. It shows that for the resident workforce to increase in line with the forecast number of jobs would require between 733 and 775 homes per annum to be delivered depending on the economic forecast being studied. The outputs are based on household formation rates linked to the part-return to trend methodology.

Table 15: Meeting Job Growth Forecasts

	Experian 2013	Experian 2014	Oxford Economics
Households 2011	78,368	78,368	78,368
Households 2031	93,257	93,298	92,489
Change in households	13,889	14,930	14,121
Per annum	694	747	706
Dwellings (per annum)	721	775	733

- 3.42 We can compare this to our core demographic projections of 735-765 homes per annum. The range shown in the economic based projections is therefore quite similar to that developed from the demographic-led projections.

4 AFFORDABLE HOUSING NEED

- 4.1 The Planning Practice Guidance sets out that Councils should consider the need for affordable housing using an approach which adds together the current unmet housing need and the projected future need and then subtracts from this the current supply of affordable housing stock. The recommended approach uses the Basic Needs Assessment Model.
- 4.2 The Local Housing Market Assessment 2013 provides the most up-to-date evidence regarding the need for affordable housing. This uses the Basic Needs Assessment Model as recommended in the Planning Practice Guidance.
- 4.3 The Planning Practice Guidance sets out that “*the total affordable need should be considered as a proportion of mixed market and 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.*”
- 4.4 This is considered herein, in accordance with the Planning Practice Guidance. However it should be recognised that the Basic Needs Assessment Model was designed to assess whether there is an overall shortfall or surplus of affordable housing in an area. It was not designed to assess the overall need for housing.
- 4.5 In considering the relationship to overall housing provision, we need to be mindful that some of the households considered in the affordable needs model are existing households (who by moving would release a dwelling for another household) and that not all households who are defined through the model as having an ‘affordable housing need’ in reality will live in affordable homes – a proportion in reality are likely to live in the Private Rented Sector and use Local Housing Allowance to supplement their income.

Affordable Housing Need identified in 2013 LHMA

- 4.6 The LHMA considered the levels of need for and supply of affordable housing over the 2012-17 period. This took account of information on housing costs and earnings, as well as the numbers of households and flows onto the Home Point Housing Register.
- 4.7 Housing need is calculated by considering current housing need, and flows in terms of newly arising need and the supply of affordable housing (such as through lettings of existing properties) over a five year period, to calculate a net need for affordable housing. It is assumed in the 2013 LHMA that the backlog of housing need is met over a 5 year period.

- 4.8 This analysis did not include affordable housing with planning consent which is expected to be delivered over the 2012-17 period. We consider that this is the appropriate approach to use in considering how the affordable housing need relates to overall housing numbers (as these homes would count as future housing completions).
- 4.9 As Table 16 identifies, the LHMA identified a current (backlog) housing need from 1,708 households. This comprises households on the Housing Register in the Gold (with Priority), Gold and Silver bands. The need from these households will vary – it will include overcrowded households, households who need to move due to insecurity of tenure (for instance where a private sector tenancy is coming to an end), as well as concealed households. For some of those within this category, the allocation of a home will allow them to move – releasing an existing property for another household.
- 4.10 A total affordable housing need for 3,457 homes is identified across Herefordshire over the 2012-17 period using the Basic Needs Assessment Model. This is equivalent to 691 homes per annum.

Table 16: Affordable Housing Need, 2012-17

HMA	Backlog Need	Newly-Forming Households	Existing Households falling into Need	Total Need	Supply	Net Need
Urban Areas	1,357	2,949	1,058	5,364	3,108	2,256
Rural Areas	350	1,576	301	2,228	1,027	1,201
Herefordshire Total	1,708	4,525	1,359	7,592	4,135	3,457

Source: Home Point Housing Register October 2012, Projection Modelling

Setting the Affordable Housing Needs Figures in Context

- 4.11 The above analysis assumes that the backlog housing need is met over the 2012-17 period. If the backlog need is addressed over the plan period to 2031, the annual net housing need would fall to 369 homes per annum (2012-2031). We consider this to be a more realistic assumption. This does not mean that people on the housing register now would have to wait longer to be housed – there would inevitable be flows on and off the register. It is the time over which the full affordable need, including the backlog would be addressed.
- 4.12 The annual need for 369 affordable homes per annum, expressed over the plan period, represents 45% of the total housing provision proposed in the Draft Local Plan Core Strategy, and 50% (on a per annum basis) of the level of housing need identified in our code demographic projection.

- 4.13 Policies for affordable housing provision need to take account of the viability of residential development. The Submitted Core Strategy Local Plan sets targets for 40% affordable housing in Ledbury, Ross and the Rural Hinterlands, and Northern Rural Housing Value Areas; of 35% in Hereford, Hereford Northern & the Southern Hinterlands, and Kington & West Herefordshire housing value areas; and of 25% in the Leominster housing value area. The Three Dragons Whole Plan Viability Report (May 2014) identifies that policy compliant levels of affordable housing can be achieved and deliver a residual land value in excess of the upper benchmark considered in the Study at all densities in Ledbury/Ross, Northern Rural, Kington and West Herefordshire, Hereford City and Leominster. However it identifies some viability challenges to delivering 40% affordable housing provision in the Bromyard area and in some circumstances in the Hereford Hinterlands area at lower densities. Further detail on the viability findings is set out in this Study. The key point of note here is that future affordable housing delivery can be expected to fall between 25-40% depending on the area.
- 4.14 It is however important to consider the affordable housing needs figures in context. The above calculations represent the level of new affordable housing provision which would be required if:
- All households identified as in need through the model were provided with affordable housing;
 - Households spent no more than 25% of gross income on housing costs.

Addressing Backlog Need

- 4.15 A further way of considering this issue is to disaggregate from the affordable housing needs modelling the number of concealed households who are not currently in a home. This is because many of the households considered in the affordable needs modelling are already housed, albeit that they require alternative accommodation (i.e. a home in a different tenure or of a different size). However by moving, they will release existing homes for other households.
- 4.16 Of the current need identified in the 2013 LHMA, 687 households are currently housed, with 1021 households representing those which are homeless or of no fixed abode, or are living with friends or family and thus represent concealed households.
- 4.17 There is evidently a level of concealed households (in 2012) in Herefordshire. This provides an evidence base justifying the adjustments proposed in this report to household formation rates. An upwards adjustment to household formation rates (particularly for younger households) will reduce levels of concealed households. The headship adjustments set out have two components – the modelling based on a part return to trend; and the ‘market signals adjustment’ which is considered in Section 5. These adjustments take the core demographic-led projections based on the 2012 SNPP from a housing need (2011-31) of 11,150 homes using the 2011-based household formation rates to 14,700 homes with the part return to trend headship rates and then to 15,420 with the

adjustments based on affordability/ market signals. The scale of adjustment more than addresses the level of concealed households revealed in the affordable housing needs modelling in the 2012 LHMA. There is thus no specific need for further adjustments to overall housing delivery based on the affordable housing needs evidence.

Role of the Private Rented Sector in Meeting Housing Need

- 4.18 In reality some of the households identified as in housing need in the Basic Needs Assessment Model will have their needs met by Private Rented Sector tenancies. The 2011 Localism Act allows Councils to discharge their homelessness duty through offering households a suitable property in the private rented sector. Households are able to claim Local Housing Allowance to supplement their income.
- 4.19 We have used data from the Department of Work and Pensions (DWP) to look at the number of LHA supported private rented homes. As of May 2012 it is estimated that there were 4,010 benefit claimants in the Private Rented Sector in Herefordshire.
- 4.20 The data in Table 17 below shows that in all areas studied the number of LHA claimants has increased over the two and a half year period, although the proportionate increase in Herefordshire is low relative to other locations. This finding is to some degree consistent with 2011 Census analysis which shows a smaller increase in the size of the private rented sector relative to other areas. The time period for analysis used is the longest time series available from the DWP source.

Table 17: Number of People claiming LHA in the Private Rented Sector

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

Source: Department of Work and Pensions

- 4.21 This information does not tell us how many lettings are made each year to tenants claiming benefit as this will depend on the turnover of stock. Nationally (from the 2010/11 English Housing Survey) it is estimated that the turnover of private rented properties is around 35% (the highest of any tenure category). In addition, comparing EHS data with DWP data suggests that the number of households claiming is around 75% of the number of claimants (this arises due to multiple claimants living in the same dwelling). If these figures are applied to Herefordshire then this would equate to around 1,050 lettings per annum.
- 4.22 Over the five year projection period used for analysis we also need to take account of households making multiple moves within the private rented sector. Again assuming a turnover rate of 35% we estimate that this would mean that over five years some 2,660 households will have their needs met through the Private Rented Sector (PRS).
- 4.23 Based on current levels of supply and turnover of properties in the Private Rented Sector, the analysis suggests that the sector could meet up to three quarters of the total affordable housing need identified.
- 4.24 It is not however appropriate to treat this sector as a form of affordable housing and net it from the overall annual housing needs estimates. Neither the SHMA Guidance (CLG, 2007) nor the NPPF (CLG, 2012) recognise this sector as affordable housing.
- 4.25 However, it should be recognised that, in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.
- 4.26 The extent to which the Council wishes to see the private rented sector being used to make up for shortages of affordable housing is a matter for policy intervention and is outside the scope of this report. Higher housing delivery overall could be expected to enhance delivery of affordable housing. However given the role played by the private rented sector in providing housing for those unable to afford and unable to access affordable housing (due to lack of supply), the housing needs analysis *per se* does not provide a strong basis for considering overall future housing requirements in the

Local Plan Core Strategy. When we look at how the housing market operates, and the interaction between different tenures, the evidence does not point towards a need for higher overall housing provision. The affordable housing needs model assumes that all households who require some form of subsidy to meet their housing needs will have their needs met through delivery of new affordable housing, whereas the reality is that a proportion of these households live in the private rented sector and use Local Housing Allowance to supplement their income.

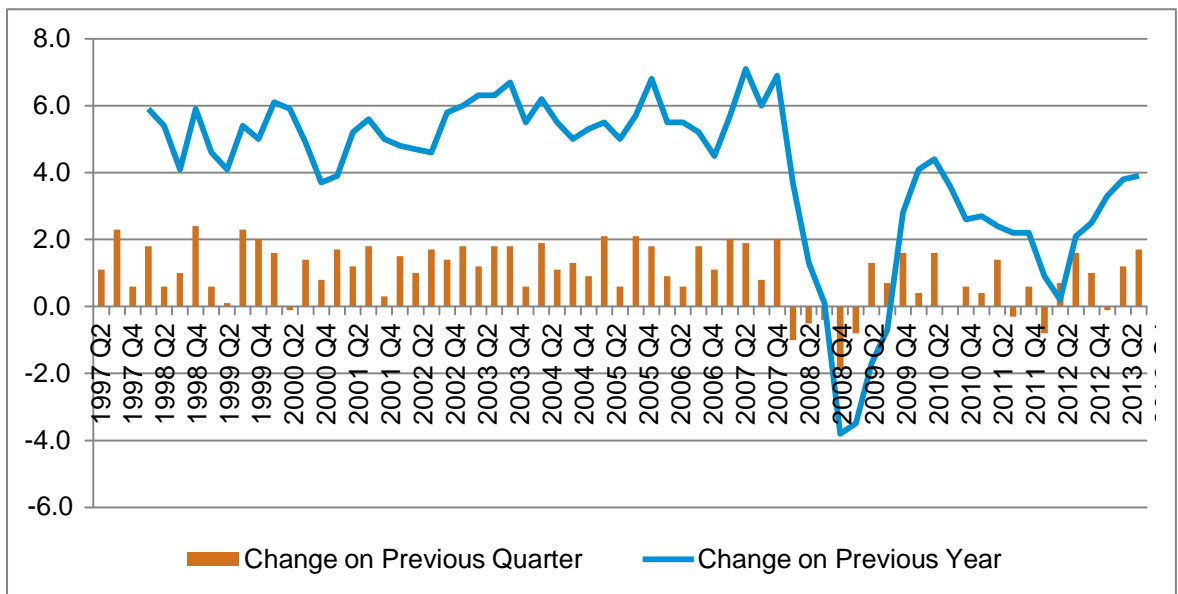
5 MARKET SIGNALS

- 5.1 The Planning Practice Guidance indicates that *“the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings. Prices or rents rising faster than the national/ local average may well indicate particular undersupply relative to demand.”*
- 5.2 It identifies key market signals as comprising:
- Land Prices
 - House Prices
 - Rents
 - Affordability
 - Rate of Development
 - Overcrowding
- 5.3 The list of indicators is not intended to be exhaustive. Where the evidence indicates a worsening trend in these indicators relative to the housing market area, similar demographic and economic areas and national trends, the Planning Practice Guidance indicates that an upward adjustment to planned housing numbers based solely on demographic projections should be made. It indicates that:
- “The more significant the affordability constraints (as reflected in rising prices and rents, and worsening affordability ratio) and the stronger other indicators of high demand (e.g. the differential between land prices), the larger the improvement in affordability needed and, therefore, the larger the additional supply response should be.”*
- 5.4 It indicates that rather than seek to estimate the precise impact of an increase in housing supply; plan makers should increase planned supply (relative to demographic projections) by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.
- 5.5 In interpreting housing market signals, it is important to understand however that there are macro-economic factors at play in influencing house prices and market demand for housing – such as overall economic performance, interest rates and market confidence – alongside local issues relating to supply-demand balance. We therefore first review macro-level dynamics, before moving on to interrogate market signals more specifically.

Understanding the Macro-Level Dynamics

- 5.6 Macro conditions have been a particular driver of housing markets nationally over recent years. Since the initiation of the credit crunch in 2007/8, the economy has gone through a long and deep economic recession, and has subsequently started recovery. The momentum of economic recovery is now improving with the UK economy out-performing many of its international peers.

Figure 5: UK Economic Growth, 2007-2013



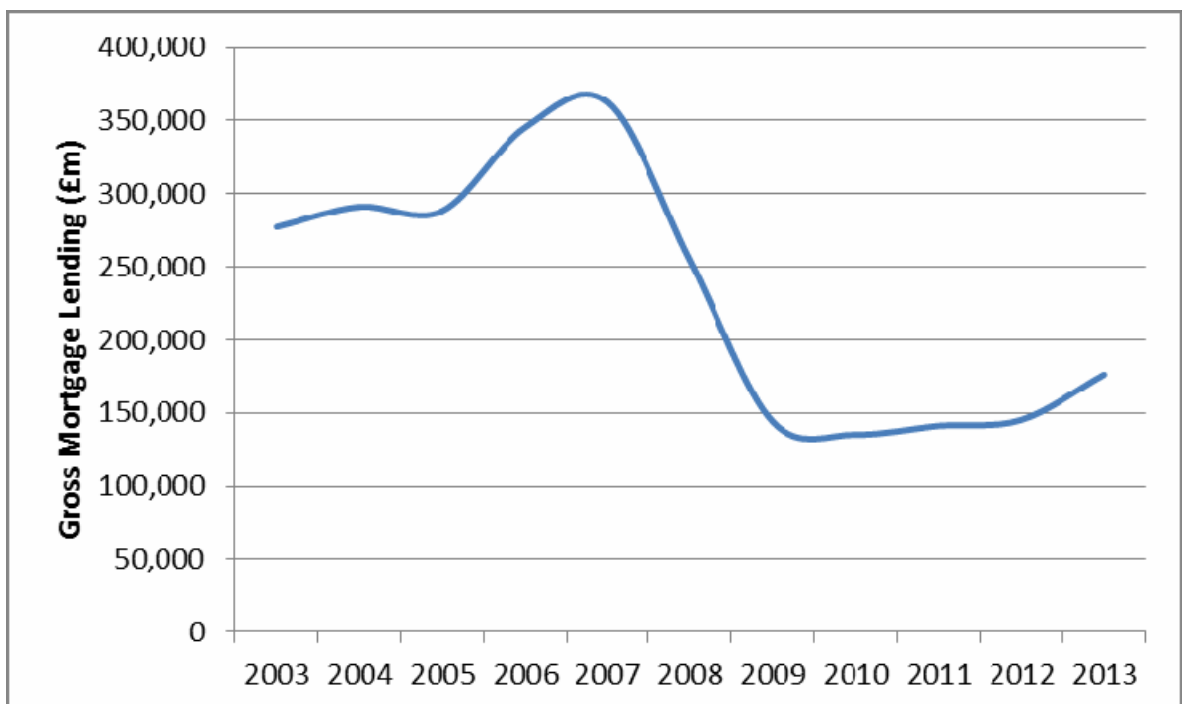
Source: ONS

- 5.7 The downturn in the world economy was led to a large extent by the sub-prime lending crisis in the United States: this crisis has generated a fundamental shift in not only interbank lending but more significantly, attitudes towards customer lending (including home purchasers, landlords and developers). Banks sought to increase the inter-bank lending rate (LIBOR) and sought to adjust their exposure to risk by adopting much more cautious lending practices. This sharply reduced liquidity in the financial markets and credit available and in tightening lending criteria for current and prospective homeowners. This tightening of lending criteria increased 'barriers' to entry for marginal mortgage applicants by reducing loan to value ratios (LTVs), increasing costs associated with obtaining mortgages and reducing the income multiples accepted.
- 5.8 The tight lending criteria initiated by the "credit crunch" have continued to have an impact on mortgage lending over the last four years, with households' ability to obtain mortgage finance functioning as a notable constraint on effective demand for market homes. However as the economy has begun to pick up during 2013 and into 2014, confidence has returned to the housing

market. Housing market recovery has also been buoyed by the Government-backed Help-to-Buy Scheme.

