Wessex Economics
Economics Housing Regeneration

Hart, Rushmoor and Surrey Heath Strategic Housing Market Assessment 2014 -2032

Final Report

Clients:
Hart District Council, Rushmoor Borough Council & Surrey Heath Borough Council

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Wessex Economics Ltd
25-27 Queen Victoria Street
Reading RG1 1SY

T: 0118 938 0940

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Executive Summary

1. The primary objective of this Strategic Housing Market Assessment (SHMA) is to develop an up to date evidence base that will underpin the core strategies and development plan documents being developed by Hart, Rushmoor and Surrey Heath Councils. The core requirement of this study is to develop evidence of the *'full, objectively assessed needs for market and affordable housing in the housing market area'* (Paragraph 47, National Planning Policy Framework).

2. The administrative areas of Rushmoor, Surrey Heath and Hart Councils together comprise a Housing Market Area (HMA) defined by Wessex Economics through analysis of commuting and migration data. The three authorities account for the majority of the population of the Farnborough-Aldershot Built-up Area, Rushmoor is wholly within the Farnborough/Aldershot Built up Area and over half of the population of both Hart and Surrey Heath live in the Built-up-Area.

3. Previous research on housing markets and up to date analysis of migration and travel to work patterns undertaken as part of this study supports the particular importance of Hart, Rushmoor and Surrey Heath working together. However, the three authorities in the Hart, Rushmoor and Surrey Heath (HRSH) HMA will need to work with other neighbouring authorities in adjacent housing market areas given the close links with these adjacent areas in terms of travel-to-work patterns and overlapping housing markets.

4. The population of the HMA in 2014 was 276,100, having grown by 31,600 people since 1991, an increase of 13%. In 2014 there were around 108,700 households living in the HMA, a 22% increase on the number of households in 1991. This indicates that there is significant potential for demographic change in the next 20 years.

5. A key issue evident from the review of past trends is the ageing of the population and particularly growth of the number of people in advanced old age (85+).

6. Economic and employment growth impact directly on housing demand through in-migration, as workers move to access jobs, and through increases in income and earnings. This feeds through into demand for more or better housing. Employment in the HMA has grown by between 1,050 and 1,380 jobs pa over the last 20 years depending on the data sources used and the time frame for analysis (peak to peak or trough to trough business cycle).

7. Different economic forecasters anticipate very different rates of future employment growth for the HRSH area over the period 2014 to 2032 ranging from an average annual rate of employment growth of 945 jobs pa to 1,480 jobs pa. This reflects differences in the forecasters' assessment of past employment growth and the inherent uncertainty of employment forecasts over a 22 year period.

8. Local income levels (along with house prices and rents) determine levels of affordability and provide an indication of the potential for intermediate housing. Median household incomes in the market area are just over £40,000 and earnings are above the levels in the South East and England as a whole. Nevertheless, the majority of new households in the market area have insufficient incomes to afford home ownership.

9. Households with an income of around £42,000 would be able to access of the cheapest properties in Rushmoor. Households would need an income of between £52,000 and £55,000 to afford one of the cheapest properties in Hart and Surrey Heath.

10. Households need an income of £26,000 - £32,000 to afford one of the lowest priced private rented properties in the three authorities, the cheapest rents being in Rushmoor. Around 35% of newly forming households in the market area have incomes lower than this threshold and on this basis would be unable to afford one of the cheapest private rented properties.

11. Given the relationship between rents and household incomes it is unsurprising that 12,500 households in the market area receive housing benefit to enable them to access accommodation.

12. In addition, one fifth of private and social rented dwellings in Rushmoor are overcrowded – that is lacking in one or more bedrooms. This means that as families grow they often spend a long time waiting to be re-housed. Many may never be re-housed under current policies given the lack of larger social rented properties available and difficulties in securing funding to develop such properties.

13. There were dramatic changes in tenure over the decade 2001-11 with the rapid expansion of the private rented sector. These changes are tied very closely to declining affordability and reduction in the stock of social rented accommodation. The Private Rented Sector (PRS) has expanded to meet housing needs. The number and proportion of owner occupiers has fallen over the last 10 years. There are 1,200 fewer home owners in the housing market area in 2011 compared to 2001.

14. The majority of homes in the market area have three or more bedrooms although there are significant differences in the stock of the three authorities with a higher proportion of smaller (one and two bedroom) properties in Rushmoor (40% of all homes) compared to Hart (26%) and Surrey Heath (27%). The tenure mix by area reflects both the stock of properties, and socio-economic factors. Smaller homes are more likely to be privately rented and larger homes more likely to be owner occupied. Completions in recent years have largely reinforced the profile of the existing stock in the three authority areas.

15. This SHMA has developed evidence on the requirement for new housing in the housing market area using a process based on National Planning Policy Guidance (NPPG). The stages in this process can be summarised as follows:

    - Step 1: The Starting Point: the most recent Government Household Projections
    - Step 2: Uplift in Planned Housing Provision in response to Market Signals
    - Step 3: Assessment of Affordable Housing Requirements – the Implications for Housing Requirements
    - Step 4: Prospective Job and Labour Force Growth – the Implications for Housing Requirements
    - Step 5: Bringing the Evidence Together

16. The starting point for the assessment of OAHN has been the 2012-based CLG household projections.[1] Wessex Economics has examined a set of variants on the official population projections but conclude that both the Sub-National Population Projections that underpin the Household Projections and the Household Projections themselves are a robust starting point for the assessment of Objectively Assessed Housing Need (OAHN). These projections show a requirement for 785 dwellings pa in the HMA over the period 2014-32.

[1] A review of the updated 2014-Based Sub National Population and Household Projections is included in Appendix H and concludes that there is no need to alter the demographic start point.

17. Wessex Economics then considered whether market signals would indicate a need to boost housing provision to offset worsening affordability that will have constrained household growth. There is clear evidence of worsening affordability of both home ownership and in the private rented sector in the HRSH area. Therefore, in accordance with NPPG, Wessex Economics concludes that there should be an uplift to the level of future housing delivery over and above the demographically-based starting point, in the light of evidence that household formation has been constrained because of worsening affordability of housing.

18. Wessex Economics has calibrated the scale of the required uplift by examining evidence of suppressed household formation. There is evidence in the HRSH area of suppressed household formation over the past 15 years particularly among the 25-34 age group, though the decline in household formation is not solely attributable to affordability issues. However, all the affordability indices point to worsening affordability over time in the HRSH.

19. The upward adjustment to housing requirements as a response to market signals has been calibrated on a partial return to the rates of household formation set out in the CLG 2008-based household projections. The outcome of this step in the process of arriving at OAHN is application of an uplift from the demographic starting point of 785 dwellings pa (dph) to a requirement to plan for provision of 903 dpa, an increase of 15% on the demographic start point.

20. The third step in the process of arriving at OAHN has been to consider the need for affordable housing, with a particular emphasis on the need for subsidised rented housing, which can be used by local authorities to house those to whom they have a statutory responsibility to provide suitable accommodation. For the purposes of the assessment it has been assumed that privately rented accommodation is not suitable for those in housing need because it does not provide security of tenure.

21. There is estimated to be a gross requirement for an additional 380 affordable rented homes each year in the HRSH area over the 18 year period to meet the needs of households that are unable to afford to rent privately. However, if this level of affordable rented homes is provided, then an estimated 230 homes would be freed up for use by market tenants in the private rented sector.

22. It is appropriate that the freeing up of private rented housing for use by market tenants is weighed in the balance when considering the need for any uplift to OAHN to address the need for affordable rented homes.

23. In addition to the need for affordable rented housing, there is a substantial group of households who, while they are deemed by Government to be able to afford to rent in the private sector (in that they are not eligible for Housing Benefit), cannot afford to buy their own home (based on the cost of the cheapest 25% of homes).

24. Wessex Economics estimate that there are over 2,000 households across the market area currently in 'need' of affordable home ownership, though they are currently meeting their housing requirements in the market sector and hence are not defined as being in 'housing need' in the traditional sense. Around half of these households are under the age of 40 and may be eligible for the new Starter Homes product.

25. The planned introduction of Starter Homes greatly complicates the assessment of what level of overall provision of housing (market and affordable) would be consistent with meeting the housing needs to whom the local authorities have a statutory duty. The Government proposes that provision of Starter Homes will take precedence over the provision of all other forms of affordable housing.

26. The implication of giving priority to Starter Homes over other affordable housing will probably be a reduction in the provision of new affordable rented housing. However, at the current point in time, it is unclear how the Starter Homes programme will impact development viability. It is difficult to predict therefore what level of subsidised rented housing may be deliverable in the future.

27. In considering whether an uplift should be made to OAHN in connection with the assessment of the need for affordable housing, it is important to avoid double counting in the assessment process. Households in housing need currently living in unsuitable housing in either the private rented sector or in affordable housing are already counted as part of the baseline household and projections.

28. On balance, Wessex concluded that the only adjustment that should be made to the OAHN in response to identified housing need is an uplift that recognises that Household Projections do not include concealed households. These households should be added to the household projections. This requires an uplift of 79 households to the overall OAHN.