- 5.9 As Figure 6 demonstrates, gross mortgage lending fell dramatically in 2009, with virtually no recovery between 2010 and 2012. Mortgage lending from 2013 onwards has begun to pick up linked to Government-backed schemes, an improving economy and market confidence.

Figure 6: Trends in Gross Mortgage Lending



Source: Council for Mortgage Lenders 2013

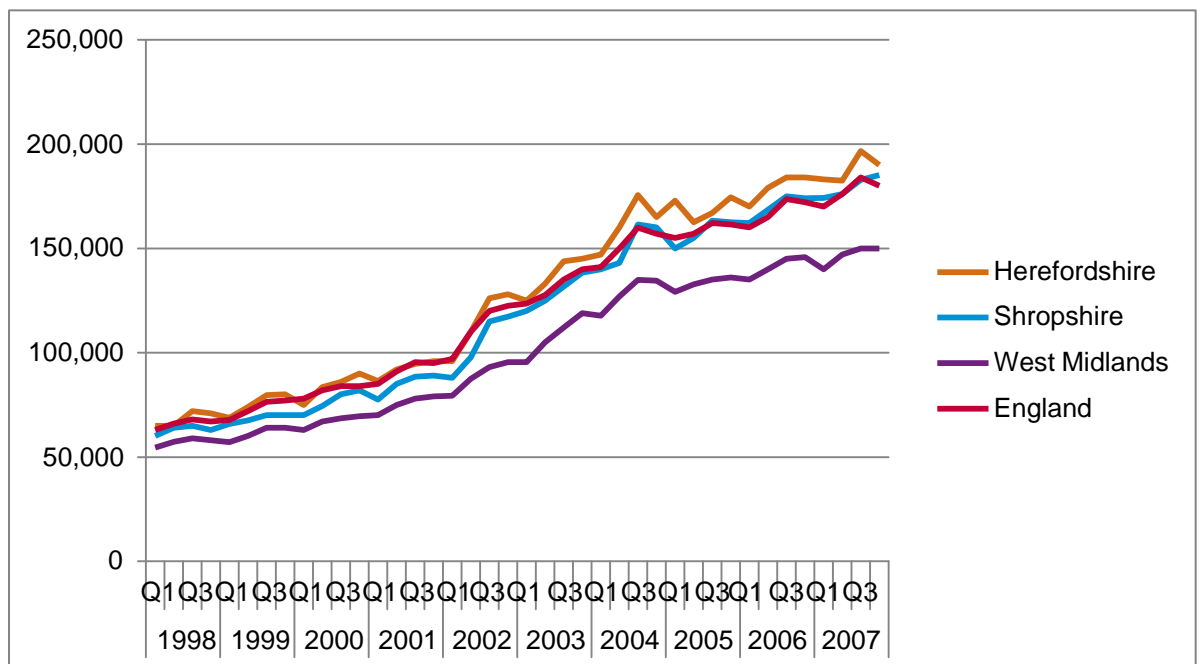
- 5.10 Lending in Q1 2014 according to the CML was 36% up on Q1 2013, highlighting the recovery in the market.
- 5.11 Whilst market confidence is returning, the pace of recovery is being influenced by tighter lending criteria for mortgages. An increase in interest rates could, moving forwards, have a noticeable impact on the housing market.

Local Demand Indicators and Market Signals

House Prices

- 5.12 Across Herefordshire, the average (mean) house price (Jan 2013 – Apr 2014) is £214,000 whilst the median is £183,000. These figures are above the corresponding figures for Shropshire where the mean price is £203,106 and the median price is £171,000.
- 5.13 Figure 7 profiles house prices in Herefordshire and Shropshire from 1998 to 2007 (i.e. the pre-recession decade). This demonstrates that price growth in the two counties has been broadly in line with price growth across England, and above growth levels in the West Midlands region. Over the decade, prices increased by around 192% in Herefordshire and 208% in Shropshire, which are similar to the national average of 186% over this period.

Figure 7: Median House Price (1998-2007)



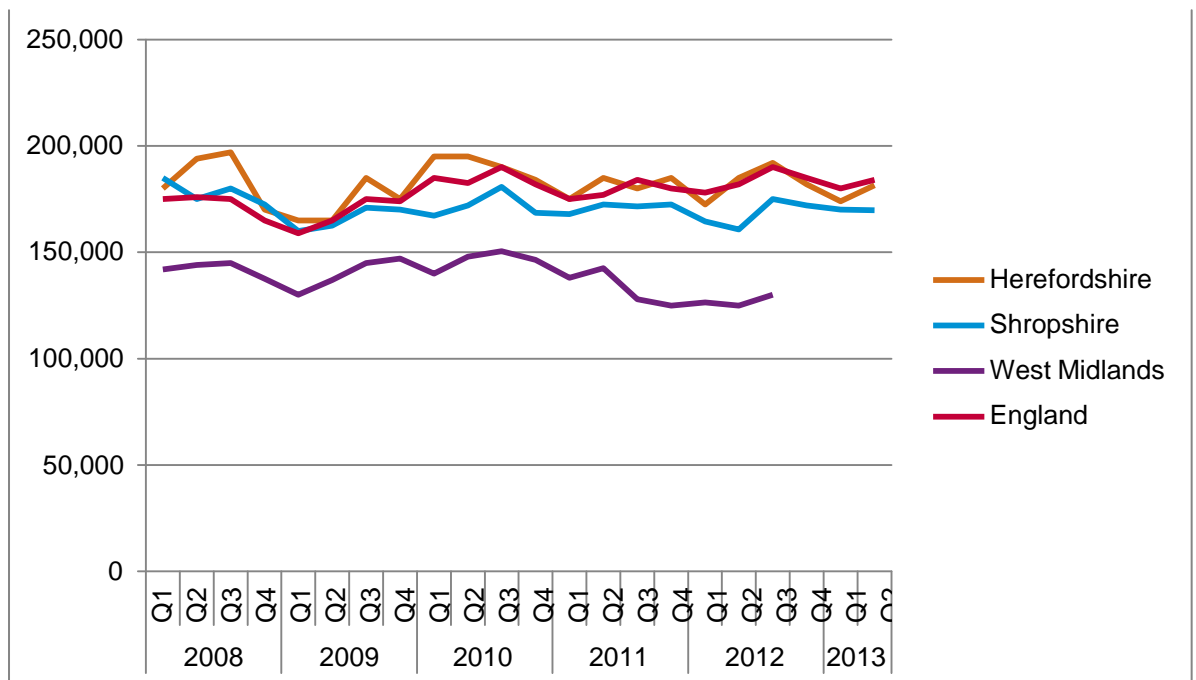
Source: DCLG Live Tables: Land Registry Data

- 5.14 The growth in house prices between 2002-5 is particularly notable.
- 5.15 Since 2007, trends in house prices have understandably been very different due to the economic backdrop. Both Herefordshire and Shropshire posted notable price falls in late 2008 and early 2009 at the onset of the recession, as was the case regionally and nationally. House prices in Herefordshire rose throughout the second half of 2009. Since then prices have fallen away again.
- 5.16 As of mid-2013 average house prices in both counties were 8% below their pre-recession peaks. This compares badly to the national average which has seen house prices recover to 4.5% above

their 2007 peak over this period. This has resulted in average house prices in Herefordshire and Shropshire falling below the national average.

- 5.17 Overall Figure 8 shows that house prices have been relatively stable over the last five years. Taking account of inflation, this suggests that the real value of housing has fallen moderately over this period.

Figure 8: Median House Price (2008-2013)



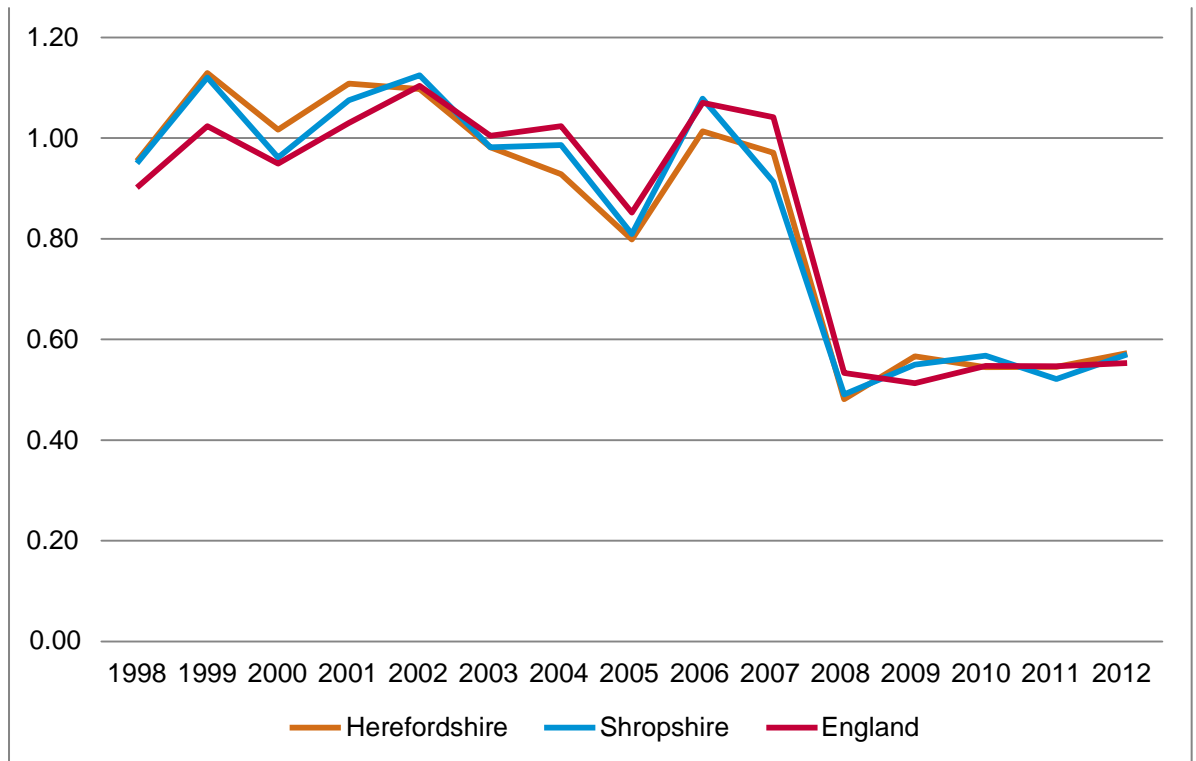
Source: DCLG Live Tables: Land Registry Data

Sales Volumes and Effective Demand

- 5.18 Sales volumes are an important indicator of effective demand for market housing. We have benchmarked sales performance against long-term trends to assess relative demand. Figure 9 benchmarks annual sales across Herefordshire and Shropshire and nationally over the period 1998 to 2012. It uses an index where 1 is the average annual sales over the 1998-2007 decade (prior to the credit crunch).
- 5.19 Sales volumes nationally experienced a significant drop between 2007 and 2008. Market demand in Herefordshire and Shropshire recovered slightly following the 2008 trough in 2009; but remained then broadly static (at a level over 40% down on the pre-recession average) between 2009-12.
- 5.20 Although taken from a separate data set, sales over the last 16 months (January 2013 to April 2014) across the HMA numbered almost 8,300, indicating a slight improvement on recent years,

although still well below the pre-recession peak. Herefordshire provided 39% of the sales, with Shropshire providing 61%, a proportion broadly in line with longer term trends.

Figure 9: Indexed Analysis of Sales Trends (1998 – 2012)

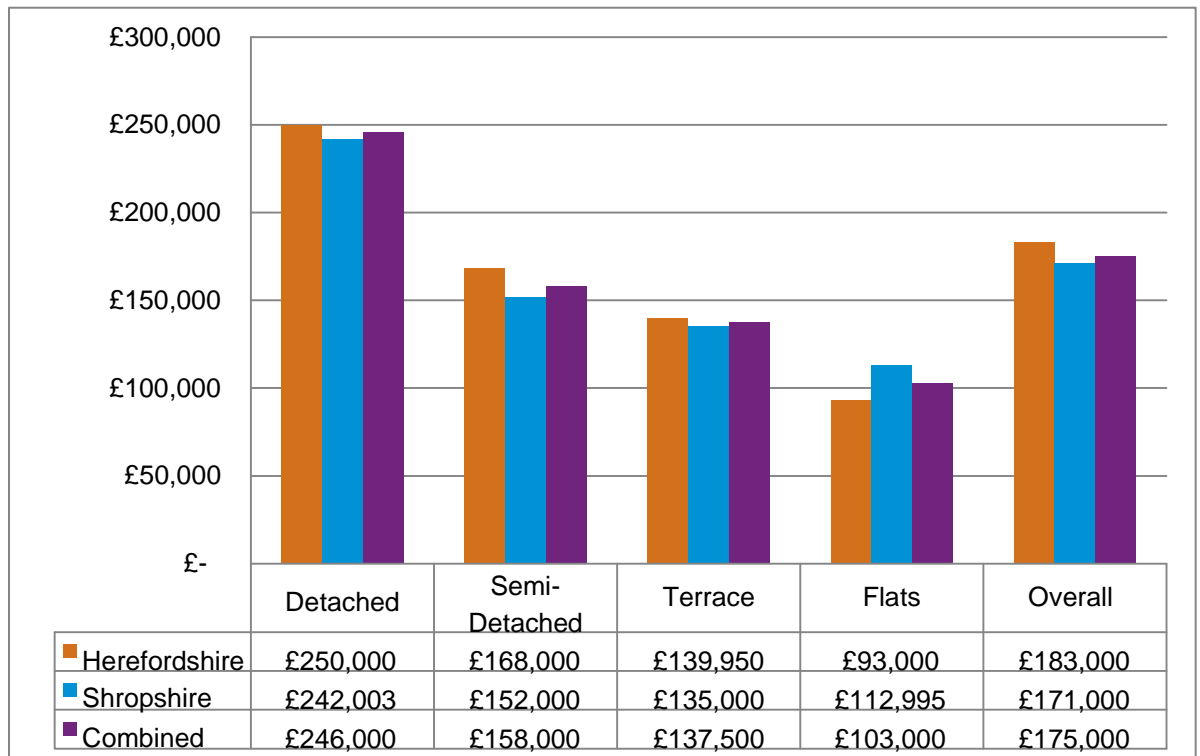


Source: DCLG Live Tables

- 5.21 We have also analyzed house prices achieved over last 16 months (January 2013 to April 2014) in Herefordshire and Shropshire in more detail to gain an understanding of the latest dynamics for different property types within the local housing markets.