29. The final step in the process of arriving at OAHN for the HRSH area has been to consider the implication for the emerging figure of OAHN arrived at through Steps 1-3 for the supply of labour and hence the impact on local employment and local economic development.

30. The analysis set out in the SHMA shows that there is a high level of uncertainty about the future pattern of employment growth in the HRSH area over the next 20 years, with forecasts from different forecasting houses varying greatly; and analysis of past trends showing different results over different time frames. The central scenario for employment growth developed for this study reflects both historic trends and takes account of different employment forecasts by different forecasting houses.

31. This central scenario is based on employment growth of 1,200 jobs pa over the period 2014-32. To ensure that this scenario can be delivered without risk of labour shortages there is a requirement for provision of an around 1,200 homes per annum. This level of housing provision is consistent with ensuring a sufficient supply of labour and increased levels of household formation.

32. In view of the evidence presented in this report, Wessex Economics conclude that the **Objectively Assessed Housing Need for the Housing Market Area is for 1,200 homes pa, which equates to 21,600 homes over the period 2014-32**.

33. This level of planned provision represents a substantial uplift in housing provision over the baseline demographic requirements (785 dwellings), to respond to market signals, an uplift to ensure that the needs of concealed housing is taken into account; and is consistent with ensuring sufficient labour supply to meet the need for economic development.

34. This level of planned provision provides scope for significant provision of affordable housing to meet the needs of both those that local authorities have a statutory duty; and to support the development of affordable homes for those households that 'can rent – can't buy'

35. The Figure overleaf shows how the requirement is split between the different authorities based on the demographic projections for the individual local authorities. These figures include the demographically derived labour supply projections relative to the scale of employment growth anticipated for each local authority area.

Objectively Assessed Housing Need in the Hart, Rushmoor and Surrey Heath HMA

	Dwellings per annum
Housing Market Area	1,200
Hart	382
Rushmoor	436
Surrey Heath	382

36. The SHMA provides evidence on the need for different types and sizes of homes. It is very difficult to be definitive about the size of market homes that will be demanded in the future. This is driven as much by changes in household incomes as it is by demographic factors. However, estimates of the sizes of market housing required from 2014 to 2032 based on demographic trends suggests the majority need to be two and three bedroom homes. This would largely reinforce the existing profile of stock, with a slight shift towards a requirement for smaller dwellings relative to the profile of existing housing.

37. In terms of the sizes of affordable housing require, based on analysis of long term demographic trends, around three-quarters of the requirement is for homes with one or two bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms. Relative to the current stock this implies a slight move towards a greater proportion of smaller homes being required. But whilst it takes account of the size of the housing stock, this does not take into account how often these properties become available for re-let.

38. In each of the authorities, small affordable homes become available much more regularly, both because they are more numerous and also because households living in these properties are more likely to move. Larger properties are fewer in number and, particularly in rural areas, are more likely to have been sold through Right to Buy. Households living in larger homes are less likely to move. Thus larger properties become available much less frequently than smaller properties.

39. In Hart and Surrey Heath, when the number of households needing a particular sized property is compared to the number of re-lets of properties of that size, the greatest pressure is on the largest properties. The greatest need in Hart and Surrey Heath is for additional large affordable homes; though it may be that the spare room subsidy ('bedroom tax') has some effect on the release of larger social rented homes over time. In Rushmoor the pressure on different sized affordable homes is relatively even.

40. The SHMA has considered the characteristics of specific groups in the housing market area and the extent to which they have different needs to the population as a whole. Overcrowding is a significant issue affecting families, ethnic minorities and particularly the Nepalese community in Rushmoor, many of whom live in overcrowded conditions. Overcrowding is linked to low incomes are a key factor in both cases. In contrast, under-occupancy is very common amongst the older population, linked to a range of factors and reinforced by national policy which encourages the provision of care in the home.

1. Introduction

1.1 This section explains the background to this study. It sets out the overall purpose of a Strategic Housing Market Assessment (SHMA) and the key objectives for this report. This section also briefly outlines the relationship of this report to the Hart, Rushmoor and Surrey Heath SHMA published in December 2014. Finally, it explains in brief the methodology employed and the structure of the rest of the report.

Background

1.2 In December 2013 Hart, Rushmoor and Surrey Heath Councils appointed Wessex Economics to prepare a Strategic Housing Market Assessment for the Hart, Rushmoor and Surrey Heath Housing Market Area. A consultation draft of the SHMA was issued in May 2014 and a final version of the SHMA was published in December 2014.

1.3 Towards the latter half of 2015, the HRSH Councils started to discuss the need to update aspects of the SHMA in the light of the release of new data from the Office for National Statistics and the Department for Communities and Local Government (DCLG), other new research evidence relevant to the SHMA, and emerging best practice. Wessex Economics was commissioned late in November 2015 to update the December 2014 SHMA. This SHMA reports findings for the period 2014 to 2032, though the appendices extended the analysis to 2036.

1.4 Each of the three commissioning authorities is at a different stage in the local plan process but they all need guidance on the objective requirement for housing and the nature of new housing required to meet needs:

- Hart is developing a Local Plan (strategy and sites document) due to go out to consultation in early 2017 and needs the SHMA to provide evidence for its housing policies, particularly in terms of the quantum of housing needed.
- Rushmoor is preparing a single Local Plan with publication of the draft Submission Local Plan to take place in Spring 2017. The evidence developed in the SHMA will inform policies and proposals relating to future housing need.
- Surrey Heath has published a Local Development Scheme to cover the period 2016-2019. An Issues and Options consultation on a draft plan is scheduled for Autumn 2017.

The Purpose of this SHMA Update

1.5 The primary objective of a SHMA, and the primary objective of this study, is to develop an up to date evidence base that will underpin the local plans that are being developed by the three authorities. The core requirement of the SHMA is to develop evidence of the *'full, objectively assessed needs for market and affordable housing in the housing market area'* (paragraph 47, National Planning Policy Framework (NPPF)). Within a SHMA, the scale and mix of housing, and the range of tenures that the local population is likely to need, should be identified over a given planning period (see paragraph 159, NPPF).

1.6 For a Local Plan to be considered sound in terms of overall housing provision, the full, objectively assessed need for housing in the housing market area first needs to have been identified. Local authorities then need to meet these needs in full and demonstrate how they will be met, or provide robust evidence to show that they cannot be delivered.

1.7 The NPPF also expects local authorities to deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable and inclusive, mixed communities (paragraph 50, NPPF). Specifically, local authorities are asked to:

- plan for a mix of housing[2] based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand.

1.8 The NPPF also states that local authorities need to ensure that strategies for housing, employment and other uses are integrated, and that they take full account of relevant market and economic signals (paragraph 158, NPPF). It is important that the approach to assessing objectively assessed housing needs takes account of the impact that employment and labour market trends could have on the overall need for housing and vice versa.

Methodology

1.9 The National Planning Practice Guidance, which supports the policy in the NPPF, was published in March 2014. It focuses on the primary objective of assessing the future quantity of housing needs and provides limited guidance on developing the evidence to meet the requirements of paragraph 47, other than for the assessment of the need for affordable housing. Nevertheless, the evidence presented in this report adheres closely to this guidance.