- 5.22 As can be seen in Figure 10 median house prices in Herefordshire are above those in Shropshire for houses; but lower for flats. Detached houses made up 42% of sales in Herefordshire and 41% in Shropshire over this period. Semi-Detached houses made up 25% and 29% respectively. Terraced houses made up 24% and 22% respectively. Flats made up only 8% of sales in either county over this time.

Figure 10: Median House Prices (Jan 2013- April 2014)

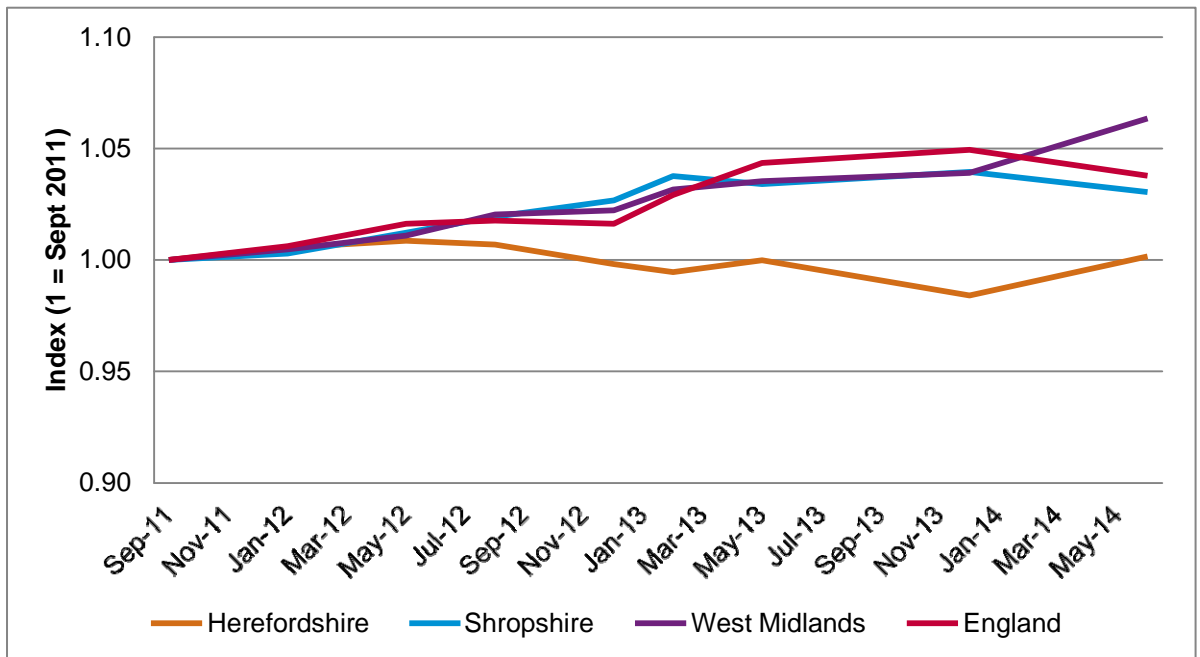


Source: GLH Analysis: Land Registry Price Paid Data

Rental trends

- 5.23 Figure 11 shows the average rental values benchmarked to 2011 values (the longest time series of data available). Benchmarked average private rents shows that the median rental value in Herefordshire is currently (May 2013) the same as it was in 2011. By comparison, rental values in Shropshire have increased 3% during this period, values in the West Midlands by 6%, and England by 4%.
- 5.24 Average rental values in Herefordshire have stayed relatively stagnant at £570pcm during this period. Although values in Shropshire and the West Midlands have grown during this period they were starting from a lower base – £548pcm and £533pcm respectively. The growth over this period has brought average rental values in these areas roughly into line with Herefordshire levels: £565pcm in Shropshire and £567pcm in the West Midlands.

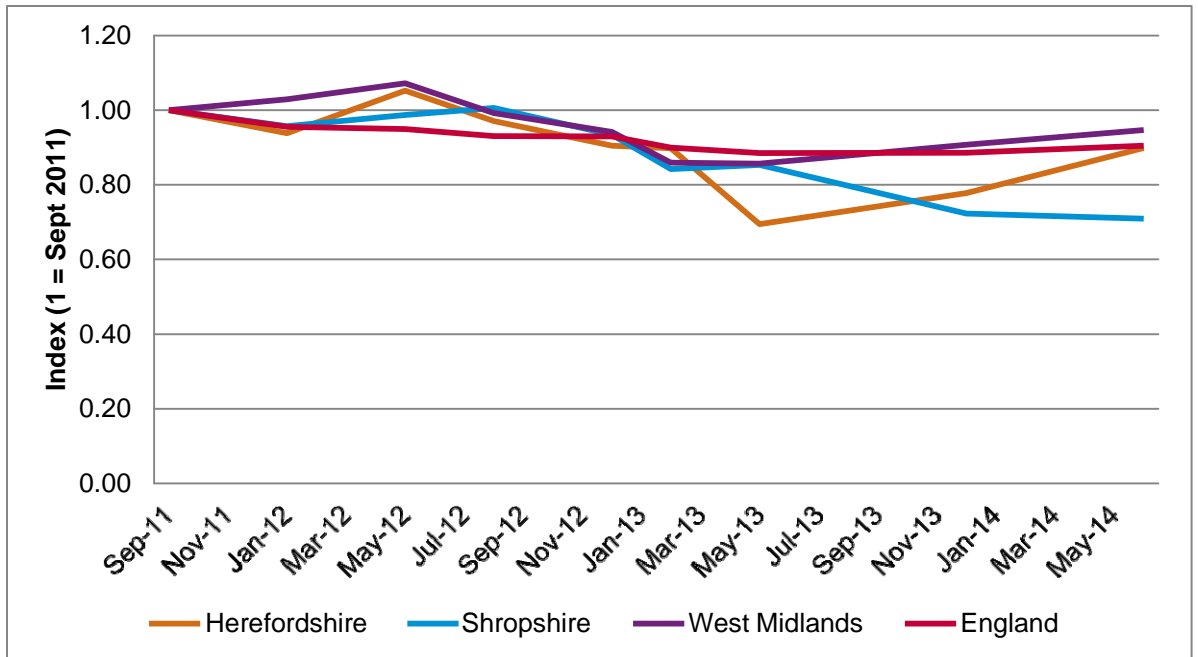
Figure 11: Benchmarked Trend in Average Private Rental Values (2011-2014)



Source: VOA Private Rental Data

5.25 Figure 12 shows trends in the number of rental transactions recorded by the VOA, indexed against September 2011 figures. This shows the number of rental transactions has fallen slightly over this period which is an indication of households returning to owner occupation as a result of improved mortgage availability and the impact of Government schemes such as Help to Buy. However over the past 12 months the number of transactions in Herefordshire has recovered some of the lost ground.

Figure 12: Trend in private rental transactions (September 2011 to May 2014)



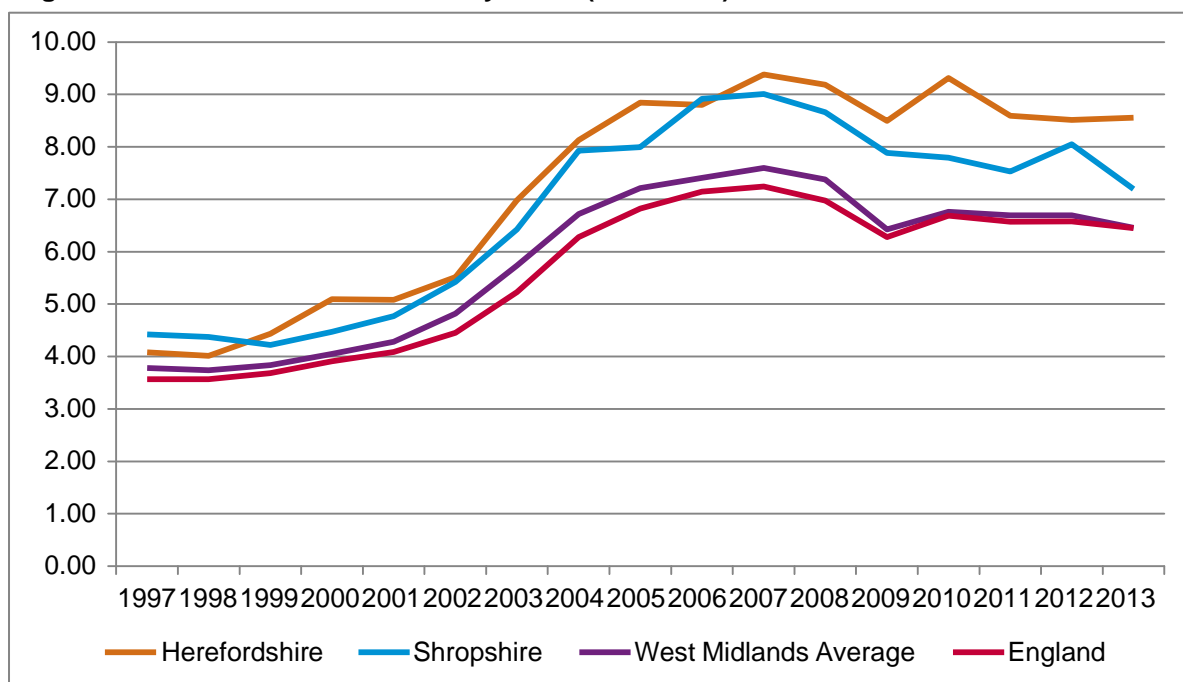
Source: VOA Private Rental Data

Affordability of Market Housing

Price-Income Ratios

- 5.26 In line with the Planning Practice Guidance, we have considered evidence of affordability by looking specifically at the relationship between lower quartile house prices and incomes.
- 5.27 Nationally, this ratio (as a measure of affordability) peaked in 2007 before experiencing a post-recession slump in 2009. Affordability ratios have since plateaued with current affordability ratios lower than the 2007 peak. Herefordshire follows this general trend, albeit with more fluctuations which is to be expected from a smaller population.
- 5.28 As a general observation, we can see that across all areas the affordability of property has worsened quite markedly over the past 15 years. Affordability pressures have continued to be more acute in Herefordshire and Shropshire relative to the West Midlands and England.
- 5.29 In 2013 the lower quartile house price was 8.6 times the lower quartile earnings in Herefordshire, compared to 7.2 in Shropshire; and 6.5 at the regional and national levels.

Figure 13: Lower Quartile Affordability Trend (1997-2013)



Source: DCLG Housing Market Live Tables

5.30 We have also considered and compared this to the median price-earnings ratio to identify whether affordability is an issue across the market or within a particular segment. In Herefordshire the median ratio is above the lower quartile ratio, indicating that affordability is slightly less of an issue at the lower end of the market.

Table 18: Comparison of lower quartile and median affordability (2013)

	Lower Quartile Ratio	Median Ratio	Difference
Herefordshire	8.56	8.92	0.36
Shropshire	7.20	7.32	0.13
West Midlands Average	6.46	6.19	-0.27
England	6.45	6.72	0.27

Source: DCLG Housing Market Live Tables.

Changes in the Tenure Profile

5.31 A combination of the deteriorating affordability of market homes, restricted access to mortgage products and a lack of social housing supply over the 2001-11 decade has resulted in fewer households being able to buy and increased pressures on the existing affordable housing stock. This has resulted in strong growth in the private rented sector.

5.32 As illustrated in Figure 14, owner occupation has fallen in Herefordshire between 2001 and 2011 while there was a substantial growth in the Private Rented Sector (PRS) over this period. This was the trend regionally and nationally as well as in neighbouring Shropshire. The evidence however shows that this trend has been less pronounced in Herefordshire than other parts of the country.

5.33 The changing tenure profile over this period is likely to be related in part to the growth in house prices relative to earnings.

Figure 14: Change in Households by Tenure in HMA, 2001-11



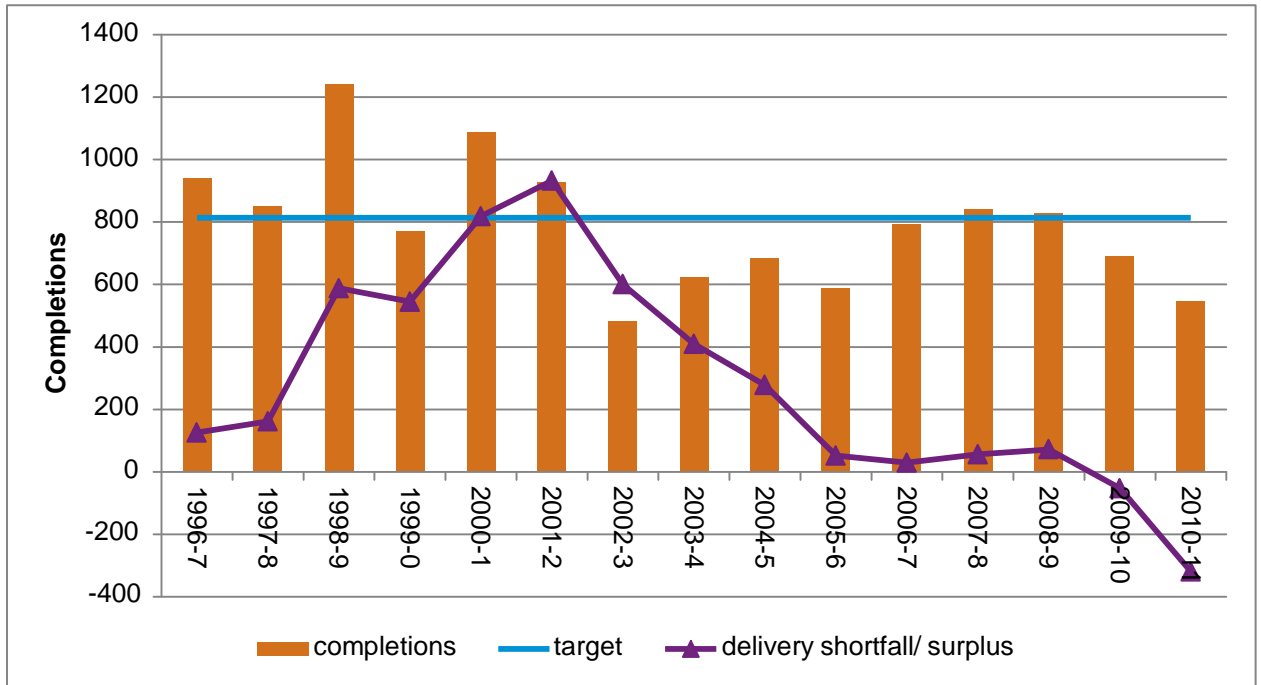
Source: 2001 & 2011 Censuses

Past Housing Supply vs. Targets

5.34 The Herefordshire Unitary Development Plan was adopted in March 2007. This set a housing target for delivery of 12,200 dwellings between 1996-2011. We have used the Council’s monitoring data to compare delivery over this period against the UDP requirement.

5.35 Over the plan period a total of 11,881 homes were delivered. Overall housing delivery thus fell a modest 319 homes (3%) short of the plan requirement. There was thus a modest shortfall in housing delivery prior to the Core Strategy period.

Figure 15: Housing Delivery against UDP Requirement, 1996-2011



Source: Herefordshire Council/ GL Hearn

5.36 Housing delivery was of 341 homes in 2011/12 and 202 homes in 2012/13. These compare to the draft Local Plan Core Strategy target of 825 homes per year.

5.37 The demographic projections based on the 2012 SNPP project need from 2012 onwards. The issue is whether any shortfall in housing delivery prior to this may have contributed to suppressing levels of household formation. It is important to consider what impact this can be expected to have had. We would expect the impacts to have particularly been manifest in increases in affordable housing need, and potentially in the numbers of people sharing households and living with parents. In demographic terms, this is particularly borne out in household formation rates.

Shared and Overcrowded Households

5.38 A symptom of the under-provision of housing is increased over-crowding and a growth of households living in multiple occupation as households fail to form properly. Across Herefordshire we have seen the number of over-occupied properties increase by 34% between 2001 and 2011. The increase in the number of people living in houses in multiple occupation (HMOs) grew by 44% over this period. The levels of growth in these sectors in Herefordshire is above the levels seen in Shropshire as well as regional and national averages indicating the situation in Herefordshire is more acute than elsewhere.

Table 19: Changes in Over Occupied and Houses in Multiple Occupation (2001-2011)

	Over Occupied			HMOs		
	2001	2011	Growth	2001	2011	Growth
Herefordshire	3,075	4,119	34%	6,109	8,813	44%
Shropshire	4,067	5,222	28%	8,779	11,293	29%
West Midlands	12,1130	156,344	29%	180,254	248,665	38%
England	1,457,512	1,928,596	32%	2,175,391	3,012,146	38%

Source: 2001 & 2011 Censuses

Implications and Case for Adjustments

- 5.39 There has been a fundamental shift in housing market conditions nationally since 2007, particularly in relation to confidence and credit availability. Since the recession the housing market in Herefordshire has steadied but has shown little sign of improvement. House prices and private rental values have remained fairly constant during this period and remain below pre-recession levels. These trends closely match national trends indicating the Herefordshire market is strongly influenced by macro-economic factors.
- 5.40 Housing supply has fallen quite notably since 2008-9, influenced by macro-economic factors and a reduction in effective demand (as evidenced through the sales analysis) however in the period prior to the 'start point' of the plan in 2011 the shortfall in housing provision overall was modest, totalling 319 homes against the Unitary Development Plan requirement.
- 5.41 There is evidence from the demographic analysis however that household formation rates have fallen, as Figure 3 showed in regard to trends in household size; and the analysis in this section reinforces. The analysis shows a reduction in home ownership and a growth in private rented sector in Herefordshire from 2001 to 2011. Similarly over this period, there has been growth in the numbers of people living in over occupied houses and HMOs. These trends have been seen nationally and are not specific to Herefordshire.
- 5.42 The evidence points to the recession being responsible in part for this; but it seems likely that these trends will also reflect the increase in house prices and reduction in affordability of market housing prior to the recession. Entry level (lower quartile) house prices in 2013 were 8.6 times earnings of younger households (lower quartile earnings).

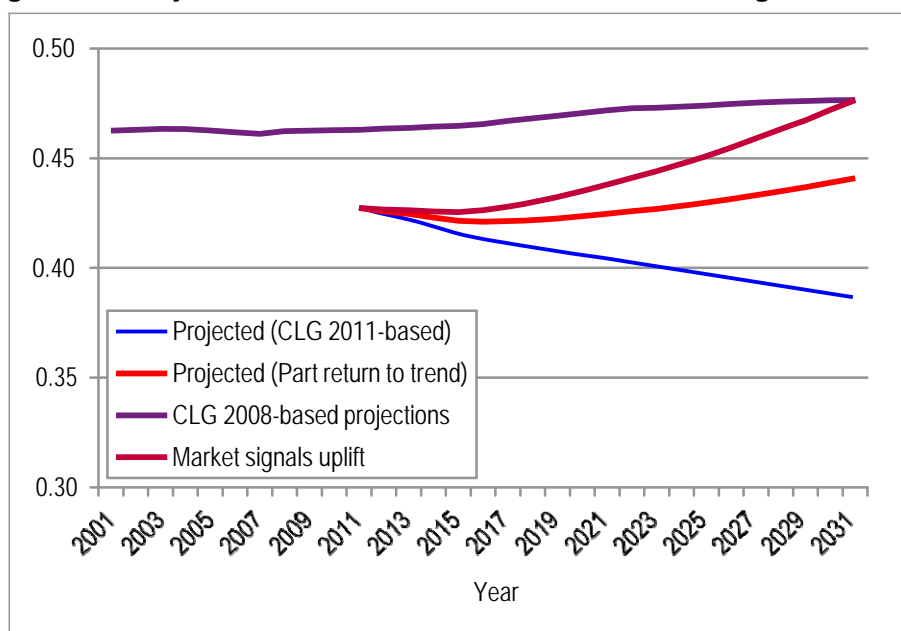
Market Signals Uplift

- 5.43 Bringing the evidence together, we consider that there is some case for making an adjustment to housing provision to support an improvement in affordability.
- 5.44 The Planning Practice Guidance indicates that rather than seek to estimate the precise impact of an increase in housing supply; plan makers should increase planned supply (relative to demographic

projections) by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.

- 5.45 We consider that this can be done with reference to the demographic analysis recognising that a particular impact of poor or declining affordability will be reductions in the proportion of younger households who can form homes.
- 5.46 Our analysis considers age specific data about the extent to which there has been constrained household formation of younger households in Herefordshire. This is set out graphically in Figure A1.13. When we consider age-specific data, it is notable that those aged 25-34 in particular have lower headship rates than was expected in the 2008-based projections and that even under our part return to trend methodology the improvement moving forward still sees the rate in 2031 to be below the figure for 2011. We have therefore modelled the implication of returning the household formation rates of the 25-34 age group back to the 2008-based level by 2031. This approach is somewhat theoretical but is modelled to seek to understand the sensitivity of the analysis to household formation rates. It models an increase in household formation rates to above pre-2008 levels. In reality we consider that there are likely to be various factors which will influence household formation rates for this age group – including availability and access to mortgage finance, growth in real earnings, future economic performance as well as the costs of rented accommodation.
- 5.47 Figure 16 shows headship rates for people aged 25-34 under a range of different scenarios. The data clearly shows that in the 2011-based projection there was expected to be a continued decrease in formation rates, the core (part-return to trend) projection sees a moderate improvement moving forward whilst our market signals uplift shows a notable improvement to reach the level expected in the 2008-based projections by 2031.

Figure 16: Projected Household Formation Rates for those aged 25-34



5.48 The modelling indicates that to return household formation rates for those aged 25-34 back to 2011 levels by 2031 would require an ‘uplift’ in levels of housing provision of between 36-37 homes per annum, depending on the scenario being tested. This is over and above the projections considered in Sections 2 and 3.

Table 20: Housing Need with Improved Household Formation of those aged 25-34

	Part-return to trend	Market signals uplift	Change
2012-based SNPP	735	771	36
Long-Term Migration trends	765	801	36
Experian 2013	721	757	36
Experian 2014	775	812	37
Oxford Economics	733	769	36

5.49 This adjustment to levels of housing need could be expected to:

- Contribute to achieving a longer-term improvement in affordability of market housing;
- Supporting improved access to housing for younger people; and
- Enhance affordable housing delivery.

6 UNMET NEED IN ADJOINING AREAS

- 6.1 In this section we have sought to summarise information regarding any unmet needs from adjoining authorities, which might be to be considered in translating the objective assessment of need for housing into targets for provision within the Local Plan. As set out in Section 1, the NPPF is clear that local authorities should work together to address any issues regarding unmet needs through the 'duty to cooperate.'
- 6.2 Appendix B summarises the status of local plans in areas neighbouring Herefordshire and correspondence between Herefordshire Council and these authorities in accordance with the Duty to Cooperate regarding housing needs. We summarise the findings in this section.
- 6.3 Brecon Beacon National park Authority adopted its Local Development Plan in December 2013. The National Park Authority has confirmed to Herefordshire Council in June 2014 that there is no need to identify land in Herefordshire to contribute to meeting their housing need.
- 6.4 Forest of Dean District Council is consulting on a Sites Allocations Plan, having adopted its Core Strategy in February 2012. The adoption of the Core Strategy pre-dates the NPPF however the Council has indicated that it considers that the provision in the plan meets its full objectively-assessed housing needs, with the plans housing provision for 5,162 homes to 2026 exceeding the latest household projections. We understand that the Council has recently commissioned the Cambridge Centre for Housing and Planning Research to update demographic projections for housing need. The Forest of Dean District Council however confirmed to Herefordshire Council in July 2014 that it consider that there was no need to identify land in Herefordshire to contribute to meeting their housing need.
- 6.5 Malvern Hills District Council is working jointly with other South Worcestershire Councils, and the examination of the South Worcestershire Development Plan is currently underway. The Inspector's Interim Findings indicate a need for 28,370 dwellings. The authorities are working to assess additional housing sites with a view to meeting this need. The authorities have confirmed to Herefordshire Council that the draft SWDP did not seek to accommodate any unmet housing or employment needs in Herefordshire. Herefordshire Council is working with SWDP officers to produce a Memorandum of Understanding to provide an updated position.
- 6.6 Monmouthshire County Council adopted its Local Development Plan in February 2014. This was based on an increased housing level of housing provision to meet the area's housing needs, taking account of the Inspector's preliminary findings. There is no evidence of an unmet need.
- 6.7 Powys County Council is currently consulting on a Deposit Local Development Plan 2011-26. This sets a housing requirement for 4,500 homes, but does identify a capacity to deliver approximately

5,000 dwellings. No issues have been raised regarding unmet needs to date, however Herefordshire Council is working with Powys County Council to produce a Memorandum of Understanding to provide an updated position.

- 6.8 Shropshire County Council adopted a Core Strategy in 2011. It has submitted its Site Allocations and Management of Development (SAMDev) Plan to the Secretary of State for examination. In correspondence with Shropshire County Council it has been agreed by both authorities that there is no unmet need in either area which needs to be considered by the either authority.
- 6.9 In addition to these adjoining authorities, Herefordshire Council has been monitoring plan progress in a number of wider authorities including Birmingham, the Gloucester-Cheltenham and Tewkesbury Joint Planning Unit and Telford and Wrekin Council. None of these authorities have indicated that there is an unmet need which they would expect Herefordshire Council to contribute to addressing. In regard to Birmingham, Birmingham City Council has specifically set out that it is not looking for Herefordshire Council to make provision for the Birmingham shortfall in housing supply.
- 6.10 In summary, there is no adjoining authority which has identified that it has an unmet housing need which it expects Herefordshire Council to contribute to addressing.

7 CONCLUSIONS AND SUMMARY

Overview of Methodology

7.1 This final section of the report draws the analysis together to draw conclusions regarding the Objectively Assessed Need (OAN) for housing and other factors which are relevant to considering the appropriate level of housing provision to plan for (the “housing target”) within Herefordshire.

7.2 The report has been prepared at a late stage in the development of the Local Plan Core Strategy with the intension of ensuring that the Plan can be informed by the latest evidence. It updates the 2011 and 2012 Local Housing Requirements Studies.

7.3 In considering the objectively assessed need for housing, the Report follows the approach advocated in the NPPF and Planning Practice Guidance. This was summarised in Figure 1.

7.4 The analysis starts with the latest official household and population projections. It interrogates these, considering in particular assumptions regarding migration and household formation rates. Household projections are particularly sensitive to these two factors. Two demographic projections have been considered; the first links to the 2012-based SNPP which looks at migration trends over the past 5-6 years whilst the second looks at migration trends back to 2001 (a 12-year period).

7.5 Scenarios for economic growth are overlaid on this to understand the potential interaction between economic growth and population dynamics to inform potential policy choices regarding housing provision. Affordable housing need is then considered, drawing on the 2013 Local Housing Market Assessment.

7.6 Market signals are considered and related through to the impact of this on demographics. An adjustment to the level of housing provision is recommended to improve the affordability of market housing over the plan period. The uplift in housing provision recommended would also enhance affordable housing delivery.

7.7 These factors are used to derive the Objectively-Assessed Need (OAN) for housing. In this section we then consider other issues which might influence how this is translated into a housing target, including economic strategy and unmet needs from other areas.

7.8 Trend-based Demographic Projections

The analysis began by looking at the most recent nationally published population and household projections. These are referred to in the Planning Practice Guidance as the appropriate ‘starting point’ for considering housing need.

- 7.9 The latest official household projections are the 2011-based 'Interim' Household Projections from CLG which cover the period from 2011 to 2021. This projection suggests household growth of 801 per annum across Herefordshire between 2011-31. This figure is slightly above that contained in the previous (2008-based) CLG Household Projections which put annual household growth (in the 2011-31 period) at 714.
- 7.10 The 2011-based Interim Household Projections were based on the 2011-based Sub-National Population Projections (SNPP). These have now been superseded by the 2012-based Sub-National Population Projections, published in May 2014. 2013 Mid-Year Population Estimates have also been published.
- 7.11 Consideration of longer-term migration trends does suggest a slightly higher level of population growth than the 2012-based SNPP although differences are not significant. The 2012-based SNPP can however be considered as the more robust model given that it reflects changes to the age structure on a year-by-year basis when projecting forward.
- 7.12 Overall, the analysis supports the 2012-based SNPP as being broadly reasonable as a demographic projection. When comparing future growth with past trends this projection sits slightly above the population trend of the past 5-years and slightly below a longer-term trend. The longer-term includes a period of significant international migration which recent trends suggest may not be repeated.
- 7.13 The next step was to consider the extent to which household formation rates have been suppressed in the recent past, not least as projections will roll-forward past trends. Both the demographic analysis and consideration of housing market dynamics and market signals point to some constraints on household formation over the 2001-11 decade. This particularly appears to have affected household formation rates for people within their 20s and 30s (Figure A.1.13 sets out further detailed evidence in this respect).
- 7.14 Across the County the evidence would suggest that there has been some suppression of household formation in the past as a result of economic and market conditions; and that moving forward it is clear that the 2011-based projections are projecting a far less rapid decline in average household sizes than is shown by trend data (or indeed what was previously expected in the 2008-based projections).
- 7.15 An adjustment has therefore been made to household formation rates used in the modelling of future housing needs to ensure that constraints on household formation are not being projected forwards. The methodology starts with 2011-based data and projects forward by returning household formation rates back towards those in the 2008-based projections. This is termed the

'part return to trend' approach. Carrying out the adjustment to household formation rates suggests household growth of 708-737 per annum and a housing need for 735-765 additional homes per annum (once an allowance for vacant and second homes has been included). This represents the core demographic-led projections prepared. The projections are summarised below:

Table 21: Summary of Projections

	Households	Dwellings
CLG 2011-based	801	
CLG 2008-based	714	
2012 SNPP		735
Long-Term Migration		765
Experian 2013		721
Experian 2014		775
Oxford Economics 2014		733

Adjustments to Improve Affordability

- 7.16 The Planning Practice Guidance indicates that *“the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals, as well as other market indicators of the balance between the demand for and supply of dwellings.”*
- 7.17 It identifies that where market signals point to poor and worsening affordability and an imbalance between supply and demand, an appropriate adjustment should be made to future housing provision. It indicates that rather than seek to estimate the precise impact of an increase in housing supply; plan makers should increase planned supply (relative to demographic projections) by an amount that, on reasonable assumptions and consistent with principles of sustainable development, could be expected to improve affordability, and monitor the response of the market over the plan period.
- 7.18 House prices and the affordability of market housing worsened quite notably over the pre-recession decade (1998-2007). Since the recession the housing market in Herefordshire has steadied. House prices and private rental values have remained fairly constant during this period and remain below pre-recession levels. These trends closely match national trends indicating the Herefordshire market is strongly influenced by macro-economic factors.
- 7.19 Housing supply has fallen quite notably since 2008-9, influenced by macro-economic factors and a reduction in effective demand (as evidenced through the sales analysis) however in the period prior to the 'start point' of the plan in 2011 the shortfall in housing provision overall was modest, totalling 319 homes against the Unitary Development Plan requirement.
- 7.20 There is evidence from the demographic analysis however that household formation rates have fallen, as Figure 3 showed in regard to trends in household size; and the analysis in this section

reinforces this. The analysis shows a reduction in home ownership and a growth in private rented sector in Herefordshire from 2001 to 2011. Similarly over this period, there has been growth in the numbers of people living in over occupied houses and HMOs. These trends have been seen nationally and are not specific to Herefordshire.