1.10 The approach to this SHMA follows three broad steps:

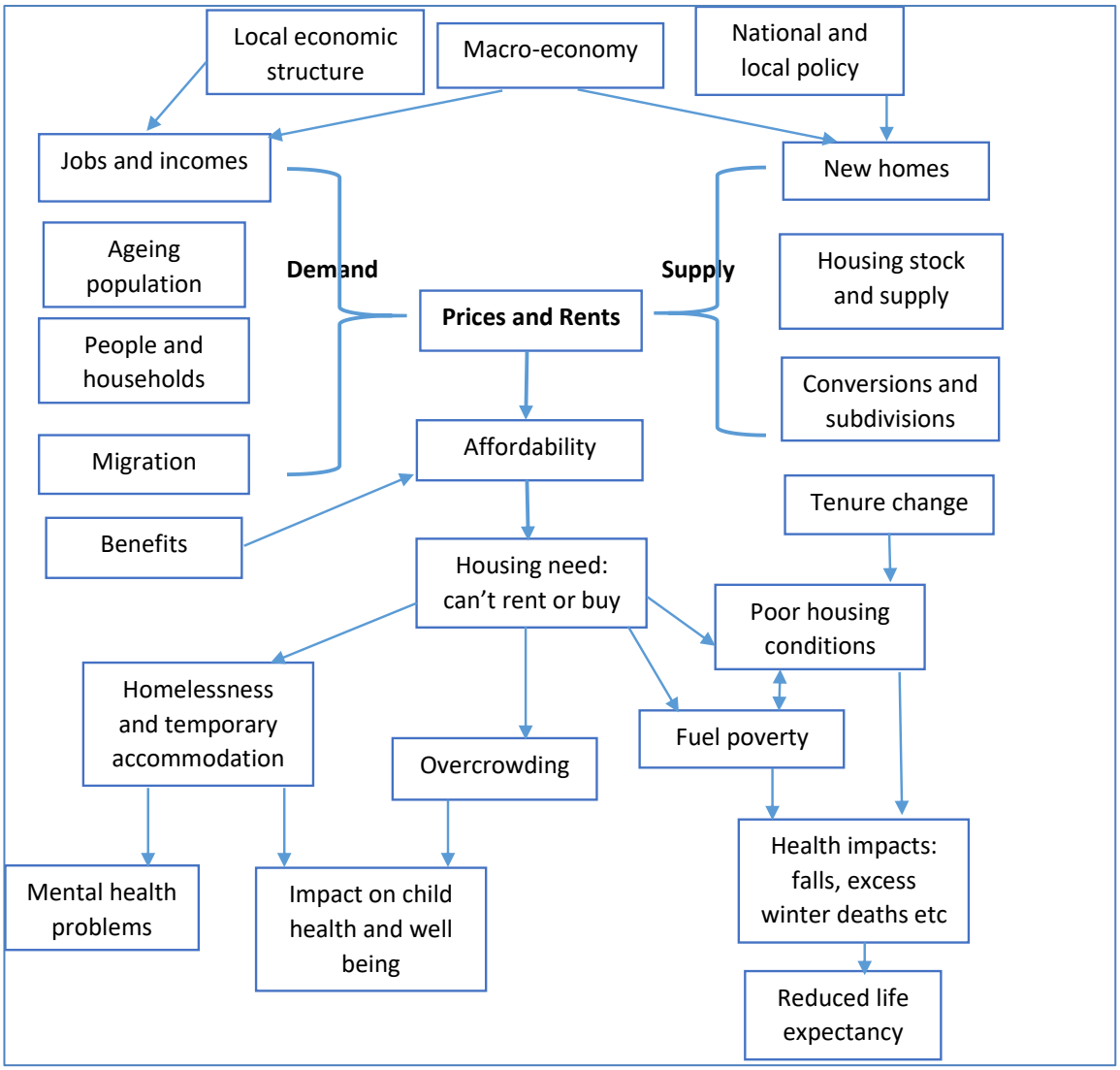
- **The first step** is to identify the study area – the **housing market area**[3]. We have followed the guidance in the NPPG and drawn on a range of previous research on housing and labour markets, including the 2014 SHMA, as well as examining the available up-to-date data on migration and travel-to-work patterns. This step defines the study area for the subsequent stages of the SHMA.
- **The second step** is to examine the **current and past social and economic trends** in the housing market area[4]. This SHMA considers trends in the population, jobs and income patterns, the housing stock and house prices and rents. Evidence from this analysis feeds into future projections and assessments of the needs for housing overall and for affordable housing.
- The housing market of any area is driven by a range of demand and supply factors. The same factors exist across the country, but the way in which these factors operate differs considerably between different housing market areas. Figure 1.1 illustrates these drivers in a conceptual diagram. It is the interaction of these various factor which gives rise to significant differences in housing markets across the country.
- Figure 1.1 also shows that, in order to address serious housing issues such as homelessness, overcrowding, poor conditions and the impact on the health of occupants, it is important to understand the underlying structure of the economy, income patterns and demographic changes.

[2] Including houseboats and caravans.
[3] NPPG Reference Housing and Economic Development Needs Assessment Paras 008 to 011
[4] NPPG Reference Housing and Economic Development Needs Assessment Paras 014, 018, and 019

Figure 1.1 is by no means comprehensive in this respect, but it aims to present some of the linkages between housing outcomes and the economic and social factors which affect them.

- **The third step** develops **projections for the future** and an overall assessment of the need for housing in Hart, Rushmoor and Surrey Heath, including the nature of the housing that might be needed to accommodate households[5]. This includes the core requirements of a SHMA – the development of objectively assessed housing need and an estimate of the need for affordable housing.

Figure 1.1: Conceptual Framework



Source: The Health & Housing Partnership

1.11 The third step in this study, which includes the development of objectively assessed housing need (OAHN), follows the process set out in the NPPG. While the NPPG sets out the broad approach to be adopted in arriving at OAHN, it is very far from being prescriptive in the detailed assumptions that have to be made in order to arrive at OAHN. Section 7 provides an overview of the approach used in this SHMA, with subsequent sections taking the reader through the detailed application of that methodology.

1.12 In September 2015 the Government appointed a panel of experts to examine how Local Plan making can be more efficient and effective. One aspect of this review has been to examine the process of preparing

[5] NPPG Reference Housing and Economic Development Needs Assessment Paras 015-017

SHMAs. The report of the Local Plans Expert Group (LPEG) was published in March 2016, prior to this SHMA report having being finalised, but before the Government has responded with any indication of whether they accept the recommendations of the LPEG regarding the preparation of SHMAs.

1.13 In view of the uncertainty about whether the LPEG's recommendations will be adopted, and given the possible time it might take for those recommendations to be incorporated into the NPPG, this study has assumed that the SHMA should continue to be prepared on the basis of best practice as currently understood, prior to the publication of the LPEG report. It should be noted that the LPEG approach is quite markedly different to the approach taken in the great majority of SHMAs over the past three years.

1.14 In terms of the data analysis in the SHMA, this report analyses and presents data for the following areas:

- Hart
- Rushmoor
- Surrey Heath
- The Housing Market Area (being the area of all three of the above authorities)
- The South East Region
- England

1.15 The report analyses data from a wide range of sources. For the purposes of analysis, 2014 is taken to be the base year for the assessment because this is the year for which official data was generally available at the time the SHMA was being prepared (January to October 2016). However, in the analysis of past trends extensive use is made of the 2011 Census of Population.

1.16 The use of 2011 Census of Population data allows the HRSH authorities to estimate the overall level of housing need from a 2011 base date. It allows the local authorities in the HMA that are using 2011 as a base date for their Local Plan to assess with respect of housing delivery whether, for example, there has been recent under- or over-performance relative to needs and the implication this has for future plans.

1.17 The report analyses past trends with a focus particularly on the last 10 years, though the report examines trends in economic, demographic and tenure patterns over the last 20-30 years since this period takes in a full economic and housing market cycle. The report presents demographic projections up to 2032 and 2036 and provides figures for individual years so that the analysis can be used by the different authorities for their different plan periods.

1.18 A key concern for each of the local authorities and the Planning Inspector who examines development plan documents is whether the evidence used to develop policies is robust. It is worth highlighting the following components of this study:

- It draws on existing research: where possible, this SHMA draws on existing research to strengthen the evidence base. For example, in defining the Housing Market Area, Wessex Economics has considered research by the National Planning and Housing Advice Unit in 2010 as well as the work undertaken by DTZ for the South East Regional Assembly in 2004. Similarly this report makes reference to the findings of a number of academic studies on demographic projections published by the TCPA and the RTPI.
- It uses a wide range of data to build up a picture: the SHMA does not rely on a single data source to draw conclusions. For example, in examining household incomes, Wessex Economics has drawn on

data from the Annual Survey of Hours and Earnings (ASHE), the Survey of English Housing (SEH) and the Office for National Statistics (ONS) to form a rounded view.

- The broad approach and outputs of the December 2014 SHMA were tested with stakeholders (see below for further detail). This allowed stakeholders to challenge the emerging findings. The findings of the 2014 SHMA have also been tested at a s78 appeal and broadly accepted (see Appeal Ref: APP/N1730/A/14/2226609 Land at Owens Farm, Hop Garden Road, Hook, Hampshire).
- This report sets out a transparent approach to explain how conclusions have been reached. Each data set and other relevant information is referenced. Where judgements have been made by the study team these are made these explicit.

Duty to Cooperate and Stakeholder Engagement

1.19 The guidance is clear that local authorities should work together to undertake combined SHMAs for well-defined housing market areas. This emphasis on the need to work together in planning how to meet housing demand and need is reinforced by Section 110 of the Localism Act. This places on all local authorities, and a number of other public bodies, a *'Duty to Co-operate'*. A brief summary of what the Duty to Co-operate means for Councils is presented in Figure 1.2.

1.20 It is evident in examinations of Local Plans that the Planning Inspectorate is scrutinising whether the evidence base used in plan making is up to date and robust; and whether local authorities have fulfilled the Duty to Co-operate.

1.21 Whilst the three local authorities have worked together to deliver this updated SHMA, they recognise the need for wider engagement and joint working with other adjacent local authorities. As part of this, the findings of the work to define the housing market area and the proposed methodology for the 2014 SHMA was shared with around 50 stakeholders including neighbouring authorities, housing associations and developers.

1.22 A stakeholder workshop was held to present and discuss the findings of the draft 2014 SHMA. The draft final 2014 SHMA report was shared with stakeholders and feedback received was taken into account in finalising the report. With respect to this SHMA update, both Hart and Rushmoor expect to consult with stakeholders during 2017 as part of their Local Plan process. Comments on the content of this report will be invited during these Local Plan consultations, rather than a separate consultation exercise being undertaken.

Figure 1.2: The Duty to Co-operate

What does the duty to co-operate mean for Councils?