- 7.21 The evidence points to the recession being responsible in part for this; but it seems likely that these trends will also reflect the increase in house prices and reduction in affordability of market housing prior to the recession. Entry level (lower quartile) house prices in 2013 were 8.6 times earnings of younger households (lower quartile earnings). The high cost of housing relative to earnings is likely to influence both household formation and trends in home ownership.
- 7.22 A total affordable housing need for 3,457 homes is identified across Herefordshire over the 2012-17 period using the Basic Needs Assessment Model recommended in the Planning Practice Guidance. Expressing this over the plan period to 2031 an average of 369 affordable homes would be needed per annum. However this includes both concealed, new and existing households – and some households will release other dwellings if this level of affordable housing supply is delivered.
- 7.23 Furthermore the analysis assumes that no households spend more than 25% of gross income on housing costs, and assumes that all households with who require subsidy to meet housing needs live in affordable housing. The model is driven by considering the balance between need and supply of affordable housing, and is affected by past investment decisions. In reality, some households considered in the model will find suitable accommodation within the Private Rented Sector.
- 7.24 The report estimates that over the five year period considered in the Local Housing Market Assessment, some 2,660 households will have their needs met through the Private Rented Sector (PRS) based on current levels of supply and turnover of properties, meeting around three quarters of the need identified. It is not however appropriate to treat this sector as affordable housing; but in practice, the private rented sector does make a significant contribution to filling the gap in relation to meeting housing need and given the levels of affordable housing need shown, the private rented sector is likely to continue to be used to some degree to make up for the shortfall of genuine affordable housing for the foreseeable future.
- 7.25 Disaggregating the affordable housing need reveals that it includes 1021 households who are either homeless, of no fixed abode, or living with friends and family. The needs of these households will partly be addressed by the upwards adjustments to household formation.
- 7.26 Bringing the evidence together, we however conclude that there is some case for making an additional adjustment to housing provision to support an improvement in affordability. To do this, the

report models what uplift in housing numbers might be appropriate to improve affordability for younger households (studied on the basis of returning household formation rates of those aged 25-34 back to the levels expected in the 2008-based CLG projections).

- 7.27 This 'market signals' uplift suggested a potential need for a further 730 homes over the 2011-31 period over and above the core demographic projection.
- 7.28 Drawing the analysis together we identify **an Objectively Assessed Need for between 15,400 and 16,200 homes in Herefordshire over the 2011-31 plan period.** These figures are derived from the range of annual housing need figures shown in Table 20 which includes a 'market signals uplift'. Multiplying the annual figures by 20 gives the total housing need over the plan period. The lower end of this range aligns with the 2012 SNPP, with adjustments to improve affordability. The higher end is based on evidence from the economic analysis which suggest a higher level might be necessary to support growth in employment.
- 7.29 The National Planning Policy Framework required authorities to plan on meeting their objectively assessed housing needs where it is sustainable to do so. The Pre-Submission Core Strategy provides for a minimum 16,500 homes between 2011-31. This exceeds the objectively assessed need identified for 15,400-16,200 homes over this period by at least 2%-7% (300-1,100 homes). The evidence suggest that this does meet full objectively assessed needs for market and affordable housing, based on the updated evidence set out herein, as required by the NPPF. The plan also provides some flexibility to support higher growth, or contribute to meeting any unmet housing needs from other areas, albeit that at this point in time there is no evidence of any unmet need which the Council has been asked to contribute to addressing.

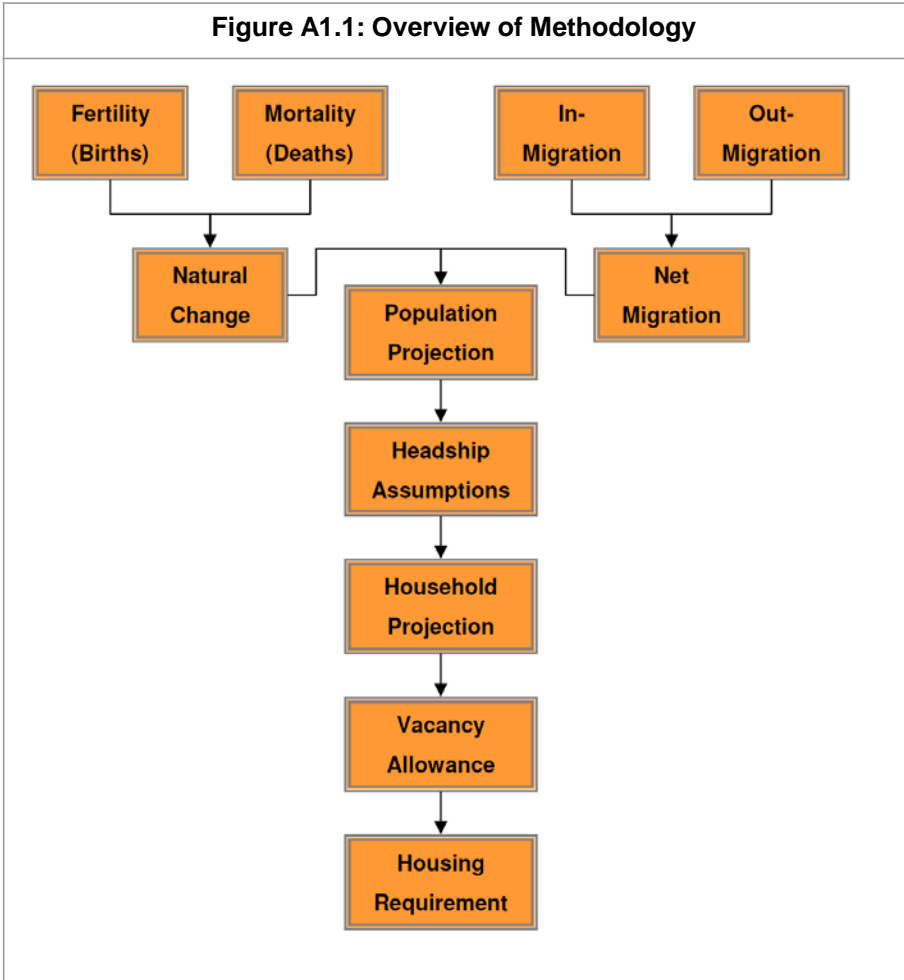
Appendices

APPENDIX A: PROJECTION METHODOLOGY AND DATA

Introduction

A1.1 Our methodology used to determine population growth and hence housing requirements is based on fairly standard population projection methodology consistent with the methodology used by ONS and CLG in their population and household projections. Essentially the method establishes the current population and how this will change in the period from 2011 to 2031. This requires us to work out how likely it is that women will give birth (the fertility rate); how likely it is that people will die (the death rate) and how likely it is that people will move into or out of the local authority area. These are the principal components of population change and are used to construct our population projections.

A1.2 The figure below shows the key stages of the projection analysis through to the assessment of housing requirements.



Projections Run

- A1.3 As part of this assessment we have run a number of projections to assess how the population and local economy (number of people in employment) might change under different assumptions. The projections were developed to follow the logical set of steps set out in CLG advice of March 2014.
- A1.4 Four core projections were developed (two based on demographic trends and two on meeting job growth forecasts). Core outputs from these projections are provided in this section with a summary of the projections being listed below:
- PROJ 1 (Demographic-based – linked to the latest (2012-based) SNPP)
 - PROJ 2 (Demographic-based – linked to the level of net migration seen in the 2001-13 period – a 12-year trend)
 - PROJ 3 (Jobs-led – linked to employment growth of about 9,060 jobs – this being the level of job growth expected in an Experian economic forecast)
 - PROJ 4 (Jobs-led – linked to employment growth of about 7,940 jobs – this being the level of job growth expected in an Oxford Economics forecast)
- A1.5 An initial projection was also developed on the basis of the 2011-based interim SNPP and CLG household projections. This scenario is not detailed below due to it being rejected as containing a notable level of household formation constraint moving forward. As set out in the main body of the report, the 2011 Interim SNPP was based on partial information from the 2011 Census, with for instance migration data used which pre-dated the release of the Census. It also models household formation based on trends between 2001-11 which incorporates and projects forward some of the impacts of declining affordability and the economic recession towards the latter part of this decade on household formation rates, particularly for younger age groups.

Past Population Dynamics

- A1.6 Before describing the projection process and key inputs it is of interest to study past population growth and the components of change. The table below summarises key data from ONS mid-year population estimates (MYE) going back to 2001. The data for 2001-11 is from the revised MYE which uses Census data to adjust past estimates to ensure consistency between data for 2001 and 2011.
- A1.7 The information shows a number of interesting trends in relation to Herefordshire and these are summarised below:
- Natural change (the number of births minus the number of deaths) has been increasing over time from a negative position of over 200 per annum on average up until 2008/9 to a level which has been more in balance over the past four years for which data is available. This trend is consistent with that seen in many areas where relatively high birth rates have driven a greater level of population growth than was observed earlier in the past decade.
 - Net internal migration (people moving from one part of the Country to/from Herefordshire) has gone down noticeably over time; averaging 658 in the 2003-8 period but only 202 over the past five years (2008-13).

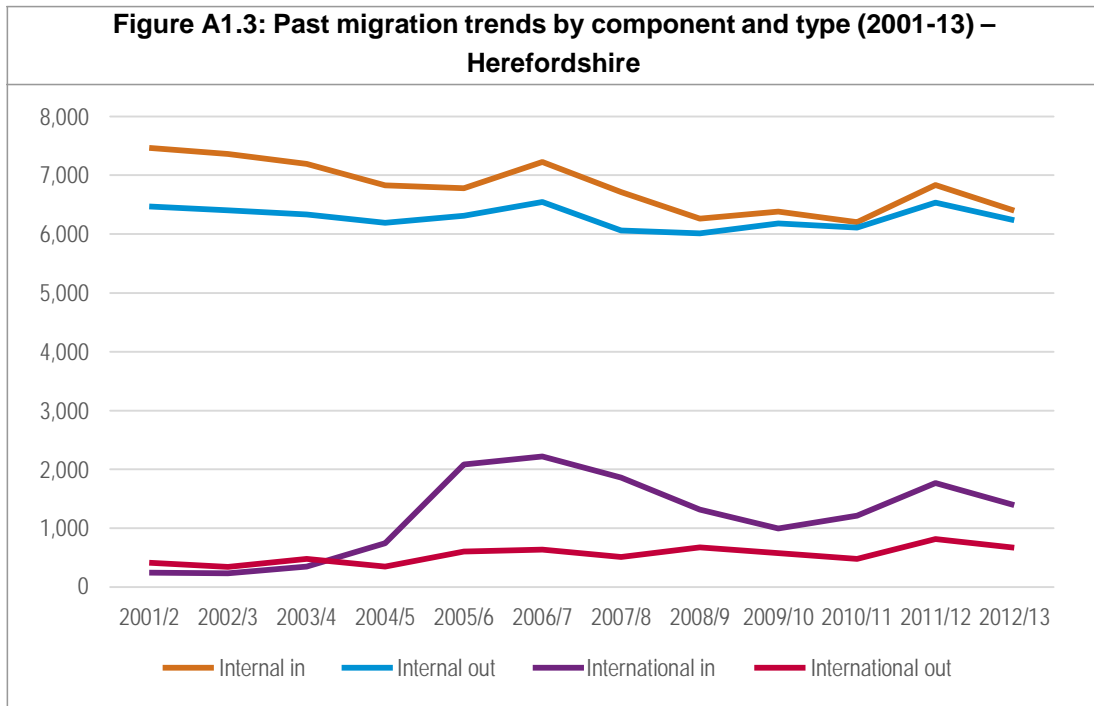
- International net migration has been quite variable over time. From 2001-4 there was a net out-migration (averaging 149 per annum) but in the 2005-8 period international net migration was very strong (1,471 per annum on average). The past five years have seen net in-migration; at a more moderate rate than immediately prior to this – in the 2008-13 period, international net in-migration averaged 694 per annum.
- The other changes are generally fairly minor in number compared to the migration figures – other changes are largely linked to estimated changes in the prison and armed forces populations. Figures in 2011/12 and 2012/13 are however notable when compared with other dates.
- The other (unattributable) column of data reflects an adjustment made by ONS to ensure consistency between Census based mid-year population estimates and the mid-year estimates prior to Census data being available. In Herefordshire the negative figures imply that the various components of population change (once added together) are about 1,270 people higher than the overall level of population growth (in the decade to 2011). Whilst it is unknown as to what components of change this difference is linked to it is most probable that this will be due to the over-recording of in-migration or under-recording of out-migration – this in turn may be linked to international migration data which has historically been the most difficult component of population change to accurately measure. The ONS data does not provide a figure for other (unattributable) in 2011/13 as there is no Census data against which to measure whether or not population change has been over- or under-estimated.

Figure A1.2: Components of population change (2001-13) – Herefordshire

Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	-274	999	-210	15	-157	373
2002/3	-287	958	-105	-12	-164	390
2003/4	-216	857	-131	27	-152	385
2004/5	-290	637	395	-53	-135	554
2005/6	-244	464	1,480	-36	-148	1,516
2006/7	-241	679	1,584	-53	-142	1,827
2007/8	-10	654	1,349	-8	-124	1,861
2008/9	-201	251	642	1	-117	576
2009/10	-1	203	415	-18	-101	498
2010/11	-16	91	734	-25	-30	754
2011/12	-45	299	953	106	0	1,313
2012/13	-18	164	728	281	0	1,155

Source: ONS Components of Change

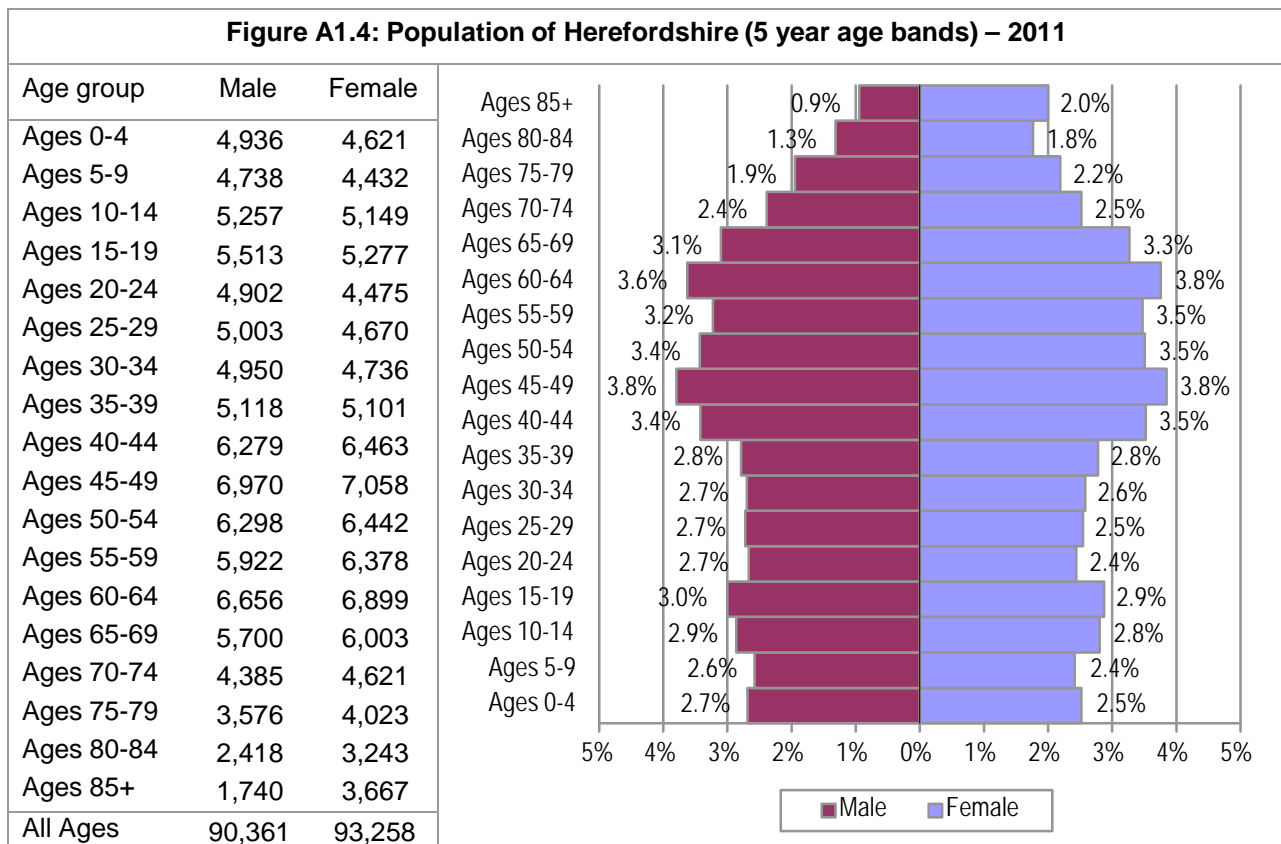
A1.8 Overall the key finding from this analysis is of highly fluctuating levels of migration over time. The fluctuations in migration can be more clearly emphasized in the figure below which separates out in- and out-migration (rather than just showing the net figures as in the table above). This shows that the key change over time has been a reduction in the number of people moving to the area from other parts of the country (internal in-migration) although there has also been a reduction in international in-migration since the peaks of 2005/6 to 2007/8.



Source: ONS Components of Change

Baseline Population

A1.9 The baseline for our projections is taken to be 2011 with the projection run for each year over the period up to 2031. The estimated population profile as of 2011 has been taken from ONS mid-year population estimates. The overall population in 2011 is estimated to be 183,619 with slightly more females than males.



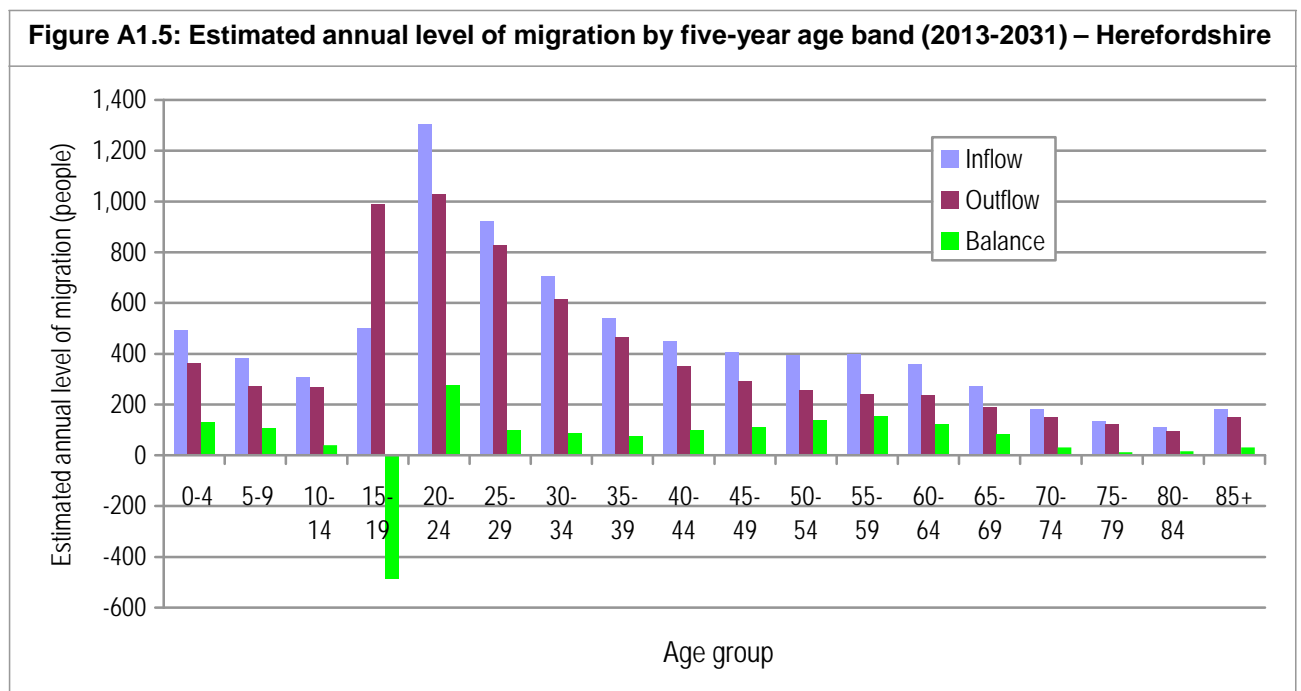
Source: ONS midyear population estimates

Fertility and Mortality Rate Assumptions

- A1.10 For modelling of fertility and mortality we have used the rates contained within the ONS 2012-based subnational population projections (SNPP).
- A1.11 For the period from 2013 to 2031 the total fertility rate (the expected average number of live births per woman throughout their childbearing lifespan) has been calculated to average about 1.92. Whilst there are some small year-by-year variations these figures are broadly constant throughout the projection period.
- A1.12 With regard to death rates the data suggests that life expectancy is expected to increase over time for both males and females. It is not possible to provide exact life expectancy figures from the 2012-based SNPP as this to some degree will depend on the assumptions made about the death rates for age groups beyond 90 (the ONS data stops at a figure for 90+). However in modelling life expectancy for Herefordshire we suggest that the figures will see an improvement from 80.2 to 83.7 for males from 2013 to 2031 with figures of 84.0 to 86.8 expected for females.
- A1.13 We have no evidence to suggest that either the fertility or mortality estimates used by ONS are unreasonable and note that the expected figures and changes are consistent with past trend data and future expected patterns as published by ONS on a national basis.

Migration Assumptions

- A1.14 For the purposes of understanding the profile of migrants we have again drawn on the ONS 2012-based sub-national population projections. The figure below shows the profile of in- and out-migrants by age in each area linked to our demographic projection (the 2012-based SNPP) – these projections are based on observed trends over the past 5-years in the case of domestic migration and the past 6-years for international migration. This projection sees an average level of net in-migration of 1,120 people per annum (made up of 8,040 in-migrants and 6,920 people moving out). The data shows that the key age groups are people aged 15-29. All age groups other than 15-19 are expected to see a level of net in-migration.
- A1.15 When projecting migration patterns for the various projection scenarios we have used the migration data and adjusted levels of in-migration to match the requirements of our scenario (e.g. when testing what level of migration is required to support a workforce of a particular size). This approach has consistently been adopted across all analysis.



Employment Rates

- A1.16 With the change in demographic structure will come changes in the number of people who are working (as the population of people of working age changes). The next stage of the projection process was therefore to make estimates about how employment levels would change under each of our projections and also to consider the demographic implications of different levels of employment growth.
- A1.17 It is not however a simple task to convert population data into estimates of the number of people

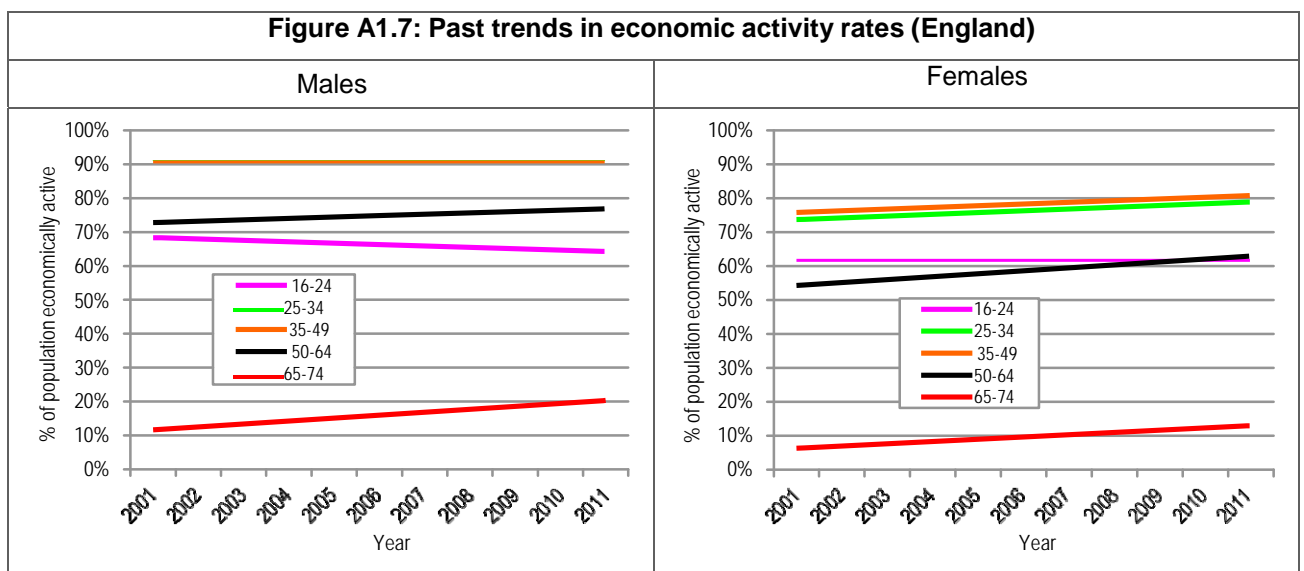
who will be working as employment rates are likely to change in the future for three main reasons:

- Changes to pensionable age will potentially see people working for longer and increase the proportion of older age groups who are in employment
- Moving out of recession there is likely to be a reduction in unemployment which would increase employment rates
- The general trend over the past decade has been for increased economic activity for many age groups (notably older people (both sexes) and females aged 25 and over). This trend may be expected to continue into the future

A1.18 To study how employment rates might change in the future the analysis starts by looking at past trends in economic activity over the 2001-11 period from Census data. This analysis has been carried out at a national level (for England). The data shows the following key trends:

- Reducing economic activity rates for those aged 16-24 (particularly for males)
- No particular change in rates for males aged 25-49
- Increasing economic participation for males aged 50 and over
- Increasing participation rates for all female age groups from age 25 and upwards

A1.19 The trends studied below are for economic activity rates although in this report the analysis is based on employment rates (which is the economically active population minus those who are unemployed). Ideally trends in employment rates would have been studied but this has proved difficult due to different definitions used in the 2001 and 2011 Census (relating to how students are recorded). For the purposes of analysis it is assumed that employment rate trends follow a similar pattern to economic activity rate trends.



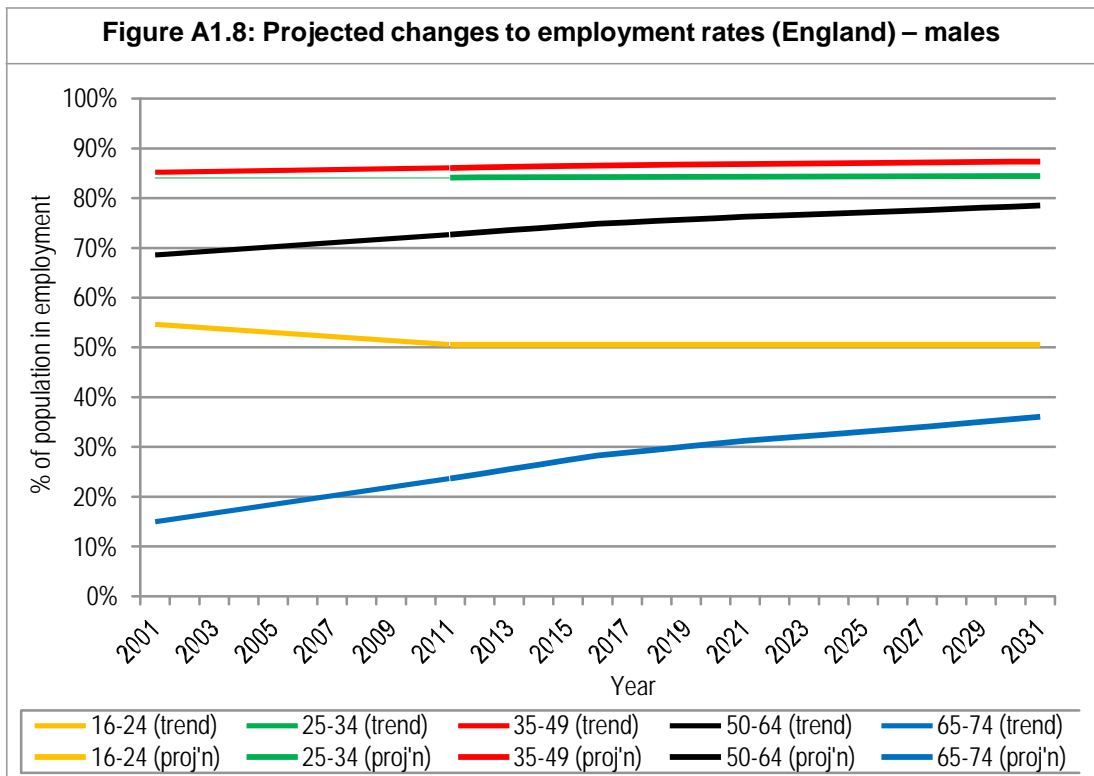
Source: Census (2001 and 2011)

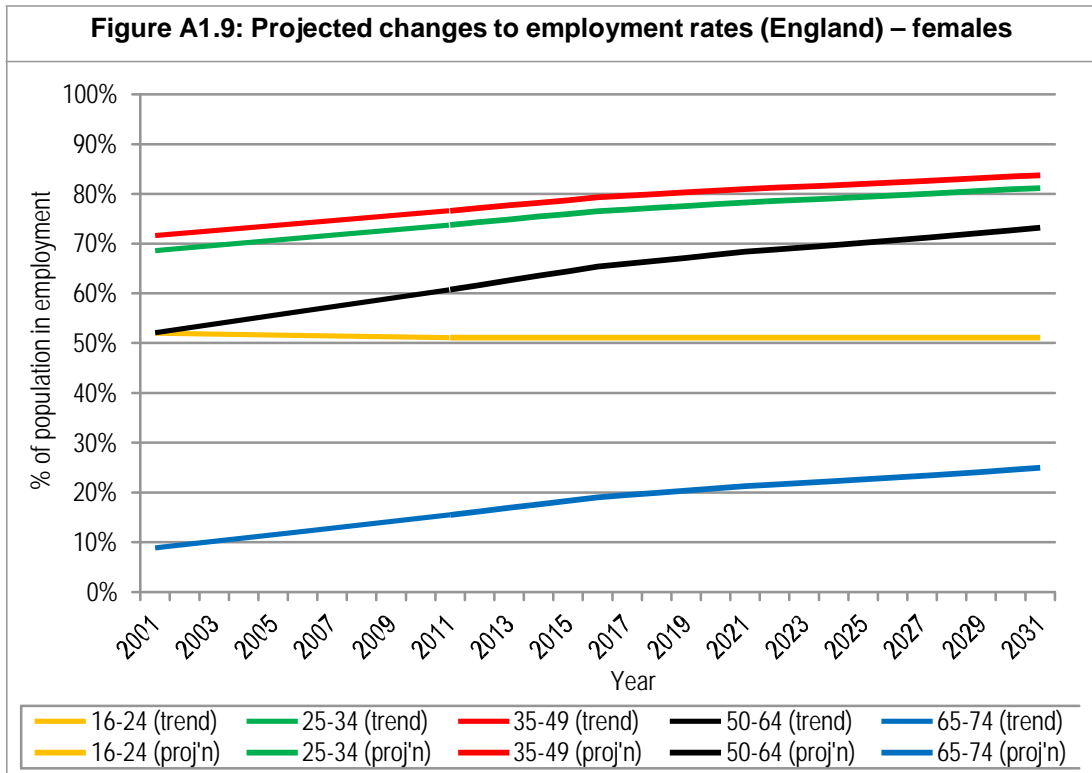
A1.20 To project these rates forward some of the reasons for these trends need to be considered. In particular the reduction in economic activity rates for people aged 16-24 is likely to some degree to be linked to an increase in students (which may not continue into the future) whilst some of the rapid

increases for females are arguably unlikely to continue at the same rate as in the past.