The duty:

- relates to sustainable development or use of land that would have a significant impact on at least two local planning areas or on a planning matter that falls within the remit of a county council
- requires that councils set out planning policies to address such issues
- requires that councils and public bodies *'engage constructively, actively and on an on-going basis'* to develop strategic policies[6]
- requires councils to consider joint approaches to plan making.

Paragraph 156 of the NPPF sets out the strategic issues where co-operation might be appropriate (

Paragraphs 178-181 of the NPPF give further guidance on *'planning strategically across local boundaries'*, and highlight the importance of joint working to meet development requirements that cannot be wholly met within a single local planning area, through either joint planning policies or informal strategies such as infrastructure and investment plans.

From: A Simple Guide to Strategic Planning and the Duty to Co-operate, PAS

Study Outputs

1.23 The core outputs that this SHMA delivers are:

- An evidence base that meets the national policy requirements set out in particular in paragraph 159 of the NPPF and which is consistent with the NPPG guidance. This includes:
    - Identifying the scale of housing needed overall across the Housing Market Area and in each of the three local authorities.
    - Estimating the need for affordable housing to accommodate those unable to meet their needs in the market.
    - Setting out evidence on the mix of housing in terms of tenure, type and size that would best meet the needs of the community and local economies.
- Identifying the specific housing requirements of particular groups. In addition to those groups set out in paragraphs 50 and 159 of the NPPF, the Nepalese community in Rushmoor is a group which might have particular housing needs.

[6] Localism Act, Section 110, (1) 33A Clause 2a

Report Structure

1.24 The rest of this report is structured as follows:

- Section 2 summarises the evidence on the Housing Market Area which relates to Hart, Rushmoor and Surrey Heath and provides justification for the three authorities working together on a joint SHMA.
- Section 3 presents evidence on the current position and past changes in the population of the three authorities in the HMA. Past trends are important in informing future projections of the population and so directly feed into the estimation of objectively assessed housing need. This section also presents evidence on how the population has changed over time in terms of its age structure and household composition. These factors influence the tenure, type and size of housing that might be required in the future.
- Section 4 presents evidence on the current pattern of employment among residents (as distinct from jobs within the HRSH area), commuting patterns, wages and household income, all of which affect the demand for housing. In particular, income patterns feed into the assessment of the need for affordable housing.
- Section 5 examines trends in workplace-based employment within the HMA, and discusses future forecasts of employment growth, and the competitive positioning of the HMA economy.
- Section 6 presents evidence on the stock of housing within the three authorities in terms of the tenure, type and size of properties available. Changes in tenure over the last 10 years need to be considered as part of the overall picture in understanding housing needs and how they can best be met. The nature of the existing stock, in terms of tenure, type and size also feeds into considerations about the mix of housing that might be required in the future.
- Section 7 introduces the step-by-step approach that this SHMA adopts to establish Objectively Assessed Housing Need (OAHN) for the Hart, Rushmoor and Surrey Heath (HRSH) HMA.
- Section 8 analyses the most recent population and household projections published by Government to identify the demographic starting point for the study in terms of baseline figures for population and households and levels of growth expected by Government.[7] The section tests a range of possible alternative scenarios based on variant data.
- Section 9 analyses current house prices, rents and affordability and past trends in these variables. The section then proposes an uplift to the 'starting point' demographic projections in order to improve affordability. Illustrative demographic scenarios of how such an uplift could contribute to the objective of helping more people form independent households are presented as part of the process of testing the scale of the uplift that is appropriate.

[7] At the time that the SHMA was substantially completed, the most recent Population and Household Projections were the 2012-based ONS Sub National Population Projections and the 2012-based CLG Housing Projections. The 2014-based SNPP were issued in May 2016 after completion of the Draft Final SHMA; the 2014-based CLG Household Projections were published in July 2016. The main analysis has not been revisited using the 2014-based SNPP, not least because it may be that new projections are available by the time any plan based on this SHMA comes to be examined; however an analysis of the implications for the demographic forecasts based on the 2014 based projections is set out in Appendix H..

- Section 10 sets out the assessment of the need for affordable housing in each of the three authorities. It draws on information from each local authority's waiting list, data on lettings, data on prices and rents, and data on household incomes. It estimates both the need for subsidised rented accommodation across the HMA and in each authority.
- Section 10 also estimates the number of households living in market housing in the private rented sector who do not have sufficient income to buy their own home in the HMA. This provides a measure of the numbers of households who would potentially be interested in subsidised home ownership products.
- Section 11 considers the relationship between labour supply, the provision of new homes and job growth in the HMA, and what level of housing provision would be consistent with different scenarios for employment growth.
- Section 12 brings together the evidence from the four steps of the OAHN process and sets out the Objectively Assessed Housing Need in the HMA.
- Section 13 provides evidence on the mix of homes that might be required in the future. This draws on the demographic projections (consistent with Section 8) and current occupancy patterns, as well as the characteristics of the existing stock (Section 6).
- Section 14 considers the needs of specific groups in the housing market. Key groups considered are families, older people, Black and Minority Ethnic Groups, Ex-Service Personnel and self-builders.

2. The Housing Market Area

Summary

Rushmoor, Surrey Heath and Hart account for the majority of the population of the Farnborough/Aldershot Built up Area (ONS 2011 definition), and in each case have over half of their resident population in the Built up Area. This characteristic supports an approach where the three authorities accounting for the principal area covered by the Built up Area work together to identify their housing needs.

A study undertaken by DTZ across the South East in 2004 identified this area - the Blackwater Valley - as *'an area of convergence'*, where a number of housing market areas overlap. It recommended that it would be appropriate to undertake a SHMA for this area in its own right because of its distinct characteristics. The authorities are also affected by their proximity to London with in-migration from the capital and commuting to London for work. This relationship is reflected in the population and economic projections for the area.[8]

Research on housing markets undertaken by the National Housing and Planning Advisory Unit (NHPAU) in 2010 does not provide an unequivocal answer of which authorities in this area should work together in terms of a joint SHMA. The market areas identified by the NHPAU study would imply the need for large numbers of local authorities to join up with significant practical challenges. Nevertheless, this underlines the need for engagement with local authorities in adjacent market areas in developing plans and strategies.

In terms of migration, Rushmoor, Hart and Surrey Heath are closely linked to one another. Rushmoor's most significant relationship is with Hart. Hart and Surrey Heath's most significant relationships are with Rushmoor. Hart and Surrey Heath are also connected to one another through migration flows but these are less significant than those with Rushmoor and Basingstoke (for Hart) and Woking (for Surrey Heath).

There are also significant travel-to-work flows between the three authorities. Each authority experiences low levels of self-containment. The majority of residents in employment commute to work outside of the local authority in which they live, but there are also significant flows of workers into each authority from neighbouring areas:

- The largest outward commuting flows from Rushmoor are to Surrey Heath, Hart, Guildford, and Waverley. There are significant in flows of workers to Rushmoor from Surrey Heath and Guildford.
- The largest numbers of Hart's residents commute to Rushmoor and Surrey Heath for work. There are in flows of workers to Hart from Rushmoor, Basingstoke and Deane, Bracknell Forest and Surrey Heath.
- The largest proportion of Surrey Heath's residents commute to Rushmoor and Guildford. There are in flows of workers to Surrey Heath from Hart, Rushmoor and Bracknell Forest.

Taken together, previous research on housing markets and up to date analysis of migration and travel-to-work patterns undertaken by Wessex Economics supports the particular importance of Hart, Rushmoor and Surrey Heath working together, and is the reason why these three authorities have chosen to work together in preparing a joint SHMA. There will be a continued need to work with other neighbouring authorities in adjacent Housing Market Areas given the close links and complexity across the wider sub-region.

[8] Stakeholders questioned whether the objectively assessed housing need (in Section 12) takes account of London 'spill over'. London overspill is reflected in the OAHN through migration and employment projections which are influenced by London.

Introduction

2.1 This section summarises the evidence on the geography of the housing market that relates to Hart, Rushmoor and Surrey Heath. It identifies the study area for the SHMA, which is used throughout the analysis in subsequent sections of this report. Further detail is provided in Appendices B, C and D. In summary:

- The analysis presented in Appendix A reflects research undertaken by Wessex Economics for each of the three Councils in advance of the 2014 Strategic Housing Market Assessment for the HRSH area.
- Appendices B and C present data from the analysis of the 2011 Census Flow data released in September 2014. These data examine household movements and travel-to-work patterns in the year before Census day 2011 (27th March).

2.2 It is important to state that the starting point for this work was not an assumption that the three local authorities should work together. The initial analysis of the market area, commissioned by Rushmoor, considered the relationships between sixteen neighbouring local authorities in Hampshire, Surrey and Berkshire.

2.3 Identifying the geography of the housing market is the first step in undertaking a SHMA for the following reasons:

- It is only possible to start to address housing demands and needs in an effective way if measures are taken across meaningful geographies of housing and labour markets.
- There is a policy requirement to identify needs and demands in the housing market area. There is also a 'duty to cooperate' in strategic planning.
- To identify any implications for the rest of the analysis in the SHMA, particularly in terms of demographic and economic changes which are reflected in migration and travel-to-work patterns.