A1.21 To try to get a realistic view about how employment rates might change in the future an analysis of a national economic forecast (from Experian) and also the national (2012-based) population projections has been undertaken. Essentially the method used works on the basis that both the Experian forecasts and the population projections are correct and then models what level of change to employment rates would be required for both the population and the number of jobs to pan-out.

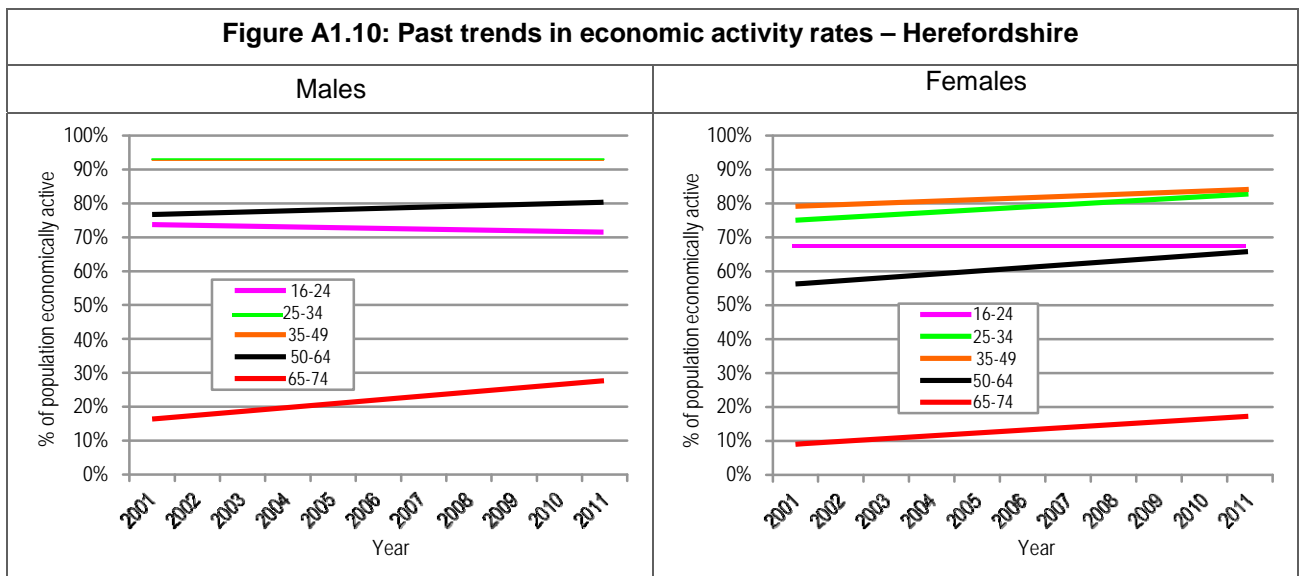
A1.22 The figures below show the projected changes to employment rates for males and females through this modelling. It can be seen that for many age groups there are expected to continue to be increases in the future but that these improvements reduce over time. The figures in the charts are for employment rates (rather than economic activity as shown above) with the past trends being plotted in line with economic activity trends but to a different baseline in 2011 (which is informed by Census data).





Source: Derived from Census, Experian and ONS national population projections

A1.23 At the local area level the derived national data has been applied – using the incremental changes year-on-year and applied to a baseline 2011 position. The figure below shows (for Herefordshire) that although actual employment rates in 2011 are different for some age/sex groups when compared with the national position, the general trends seen over the past decade are quite similar. Hence it appears sound to use the national calculation for employment rates changes and apply this at the local level.



Source: Census (2001 and 2011)

A1.24 The table below shows the employment rates used for modelling from 2011 to 2031. From the population modelling exercise it was estimated in mid-2011 that there were 91,231 people in employment with an employment rate for those aged 16-64 of 75.9% - due to the modelled improvement in rates this figure rises to 81.1% by 2031. Looking at the employment rate based on the population aged 16-74 sees a change from 68.3% to 72.1% whilst the rate calculated as a proportion of the total population aged 16 or over would actually be expected to fall slightly (from 59.9% to 58.1%).

Sex	Year	Aged 16 to 24	Aged 25 to 34	Aged 35 to 49	Aged 50 to 64	Aged 65 to 74
Male	2011	59.5%	87.7%	89.2%	77.4%	33.3%
	2036	59.5%	88.0%	90.5%	83.2%	45.8%
Female	2011	61.0%	78.8%	81.0%	63.9%	21.1%
	2036	61.0%	86.2%	88.2%	76.3%	30.5%

Source: Derived from a range of data sources (including Census, Experian and ONS national population projections)

Headship Rates

A1.25 Having estimated 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. As noted in the main text our analysis of household sizes has identified a level of constraint being projected forward by CLG in their 2011-based household projections.

A1.26 So as to not project forward this constraint we have considered the headship rates contained within the 2008-based CLG household projections which arguably cover a trend period where there were relatively few constraints on household formation. The methodology starts with rates as in the 2011-based projections but then projects forward using a methodology which gradually returns rates back towards the figures in the 2008-based release.

A1.27 The table below shows headship rates derived from the analysis for each of the key periods of 2011 and 2031. The data shows that whilst most headship rates remain at a fairly constant level over time there are a number of groups where notable changes are projected to occur (both in an upward and downward direction).

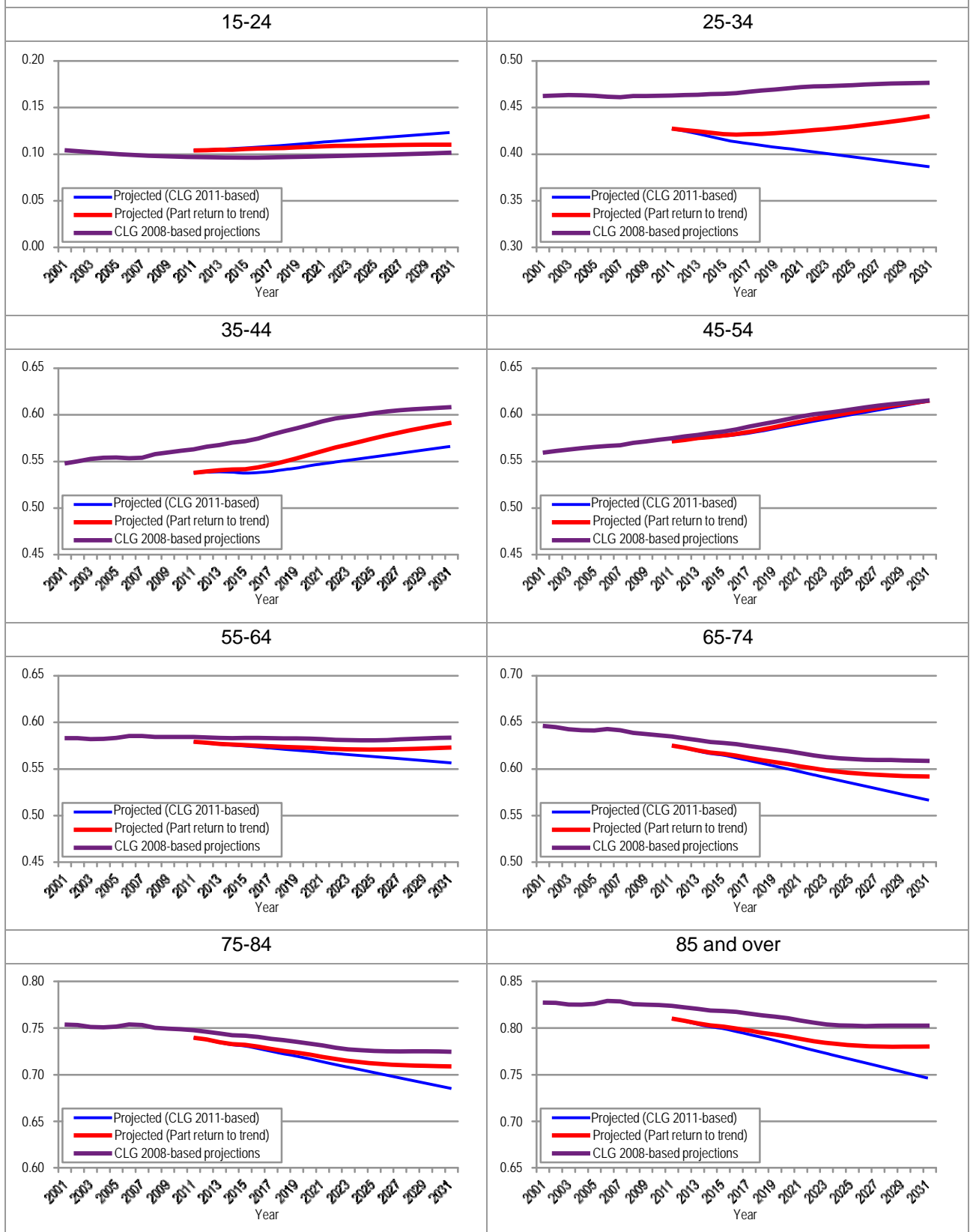
Age group	2011	2031
Ages 15-24	10.4%	11.0%
Ages 25-34	42.7%	44.1%
Ages 35-44	53.8%	59.2%
Ages 45-54	57.2%	61.5%

Ages 55-64	57.9%	57.3%
Ages 65-74	62.5%	59.2%
Ages 75-84	74.0%	70.9%
Ages 85+	81.0%	78.0%

Source: Derived from CLG 2011- and 2008-based household projections

A1.28 One of the key features of the methodology used is that household formation rates are considered for each individual age group. The figure below shows how the rates change under our core methodology. The data also shows how the rates might have been expected to change if the 2011-based CLG projections had been used and also the figures contained within the 2008-based projections. The methodology shows that particularly strong improvements are expected for some of the younger age groups (up to age 44) which is consistent with recognising that it is these age groups likely to have been most constrained through the housing market downturn.

Figure A1.13: Projected household formation rates by age of head of household – Herefordshire



Source: Derived from CLG data

A1.29 When applying these headship rates to the population an estimated number of households in 2011 of 78,368 is derived.

A1.30 In converting an estimated number of households into requirements for additional dwellings we have also factored in a small vacancy allowance which is normal to allow for movement of households between properties. In Herefordshire, the 2011 Census recorded 4,357 unoccupied household spaces and 78,319 households (the number of vacant homes therefore being 5.6% above the number of households). However, CLG data for 2013 (live tables 125 and 615) suggest that around 2.1% of dwellings were vacant in 2011. This latter source is recognised by CLG as being likely to underestimate the number of vacant homes although the figure of 2.1% is notably below the Census estimate. Bringing the data together it is considered that a vacancy rate of 3.8% would be appropriate to apply to the figures for Herefordshire (this is the average of the two analyses undertaken) – it is assumed that this figure will be reflective of what can be achieved in new housing stock and includes an allowance for second homes.

Detailed Projection Outputs

A1.30 This section provides detailed outputs of the modelling under each of the scenarios run to look at population growth, employment change and housing requirements. All the projections look at the period from 2011 to 2031 with outputs available for each year of the projection (although these have generally been summarised for 5 year periods). The projections run are summarised in the table below.

Figure A1.14: Description of Projections used for Demographic Modelling	
Projection	Description
PROJ 1	Demographic-based – linked to the latest (2012-based) SNPP with an uplift in household formation rates to take account of apparent ‘suppression’ both in the past and moving forward in the 2011-based CLG rates
PROJ 2	Demographic-based – linked to migration levels seen over the past 12-years (2001-13). The household formation rates are as in PROJ 1
PROJ 3	Jobs-led – linked to employment growth of about 7,620 jobs – this being the level of job growth expected in a 2013 Experian economic forecast. The household formation rates are as in PROJ 1
PROJ 4	Jobs-led – linked to employment growth of about 9,060 jobs (increase in residents in employment) – this being the level of job growth expected in an Experian economic forecast. The household formation rates are as in PROJ 1
PROJ 5	Jobs-led – linked to employment growth of about 7,940 jobs (increase in residents in employment) – this being the level of job growth expected in an Oxford Economics forecast. The household formation rates are as in PROJ 1

Population Projections

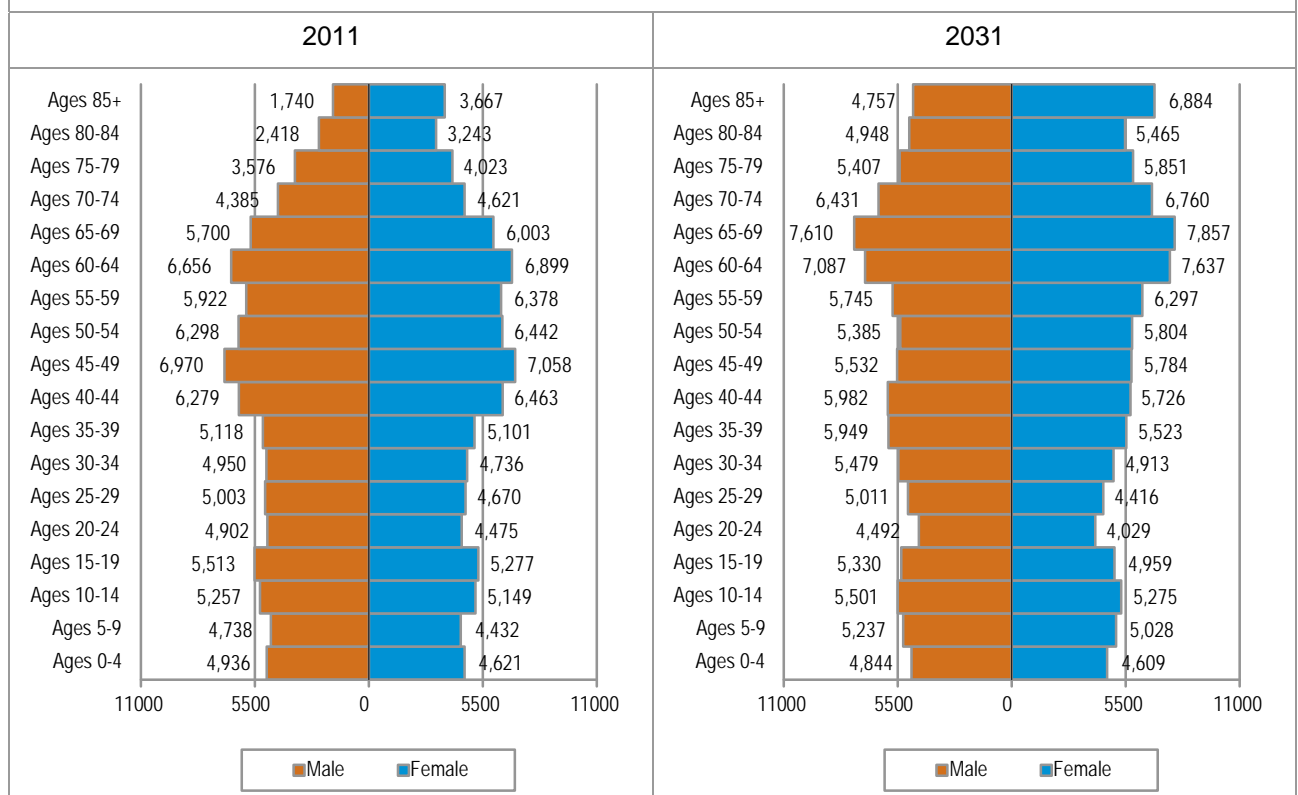
A1.31 The table below shows the expected growth in population under each of the scenarios. Under demographic-based assumptions (PROJ 1) the population is expected to increase by around 19,900 people over the 20-year period – this represents population growth of 10.9% or about 0.5% per annum. The projection linked to Long-Term Migration trends (PROJ 2) is very slightly higher than this (an 11.5% increase in population) whilst the economic based projections (PROJ 3 - 5) show a range of population growth from 10.5% to 11.9%

Figure A1.15: Population Estimates 2011 to 2031					
	2011	2016	2021	2026	2031
PROJ 1 (Demographic-based)	183,619 0.0%	189,112 3.0%	194,415 5.9%	199,433 8.6%	203,542 10.9%
PROJ 2 (Long-Term Migration trends)	183,619	189,626	195,406	200,573	204,727
PROJ 3 (Jobs-led – Experian, 2013)	183,619 0.0%	189,011 2.9%	194,132 5.7%	198,955 8.4%	202,856 10.5%
PROJ 4 (Jobs-led – Experian, 2014)	183,619 0.0%	189,404 3.2%	195,229 6.3%	200,812 9.4%	205,517 11.9%
PROJ 5 (Jobs-led – Oxford Economics)	183,619 0.0%	189,098 3.0%	194,376 5.9%	199,368 8.6%	203,449 10.8%

Population Change Dynamics

A1.32 The figure below shows population pyramids for 2011 and 2031 under the demographic-based projection (PROJ 1) linked to the 2012-based SNPP. The 'pyramids' clearly 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 5,400 people to 11,600.