2.4 The rationale for developing an evidence base for a housing market area and then developing policies which apply to this area is that these policies are likely to be more effective because they take account of economic and social realities.

2.5 The importance of these functional relationships is now reflected in policy. The National Planning Policy Framework (NPPF) states *'local planning authorities should have a clear understanding of housing needs in their area. They should* (first of 2 bullet points) *prepare a Strategic Housing Market Assessment to assess their full housing needs, working with neighbouring authorities where housing market areas cross administrative boundaries'* (paragraph 159).

2.6 The NPPF also states that local authorities should meet *'the full, objectively assessed needs for market and affordable housing in the housing market area, as far as this is consistent with the policies set out in this Framework'* (paragraph 47). Implicitly this indicates that, if a housing market area covers more than one authority, the planning authorities for that area have collectively to agree how the full, objectively assessed need for housing would be distributed across that area, subject to other "policy on" considerations identified in the NPPF.

2.7 This emphasis on the need to work together in planning how to meet housing demand and need is reinforced by Section 110 of the Localism Act. This places on all local authorities, and a number of other public bodies, a *'Duty to Co-operate'*.

2.8 The guidance is clear that local authorities should work together to undertake a combined SHMA for well-defined housing market areas. Across much of the country, it is relatively easy to define sub-regional housing market areas, based on the pattern of major cities and rural hinterlands. But it is recognised that in London, housing markets overlap to the extent that it is not possible to define clearly distinct geographic sub-markets. Sub-markets in these areas overlap and merge.

2.9 Many of the same issues arise in the London commuter belt, the area outside the administrative boundaries of London that nevertheless have strong functional ties with London[9]. The London commuter belt consists of an area with high levels of connectivity not just radially into/out of London, but also laterally between the adjacent areas that encircle London. This means that housing markets have a tendency to overlap. Defining housing market areas in the commuter belt is less easy than elsewhere in the country. This applies to much of West Surrey and parts of North Hampshire.

2.10 The rest of this section summarises the evidence on:

- The geography of the Blackwater Valley area
- Previous research on housing market areas
- Migration patterns
- Travel-to-work movements

The Geography of the Blackwater Valley

2.11 It is estimated that Rushmoor had a population of 95,300 people[10] in 2014, virtually all of whom lived in two large urban areas, Aldershot and Farnborough. These two towns, however, form part of a larger functional urban defined by ONS in 2011 as the Farnborough-Aldershot Built up Area (see Appendix A, Annex 2).

2.12 Also in 2014, Hart had a population of around 93,300 people. Hart is a predominately rural district within North Hampshire, although around half the population lives within the two largest towns - Fleet (with a population of around 32,000) and Yateley (with a population of around 21,000). The district as a whole is bisected by the M3 motorway.

2.13 Surrey Heath had a population of approximately 87,500 people in 2014. The largest town is Camberley, with a population of around 31,000, followed by Frimley with around 13,000 people.

2.14 With the exception of Hook in Hart District, the major urban communities in each of the three authorities are all part of the urban area commonly referred to as the Blackwater Valley (see Appendix A, Annex 1).

2.15 The Blackwater Valley is a wider area than the Farnborough-Aldershot Built-up Area defined by the Office for National Statistics. In 2011, the Farnborough/Aldershot Built-up Area had a population of slightly over a quarter of a million people (252,400), which makes it the 29th largest urban area in England and Wales.

2.16 For the purposes of this study, the Farnborough/Aldershot Built up Area is taken to include the following settlements (local authority in brackets):

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[9] The report *London in its Regional Setting*, London Assembly, 2004, discusses the relationship of London to the commuter belt outside London's administrative boundaries

[10] ONS 2014 Mid-Year Population Estimates

- Aldershot (Rushmoor)
- Farnborough (Rushmoor)
- Camberley (Surrey Heath)
- Frimley (Surrey Heath)
- Fleet (Hart)
- Church Crookham (Hart)
- Blackwater (Hart)
- Yateley (Hart)
- Sandhurst (Bracknell Forest)
- Badshot Lea (Waverley)
- Farnham (Waverley)

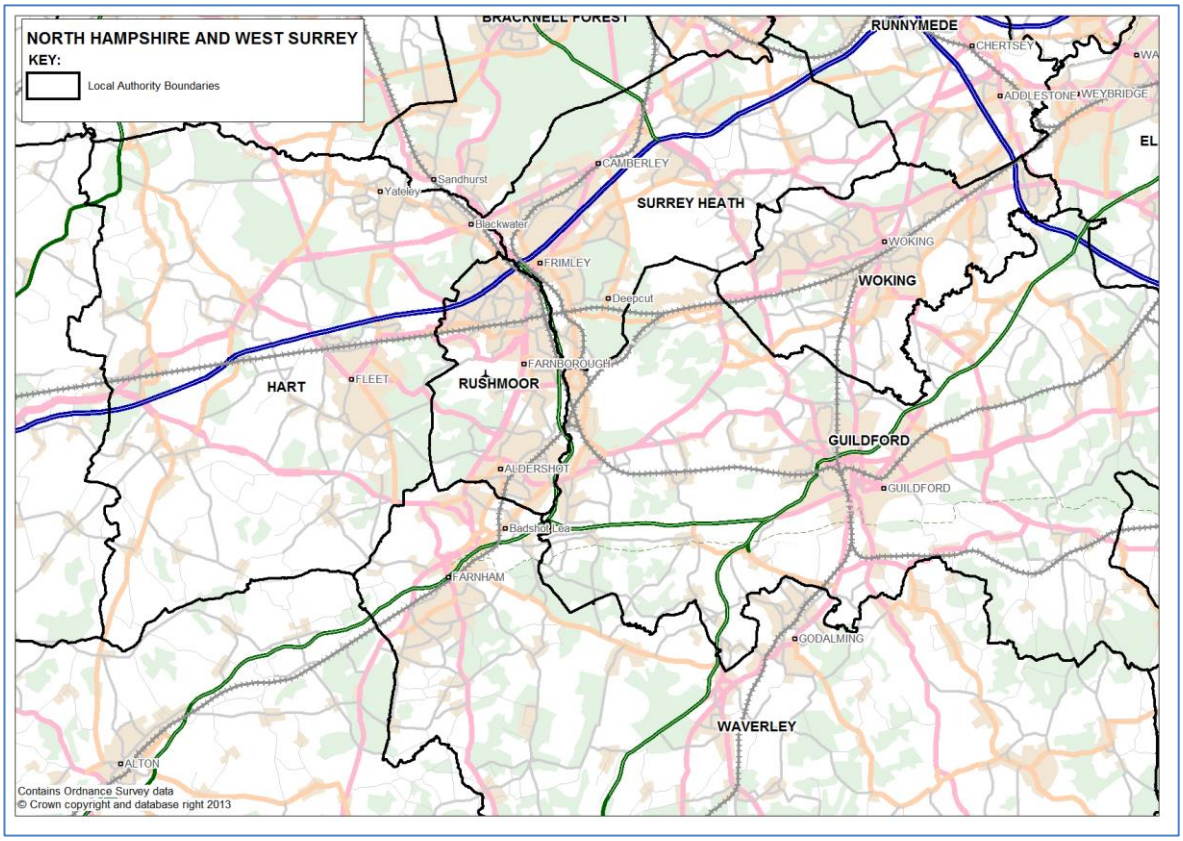
2.17 The smaller settlements of Ash, Ash Vale and Tongham (Guildford Borough), Frimley Green, Mytchett and Deepcut (Surrey Heath), Frogmore (Hart) and Hale (Waverley) are also included in the area. The town of Fleet is recognised to be part of the Blackwater Valley area, but is not included in the ONS defined Farnborough/Aldershot Built-up Area, because of the strategic gap that the planning authorities have maintained between the settlements.[11]

2.18 Figure 2.1 shows the general context of the area in terms of settlements and key road networks. The M3 runs through the northern part of the area, and the A31 through the south of the area, the two being connected by the dual A331 route. Rail routes run through the area along the M3 corridor (Southampton to London Waterloo), from Farnham to London Waterloo, with rail connections through the area on the Reading to Guildford and Gatwick line.

2.19 The administrative areas of the local authorities in the area do not conform in any logical way to the urban area of the Blackwater Valley. Rushmoor is wholly within the Blackwater Valley area but only accounts for somewhat over a third of the population. The largest population settlements in Surrey Heath, Camberley and Frimley, are part of the Blackwater Valley area. If taken together, Fleet, Yateley and Blackwater account for over half of the population of Hart District. Each of these three authorities, Rushmoor, Surrey Heath and Hart, have a strong interest in working together since more than half of their resident population lives in the Blackwater Valley.

[11] The ONS define urban areas as areas of continuous and contiguous urban development

Figure 2.1: The Geography of the Blackwater Valley Area

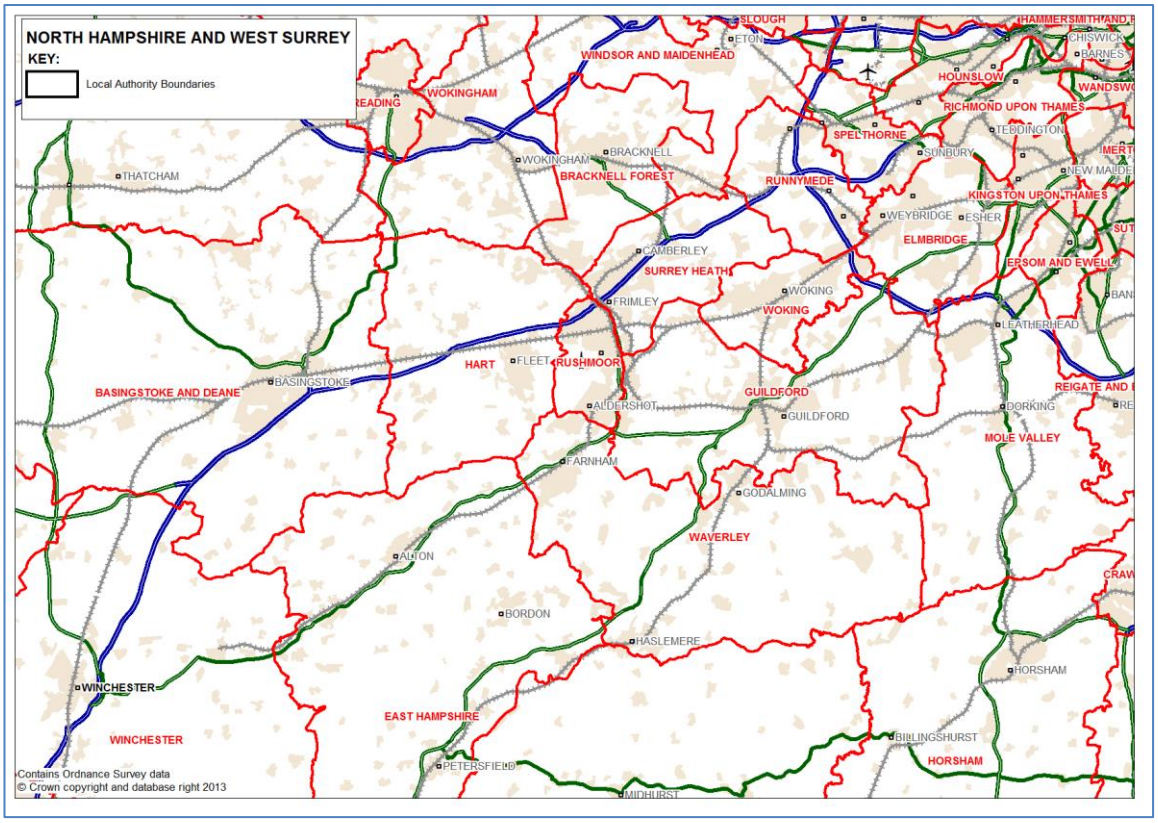


Source: Wessex Economics

2.20 In contrast, those parts of the Blackwater Valley area that are within Guildford Borough and Bracknell Forest account for a very small part of the total population of the respective local authority areas. Thus, Guildford and Bracknell Forest Councils are less likely to give priority to the development of the strategic plan for the Blackwater Valley, than Rushmoor, Surrey Heath and Hart. Just under a third (32%) of the population of Waverley Borough live in Farnham and the immediately adjoining settlements. So, whilst over two-thirds of the population of the Borough live outside of the Blackwater Valley, Waverley Council is likely to take a key interest in the planning of the Blackwater Valley.

2.21 The geography of each local authority needs to be borne in mind throughout this report, particularly in the interpretation of migration and travel-to-work statistics because these are presented for the local authority as a whole. For example, though Ash Vale (in Guildford Borough) is very much part of the Blackwater Valley housing and labour market, there is likely to be less connection in terms of household migration between Guildford, which is the main centre of population in Guildford Borough, and the Blackwater Valley.

Figure 2.2: Local Authority Boundaries in the Study Area



Source: Wessex Economics

2.22 These characteristics support an approach where the three authorities accounting for the principal area covered by the Farnborough-Aldershot urban area identified by ONS (plus Fleet) work together to identify their housing needs. Rushmoor, Surrey Heath and Hart account for the majority of the population of the Blackwater Valley area (the Farnborough/Aldershot Built-up Area defined by ONS plus Fleet), and in each case have over half of their resident population in the area[12].

Previous Research

2.23 A 2004 study undertaken by DTZ, which mapped housing markets across the South East, identified the Blackwater Valley as *'an area of convergence'*, where a number of housing market areas overlap. This analysis identified the Blackwater Valley and the immediately surrounding areas as the part of the South East with the most complex housing market geography. It was recommended that it would be appropriate to undertake a SHMA for this area in its own right because of its distinct characteristics, and the fact that it would not be easily incorporated into a SHMA undertaken for any one of the surrounding areas which have better defined market areas.

2.24 Research on housing markets undertaken by the National Planning and Housing Advisory Unit (NHPAU) in 2010 does not provide an unequivocal answer of which authorities in this area should work with in terms of a joint SHMA. Furthermore, those market areas identified by the NHPAU study include such a large number of authorities that it would present substantial practical difficulties to undertake a joint SHMA.

[12] All of Rushmoor's population live in the Blackwater Valley and an estimated 68% of the population of Hart and 66% of Surrey Heath live in the Blackwater Valley area. Together, the three authorities have an estimated population of 213,000 residents in the Blackwater Valley, compared to the total population of the three authorities of 270,000; and an estimated population of the Aldershot/Farnborough Built up Area (which excludes Fleet) as defined by ONS of 252,000.

2.25 There are other practical reasons why it was not possible to undertake an SHMA for a wider area than that covering Hart, Rushmoor and Surrey Heath. Waverley, Guildford and Woking Councils had already commissioned SHMA studies prior to Hart, Rushmoor and Surrey Heath Councils being in a position to commission a SHMA. Waverley Borough Council completed its SHMA in December 2015. Similarly, the authorities comprising the former county of Berkshire have worked jointly to undertake a SHMA for their area.

Migration Patterns

2.26 Analysis of 2011 Census data on migration patterns provides evidence on where people moved from and to over the year prior to Census Day on 27th March 2011 (see Appendix B). Half of all those who lived in Hart, Rushmoor and Surrey Heath in March 2010 and moved home in the following year still live in the HRSH area. By implication, half of all those who were resident in the HRSH area and moved home in the year March 2010-March 2011 moved out of the area.

2.27 In terms of where people moved to, the data identifies significant outflows of migrants from the HRSH area to the South West Region as a whole and into London. In terms of local movements, the most significant out flows from the Hart, Rushmoor and Surrey Heath area as a whole are to Basingstoke and Deane, Guildford, Waverley and Woking. It is notable that longer distance moves (i.e. moves to a different region) feature quite strongly in overall out-migration patterns.

2.28 It should be remembered that these moves will include all moves; students going to university (Census Day was during university term) and retirement moves, as well as job and lifestyle related moves. In Rushmoor, 47% of people who moved home in the year starting March 2010 simply moved within the Borough. The equivalent figures for Hart are 37% and for Surrey Heath 36%. Rushmoor is therefore more self-contained in terms of household migration than Hart or Surrey Heath.

2.29 Use of the ONS Visualisation tool data[13] for the year to July 2012 broadly confirms the pattern of local moves identified from analysis of Census data. This source shows the pattern of migration between Hart, Rushmoor and Surrey Heath and the other authorities in the surrounding area. In terms of total movements:

- Between Rushmoor and the other authorities' the largest number of movements are between Rushmoor and Hart (1,270 moves), followed by Guildford (1,120 moves), Surrey Heath (950), and Waverley (800).
- Between Hart and the other authorities, the largest number of movements are between Hart and Rushmoor (1,270 moves), followed by Basingstoke and Deane (830), Bracknell Forest (570) then Surrey Heath (500).
- Between Surrey Heath and the other authorities, the largest number of movements are between Surrey Heath and Rushmoor (950 moves), followed by Woking (760) and Guildford (560), closely followed by Bracknell Forest (550) and Hart (500).

[13] ONS http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc25/index.html

2.30 The analysis indicates that in order of significance in terms of migration, judged by the overall volume of movements to and from the authorities:

- Rushmoor has the strongest relationships with Hart and Guildford, followed by Surrey Heath, then Waverley.
- Hart is most closely linked to Rushmoor, followed by Basingstoke and Deane. The next most important linkages are with Surrey Heath and Bracknell Forest.
- Surrey Heath is most closely linked to Rushmoor and Woking – the two large neighbouring urban centres. These two authorities account for the largest volume of movements to and from Surrey Heath. The next most important linkages are with Guildford, Bracknell Forest, Runnymede and Hart.