Figure A1.16: Distribution of Population 2011 and 2031 for PROJ 1 – Demographic-based



A1.33 The table below summarises the findings for key (5 year) age groups under PROJ 1 (Demographic-based). The largest growth will be in people aged 65 and over. In 2031 it is estimated that there will be 62,000 people aged 65 and over. This is an increase of 22,600 from 2011, representing growth of 57%. The population aged 85 and over is projected to increase by an even greater proportion, 115%. Looking at the other end of the age spectrum the data shows that there are projected to be around 5% more people aged under 15 with both increases and decreases shown for other age groups.

Figure A1.17: PROJ 1 (demographic-based) population change 2011 to 2031 by five year age bands				
Age group	Population 2011	Population 2031	Change in population	% change from 2011
Under 5	9,557	9,453	-104	-1.1%
5-9	9,170	10,265	1,095	11.9%
10-14	10,406	10,776	370	3.6%
15-19	10,790	10,288	-502	-4.6%
20-24	9,377	8,520	-857	-9.1%
25-29	9,673	9,427	-246	-2.5%
30-34	9,686	10,392	706	7.3%
35-39	10,219	11,472	1,253	12.3%
40-44	12,742	11,708	-1,034	-8.1%
45-49	14,028	11,316	-2,712	-19.3%
50-54	12,740	11,189	-1,551	-12.2%
55-59	12,300	12,041	-259	-2.1%
60-64	13,555	14,725	1,170	8.6%
65-69	11,703	15,467	3,764	32.2%
70-74	9,006	13,191	4,185	46.5%
75-79	7,599	11,258	3,659	48.1%
80-84	5,661	10,413	4,752	83.9%
85+	5,407	11,641	6,234	115.3%
Total	183,619	203,542	19,923	10.9%

Employment Changes

A1.34 The table below shows the estimated number of people living in Herefordshire who are working under each of the projections. The data shows under the demographic-based assumptions (PROJ 1) that the number of people working is projected to increase by 8,000 from 2011 to 2031 (a 9% increase). The second demographic projection (PROJ 2) shows a slightly higher level of growth in the workforce (up 10%) The projection linked to job growth trends in the Experian forecast (PROJ 3) shows a higher workforce increase whilst linked to Oxford Economics (PROJ 4) shows an increase of 7,940 over the 20-year period – up 9%).

Figure A1.18: Employment Estimates 2011 to 2031					
	2011	2016	2021	2026	2031
PROJ 1 (Demographic-based)	91,231 0.0%	94,816 3.9%	96,692 6.0%	97,933 7.3%	99,221 8.8%
PROJ 2 (Long-Term Migration trends)	91,231 0.0%	95,145 4.3%	97,348 6.7%	98,701 8.2%	100,045 9.7%
PROJ 3 (Jobs-led – Experian, 2013)	91,231 0.0%	94,758 3.9%	96,533 5.8%	97,670 7.1%	98,850 8.4%
PROJ 4 (Jobs-led – Experian)	91,231 0.0%	94,981 4.1%	97,150 6.5%	98,691 8.2%	100,291 9.9%
PROJ 5 (Jobs-led – Oxford Economics)	91,231 0.0%	94,808 3.9%	96,670 6.0%	97,897 7.3%	99,171 8.7%

Household and Dwelling Growth

A1.35 The table below shows the projected growth in the number of households under each of the scenarios. The demographic-based projection (PROJ 1) shows household growth of about 18% over the 20-year period (14,200 additional households) with the second demographic projection linked to Long-Term Migration trends (PROJ 2) being slightly higher. The Experian 2013 based employment projection (PROJ 3) shows a slightly higher level of increase whilst linked to the Oxford Economics forecast (PROJ 5) the level of household growth would be 18% - this is 14,100 additional households. The Experian 2014 projections result in the highest level of housing need, with household growth of 19.1% projected between 2011-31 (PROJ 4).

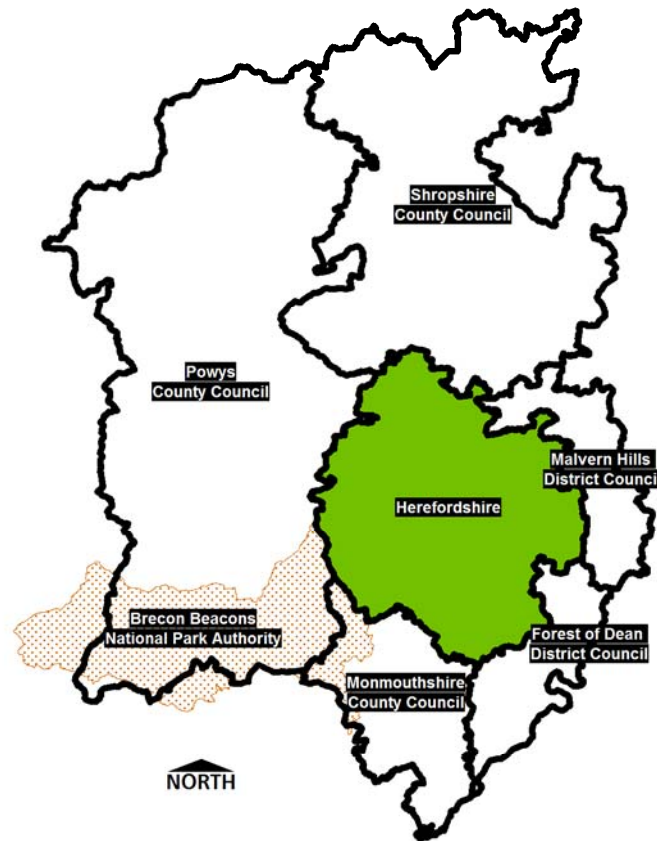
Figure A1.19: Household Estimates 2011 to 2031					
	2011	2016	2021	2026	2031
PROJ 1 (Demographic-based)	78,368 0.0%	81,734 4.3%	85,473 9.1%	89,137 13.7%	92,526 18.1%
PROJ 2 (Long-Term Migration trends)	78,368 0.0%	81,938 4.6%	85,902 9.6%	89,664 14.4%	93,101 18.8%
PROJ 3 (Jobs-led – Experian)	78,368 0.0%	81,697 4.2%	85,366 8.9%	88,954 13.5%	92,257 17.7%
PROJ 4 (Jobs-led – Experian 2014)	78,368 0.0%	81,839 4.4%	85,779 9.5%	89,665 14.4%	93,298 19.1%
PROJ 5 (Jobs-led – Oxford Economics)	78,368 0.0%	81,729 4.3%	85,458 9.0%	89,112 13.7%	92,489 18.0%

A1.36 The analysis above concentrated on the number of additional households. In reality there are always likely to be some vacant homes in the area and so the number of properties required to house all of these households will be slightly greater than the projected household numbers. A vacancy allowance of 3.8% has therefore been applied to all of the above figures to make estimated housing

requirements; the resulting figures are shown in the table below.

Figure A1.20: Estimated housing numbers with vacancy allowance (to 2031)			
Projection variant	Annual household growth	Annual requirement with vacancy allowance	Requirement over 20-years
PROJ 1 (Demographic-based)	708	735	14,696
PROJ 2 (Long-Term Migration trends)	737	765	15,292
PROJ 3 (Jobs-led – Experian, 2013)	694	721	14,417
PROJ 4 (Jobs-led – Experian, 2014)	747	775	15,498
PROJ 5 (Jobs-led – Oxford Economics)	706	733	14,658

APPENDIX B: NEIGHBOURING LOCAL AUTHORITIES PLAN PROGRESS



Malvern Hills District Council is one of three South Worcestershire Councils jointly producing the South Worcestershire Development Plan along with Wychavon District Council and Worcester City Council

Neighbouring Local Planning Authority	Local Plan Status	Objectively Assessed Housing Need	Proposed Housing Provision	Next stages	Correspondence / communications re implications for Herefordshire
Brecon Beacons National Park Auth	Brecon Beacons National Park Authority Local Development Plan 2007-2022 was adopted 17/12/13.	Policy 24 Housing Requirement "The identified housing requirement for the Brecon Beacons National Park is 1990 dwellings between 2007 and 2022." The inspector concluded in her report dated December 2013 that "the LDP provision for housing has been tested and is supported by a robust evidence base and it is considered that this figure is in line with the projections. The Plan's proposed level of housing growth is thus soundly based."	SP5 Housing: "The LDP has identified a supply of land to provide an estimated 2,045 dwellings over the LDP period. Land is allocated for 960 dwellings at the sites set out in Table 6.1 and as shown on the Proposals Map."		No issues raised by either authority. Letter received 2/6/2014 confirming no need to identify land in Herefordshire to meet their housing or other development requirements.
Forest of Dean District Council	The Forest of Dean Core Strategy adopted 23/2/12. Core Strategy.	FoDDC is consulting on a draft Sites Allocation Plan. In preparing the draft sites allocation plan, the FoDDC has established that the housing provision figure is up to date and represents an assessment of need in terms of numbers overall and type. In fact FoDDC found that the ONS	5,162 dwellings up to 2026	Consultation on sites allocation plan ending 15/9/14.	No issues raised by either authority. Email received 4/7/14 confirming no need to identify land in Herefordshire to meet their housing or other development requirements. Currently working with SWDP officers to

Neighbouring Local Planning Authority	Local Plan Status	Objectively Assessed Housing Need	Proposed Housing Provision	Next stages	Correspondence / communications re implications for Herefordshire
		projections based on the 2011 census suggested a reduction in the number of dwellings to be needed. But taking into account the economic climate at the time and further evidence, FoDDC has proceeded on the basis of the figures included in the Core Strategy.			produce a MoU on DTC.
Malvern Hills District Council (one of three South Worcestershire Councils jointly producing the South Worcestershire Development Plan)	SWDP (to 2030) currently mid examination	In his further interim conclusions the Inspector has provided a full, objectively assessed need for housing over the Plan period for South Worcestershire of 28,370 dwellings (as opposed to 23,200)	Currently assessing additional housing sites in order to meet Inspector's recommended OAHN.	Consultation on new sites in Oct/Nov 2014. Report back to Inspector mid December 2014	In response to the pre-submission consultation, confirmed that the draft SWDP is not seeking to accommodate housing or employment needs in Herefordshire. Currently working with SWDP officers to produce a MoU on DTC.
Monmouthshire County Council	Local Development Plan (2011 -2021) adopted 27/2/14.	At the examination a shortfall in housing provision was identified in the Inspector's preliminary findings. In response, the Council produced an Amended and Additional Sites Consultation Report identifying proposed amendments to existing site	4950 dwellings (2011 -2021) – increased from 4000 dwellings as proposed in the deposit local plan.		No issues raised by either authority. Email received 15 th August 14 confirming no need to identify land in Herefordshire to meet their housing or other development requirements.

Neighbouring Local Planning Authority	Local Plan Status	Objectively Assessed Housing Need	Proposed Housing Provision	Next stages	Correspondence / communications re implications for Herefordshire
		allocations and other proposed additional sites in order to achieve an increased housing target.			
Powys County Council	Current consultation on Deposit Local Development 2011-2026 including land allocations for housing and employment uses.	LDP Housing Requirement 2011-2026 = 4,500 dwellings (but with capacity to deliver approximately 5,000 dwellings)	5,000 dwellings equating to a 21.5% flexibility allowance or over provision	Consultation ends 8/9/14	No issues raised by either authority. Letter received 13/8/14 confirming no need to identify land in Herefordshire to meet their housing or other development requirements. Currently working with SWDP officers to produce a MoU on DTC.
Shropshire County Council	Core Strategy adopted 24.2.11 2006-2026 SAMDEV submitted 22/8/14	27,500 dwellings	27,500 new dwellings in the core strategy. Para 4.2 Sam Dev: " In total, the levels of housing development being provided for is sufficient to enable the Core Strategy targets to be met, having regard to objectively assessed need, including provision in Shrewsbury, and the Market Towns and Key Centres in	Examination of SAMDev	No issues raised by either authority. Email received June 2014 confirming no need to identify land in Herefordshire to meet their housing or other development requirements. Currently working with SWDP officers to produce a MoU on DTC.

Neighbouring Local Planning Authority	Local Plan Status	Objectively Assessed Housing Need	Proposed Housing Provision	Next stages	Correspondence / communications re implications for Herefordshire
			excess of the requirements”.		
Other Local Planning Authorities	Local Plan Status	Objectively Assessed Housing Need	Proposed Housing Provision	Next stages	Correspondence / potential implications
<i>Birmingham Sub-regional housing needs assessment</i>			Identifies shortfall in meeting OAHN		Letter received from BCC 1/8/14 to confirm that no implications for Herefordshire arising from this shortfall.
<i>Gloucester Cheltenham Tewkesbury Joint Core Strategy to 2031</i>	Pre submission consultation ended 18/8/14	Pre submission provides for 30,500 as opposed to 33,200 in previous consultation... The justification for this “is the reduction in household formation rates for younger adults (those within the 25-34 age group)”.	30,500 dwgs	Submission	Responded to recent consultation to effect of noting reduction in housing figures but that this is a result of review of OAHN rather than capacity to accommodate OAHN.
<i>Telford and Wrekin</i>	Shaping Places Local Plan 2011 - 2031 Proposed Housing and Employment Sites Consultation May 2014	The overall provision of housing is 6,500 less than put forward as the preferred option in the strategic options and issues consultation that took place last year. However the Council is carrying out further analysis of its objectively assessed housing needs and that the findings of this will inform the Draft Local Plan.	20,000 dwgs	Further assessment of OAHN	Flagged up that aware of decrease in figures but look forward to seeing outcome of revised analysis of OAHN.