2.31 In terms of net migration, the 2012 data indicate that the largest net movements associated with the three authorities are as follows:

- The largest net movement into Rushmoor arose from Guildford (120 people), followed by the flows from Surrey Heath (90 people). There was net out-migration from Rushmoor to Woking (140 people) and Hart (130 people). Moves between Rushmoor and Waverley were balanced.
- The largest net movement into Hart arose from Surrey Heath (190 people), followed by Rushmoor (120 people). There was net out-migration from Hart to Basingstoke & Deane (90 people).
- The largest net movement into Surrey Heath arose from Woking (260 people), followed by Runnymede (100 people). There was net out-migration from Surrey Heath to Hart (120 people) and Rushmoor (90 people).

2.32 In summary, in terms of migration, the authorities are closely linked to one another. Rushmoor's most significant relationship is with Hart. Hart and Surrey Heath's most significant relationships are with Rushmoor. Hart and Surrey Heath are also connected to one another through migrations flows but these are less significant than those with Rushmoor and Basingstoke (for Hart) and Woking (for Surrey Heath).

2.33 Thus, each of the HRSH authorities also have significant migration links to the particular authorities immediate adjacent to that authority, but those other authorities tend not to have such strong links with the other two HRSH authorities.

2.34 Appendix I provides further information on migration patterns to and from surrounding areas. This work was undertaken in connection with the considering the implications of employment growth in the SHMA, and provision of additional housing to help grow the labour force in the HRSH area. It examines the implication of increased housing provision in the HRSH area on patterns of migration in surrounding areas.

Travel to Work Patterns

2.35 There are also significant travel-to-work flows between the three authorities. Wessex Economics has analysed data from the 2011 Census (Appendix C) and sample based data from the Annual Population Survey in 2008 and 2011 (Appendix A). Around 56% of all those who work in the HRSH area also live in the HRSH. The figure is 62% if those who work from home are included.

2.36 In every case in North Hampshire-West Surrey, residents of a particular local authority are the most important source of labour for employers in their area; that is for every area, more residents live and

work locally than commute in from any other single area, but taken overall the number of people who commute into work in each local authority area is larger than the number of people who live and work in that local authority area.

2.37 Thus, none of the three HRSH local authorities are self-contained if one counts only those who work outside the home.

- In Hart, 39% of those who work in the District are local residents
- In Rushmoor, 41% of those who work in the Borough are local residents
- In Surrey Heath, 32% of those who work in the Borough are local residents

2.38 However, the level of self-containment increases significantly if one includes those who work at or from home. Overall, 12% of all those in work in the Hart, Rushmoor, and Surrey Heath area work from or at home. Including those working from or at home the level of self-containment in each of the local authority areas is as follows:

- In Hart, 51% of those who work in the District are local residents
- In Rushmoor, 47% of those who work in the Borough are local residents
- In Surrey Heath, 43% of those who work in the Borough are local residents

2.39 The issue of self-containment can also be considered through another lens; namely what proportion of the working residents of an area work in that local authority area?[14] Analysis of the 2011 Census data shows that:

- 38% of the working residents of Hart work in Hart, and 62% commute out to work in other areas
- 41% of the working residents of Rushmoor work in Rushmoor, and 59% commute out to work in other areas
- 38% of the working residents of Surrey Heath work in Surrey Heath, and 62% commute out to work in other areas

2.40 In terms of the most important locations where residents of each local authority area work (other than within that authority), the following patterns emerge:

- For Rushmoor residents, the largest numbers of out-commuters travel to Surrey Heath, then Guildford, London and Hart
- For Surrey Heath residents, the largest numbers of out-commuters travel to London, then Rushmoor, Guildford and Woking
- For Hart residents, the largest numbers of out-commuters travel to Rushmoor, followed by London as a whole, then Surrey Heath

[14] The analysis in para 2.40 is calculated as the number of working residents working in, for example, Hart (which comprises both those who work in a place of work in Hart and those who work from home; divided by the number of all working residents regardless of where they work. In contrast the calculation in para 2.38 is based on, for example, the number of Hart residents who work in a place of work in Hart; divided by the total number of people who work in a place of work in Hart. The full details of the analysis are set out in Appendix C.

2.41 Across the HRSH area less than half (47%) of residents in work commute out of the area. The largest flows of out-commuters are to London, and then the surrounding authorities – Guildford, Waverley, Bracknell Forest, Woking and Basingstoke and Deane.

Conclusion

2.42 The analysis undertaken by Wessex Economics provides strong justification for the three authorities of Hart, Rushmoor and Surrey Heath to work together, and this is the reason why these three authorities have chosen to prepare a joint SHMA. Nevertheless, there will be a continued need to work with other neighbouring authorities in adjacent strategic Housing Market Areas given the close links and complexity across the wider sub-region.

2.43 In subsequent sections, analysis is undertaken for the Housing Market Area as a whole, which contains Hart, Rushmoor and Surrey Heath. Analysis is also provided for each of the three constituent authority areas and benchmarked against the South East region and England as a whole.

3. People and Households

Summary

The most recent (2014) estimate of the population of the HMA is 276,100. In 1991, the population of the area was 244,500; so the overall population of the area has grown by around 31,600 people in 23 years (c 1,500 pa).

The strongest growth in population over the last decade has been amongst the older age groups. The older population (those aged 65+) make up around 15% of the population as a whole. There has been a significant increase in the number of people in advanced old age (85+).

In contrast to trends at the regional and national level, both Hart and Surrey Heath have experienced growth in the numbers of children aged 0-14 over the last 10 years. The two authority areas appear to be attractive places for families to live. Whilst Rushmoor has experienced growth in the number of pre-school children (aged 0-4), the Borough has experienced a decline in the number of children aged 5-14 and net out-migration of families from Rushmoor.

There are around 108,700 households in the HMA (2014). Growth in households has been faster than the growth in population; there has been household growth of 22% over 20 years compared to 13% growth in the population. This has been driven by declining household size and has outstripped the rate of household growth at the national and regional levels over 30 years.

The number of households in the HMA has grown by 32% over the last 30 years, a period which contained two economic and housing market cycles. In the last 10 years the growth in the number of households has been more modest in Rushmoor and Surrey Heath than at the national and regional level. Household growth in Hart was above the national and regional level during 2001-2011.

Families account for around one-third of households in the HMA and in each local authority area, a similar proportion as in the South East and England as a whole. There has been growth in the number of families in each authority over the last 10 years but with greater growth in Hart (10%) and lower growth rates in Rushmoor (7%) and Surrey Heath (6%) compared to the South East (9%).

Single households account for 27% of households in the HMA with a slightly higher proportion in Rushmoor (28%) and lower proportions in Hart (24%) and Surrey Heath (26%).

Since 2001, the largest percentage growth in households has been in the 'other households' group which has grown by 10% over the decade. These are typically 'non-traditional' households including unrelated individuals sharing housing.

Sections 3 and 4 focus on demographic and economic drivers of demand and need for housing. It is important to note that the expectations of households and investors and the availability of finance also play an important role. These factors are less easy to quantify or influence but they have an effect on the demand for housing and ultimately prices and affordability.

Introduction

3.1 This section presents evidence on the current position and past changes in the population of the three authorities in the market area. Past trends are a key component of future projections of the population and so directly feed into the estimation of Objectively Assessed Housing Need (OAHN). This section also presents evidence on how the population has changed in terms of its age structure and household composition. These factors influence the tenure, type and size of housing that might be required in the future.

3.2 The housing market of any area is driven by a range of demand and supply factors:

- Demographic drivers of demand - people and households
- Economic drivers of demand - jobs and income
- The existing housing stock and new supply - homes and places
- Expectations of households and investors
- The availability of finance - home loans and development finance

3.3 The same factors exist across the country, but the way in which the first three factors operate differs considerably between different areas. It is this which gives rise to significant differences in housing markets across the country and the variation in patterns within this market area.

3.4 This report as a whole focuses on the first three factors before going on to consider the impact that these drivers have on outcomes – house prices, rents, affordability and housing need. However, it is worth noting briefly the impact of expectations and the availability of finance. These factors are also a driver of demand for housing and are reflected in prices, although local authorities have limited control or influence over them:

- An important driver of price change is the effect of expectations within the housing market. In economic terms, housing is a 'complex good', which means that demand for housing relates to a basket of features, including internal and external space, location etc. However, housing is also an asset, which means that demand reflects expectations about future price changes. One economist has estimated that the expectation effect could have accounted for between 30 and 50% of price rises in the UK over 10 years to 2006, though modelling of housing markets and price change is notoriously uncertain.[15]
- The previous housing market cycle (up to 2007, assuming the UK entered a new cycle at the end of 2007) was characterised by an era of financial liberalisation, with increased availability of credit for borrowers (including the banks themselves). These factors, combined with a stable macro-economic environment of low inflation and low interest rates for a relatively long period of time, increased confidence to borrow. There had also been a trend towards innovation in mortgage products, improving credit for the buy-to-let market, as well as relatively liberal lending criteria allowing first time buyers to access larger loans with minimal deposits, including loans worth more than the value of their homes.
- This liberalisation of credit went into reverse in 2007 following the collapse of a number of banks, with the result that for a number of years fewer mortgages were available to households and lending

[15] David Miles (2006*) UK Housing: How did we get here?*

criteria tightened. This had a dramatic effect on the number of sales but also impacted on prices and contributed to a shift in tenure, from home ownership to renting. Since 2013 mortgage lending volumes have started to recover although they remain below peak levels. Mortgage lending is unlikely to return to the peak levels of 2005-2007 because of regulatory changes. These include tighter regulation of the level of capital that lenders need to hold to offset lending risks; and tighter regulation of mortgage lenders with respect of how much and to whom they can lend for the purposes on house purchase.

3.5 Whilst it is very difficult to measure the impact of these factors, and even more difficult for local authorities or public authorities to control or influence them, it is important to acknowledge their role in affecting demand. These factors will, to some extent, be reflected in household projections.

3.6 The rest of this section presents evidence on changes in the population, the age structure of the population and changes in the household population and household composition – factors which influence the overall demand and need for housing and the different types of housing required.

Population Change

3.7 Changes in population, and particularly the age structure of the population, contribute to the overall demand and need for housing and the type and size of homes required. The population of Hart and Rushmoor has grown by 21% over the last 30 years, but Rushmoor's growth has slowed significantly in the last 10 years (Figures 3.1 and 3.2). In contrast, both Hart and Surrey Heath experienced a more rapid rate of population growth 2001-2011 than in the previous two decades – 9% and 7% respectively. However, this rate of growth is broadly in line with that of the South East and England as a whole (8%).

3.8 Some caution needs to be applied to the analysis of population growth for two reasons:

- The relatively large population of service personnel based in the area, particularly Rushmoor, can skew population figures between Censuses. Service personnel, including those living in communal establishments, are included in the data in Figure 3.1 and 3.2, but their movements vary from one year to the next and so the data recorded in different Censuses is not necessarily comparable. There are currently around 7,000 service personnel based in the market area (excluding the Gurkhas of the 10 Queen's Own Gurkha Logistic Regiment and the HQ Brigade of Gurkhas).
- There were boundary changes between Hart and Rushmoor in 1990 which affect the population data in 1991 and mean that it is not directly comparable to 1981. These changes occurred between two authorities in the market area and so do not affect the figures for the HMA as a whole.

3.9 The population of the HMA grew by 18% in the period 1981 to 2011 – an increase of around 42,400 people. This suggests there is significant potential for demographic change in the next 30 years. Furthermore, the period 1981-2011 took in a full economic cycle, including two economic recessions and housing market peaks and troughs in 1990/91 and 2008/09. The expansion of the household population is likely to continue in the long term, though the implications of the EU Referendum result introduces some uncertainty around whether past trends will continue unaltered. [16]

[16] The term household population refers to the population normally resident in dwellings and excludes those living in institutional or communal settings. Household population projections are particularly relevant in planning future requirements for housing.

Figure 3.1: Total Population 1981 – 2011

	1981	1991	2001	2011	change 2001-2011	change 1981-2011
Hart	75,400	80,900*	83,500	91,000	7,500	15,700
Rushmoor	77,500	82,500*	91,000	93,800	2,800	16,300
Surrey Heath	75,800	79,100	80,300	86,100	5,800	10,400
Housing Market Area	**230,600**	**244,500**	**256,800**	**273,000**	**16,200**	**42,400**
South East	228,700	7,500,100	8,000,600	8,634,800	634,100	8,406,100
England	45,771,900	47,055,200	49,138,800	53,012,500	3,873,600	7,240,500

Source: Census of Population

Note: Data includes service personnel living in communal establishments. *Boundary changes between the two authorities occurred in 1990 and so population figures are not directly comparable to 1981

Figure 3.2: Population Change 1981 – 2011

	Change 1981-91	Change 1991-2001	Change 2001-2011	last 30 years	last 20 years	last 10 years
Hart	7%*	3%	9%	21%	12%	9%
Rushmoor	7%*	10%	3%	21%	14%	3%
Surrey Heath	4%	2%	7%	14%	9%	7%
Housing Market Area	**6%**	**5%**	**6%**	**18%**	**12%**	**6%**
South East	7%	7%	8%	23%	15%	8%
England	3%	4%	8%	16%	13%	8%

Source: Census of Population

Note: Data includes service personnel living in communal establishments. *Boundary changes between the two authorities occurred in 1990 and so population figures are not directly comparable to 1981

3.10 Figure 3.3 shows the age profile of the HMA population in 2011. The strongest growth in population over the last decade 2001 to 2011 was amongst the older age groups (Figure 3.4). It is important to keep in mind that the older population (those aged 65+) make up around 15% of the population as a whole. There has been a significant increase in the number of people in advanced old age (85+) in the HMA, compared to the growth in the proportion of people in this age group in the South East and England. The growth in the older age groups has been more mixed in Rushmoor which has experienced a decline in the 75-84 age group, and much more modest growth in the 65-74 and 85+ age groups than in both Hart and Surrey Heath.

3.11 There are a range of implications for housing as a result of the ageing population:

- older people are less likely to move home than those of working age
- there are higher levels of outright home ownership amongst older households
- increased levels of 'under-occupation' and possibly reduced turnover of larger properties…
- …but reduced ability to maintain and repair homes either because of mobility or low incomes
- government policy of providing care in the home implies an increased demand for domiciliary care
- the increasing need for housing with care for those unable to remain in their own homes (e.g. extra care, residential care and nursing)

3.12 All three authorities have experienced a decline in the younger working age groups (aged 25-29 and 30-44). This is in contrast to the growth in the younger group in the South East and England as a whole.

3.13 In contrast to trends at the regional and national level, both Hart and Surrey Heath have experienced growth in the numbers of children aged 0-14 over the last 10 years. This may indicate that the two authority areas are attractive places for families to locate. Whilst Rushmoor has experienced growth in the number of pre-school children (aged 0-4), the Borough has experienced a decline in the number of children aged 5-14 and this is consistent with the migration data which suggests net out-migration of families from Rushmoor.

Figure 3.3: Age Profile of the Population in 2011

Age	Hart	Rushmoor	Surrey Heath	Housing Market Area	South East	England
0-4	6%	7%	6%	6%	6%	6%
5-9	6%	6%	6%	6%	6%	6%
10-14	6%	6%	6%	6%	6%	6%
15-19	6%	6%	6%	6%	6%	6%
20-24	5%	7%	5%	6%	6%	7%
25-29	5%	8%	5%	6%	6%	7%
30-44	22%	24%	21%	22%	20%	21%
45-59	21%	19%	21%	20%	20%	19%
60-64	6%	5%	6%	6%	6%	6%
65-74	9%	7%	9%	8%	9%	9%
75-84	5%	4%	6%	5%	6%	6%
85-89	1%	1%	1%	1%	2%	1%
90+	1%	1%	1%	1%	1%	1%
Total	100%	100%	100%	100%	100%	100%

Source: Census of Population

Figure 3.4: Change in Population by Age 2001 - 2011

Age	Hart	Rushmoor	Surrey Heath	Housing Market Area	South East	England
0-4	11%	7%	4%	7%	13%	13%
5-9	6%	-13%	-3%	-4%	-4%	-5%
10-14	6%	-5%	4%	1%	-1%	-5%
15-19	1%	8%	10%	6%	12%	10%
20-24	1%	3%	14%	5%	16%	22%
25-29	-13%	-10%	-2%	-9%	6%	12%
30-44	-3%	-2%	-8%	-4%	-3%	-2%
45-59	7%	14%	9%	10%	10%	11%
60-64	39%	35%	31%	35%	39%	33%
65-74	44%	12%	23%	26%	14%	11%
75-84	37%	-1%	43%	26%	8%	6%
85-89	48%	16%	40%	34%	21%	22%
90+	34%	35%	44%	38%	29%	28%
Total	9%	3%	7%	6%	8%	8%

Source: Census of Population

3.14 Although the ageing of the population has had a significant impact on the characteristics of the population, migration is also a key component of population change. Both Hart and Surrey Heath have experienced net in-migration over the last decade, although net migration in the last 5 years (2007-2012) has been very modest. In contrast, Rushmoor has experienced net out-migration over the decade. Whether migration leads to a net increase or decrease in the overall population, it also has an effect on the characteristics of the population. Broadly, there has been net in-migration of younger people in their early 20s to Rushmoor and net out migration of older age groups and families. The reverse pattern is true for Hart and Surrey Heath. Migrants generally originate from within the UK and in highest numbers from neighbouring authorities (see Section 2).

Household Change

3.15 There were 105,400 households in the HMA in 2011 (Figure 3.5). Growth in households has been faster than the growth in population – household growth of 32% over 30 years compared to 18% growth in the population. This has been driven by declining household size and has outstripped the rate of household growth at the national and regional level over the past 30 years. It is important to note that the number of households in the HMA grew by 32% over the last 30 years, a period which contained two economic and housing market cycles. In the last 10 years, the growth in the number of households has been more modest in Rushmoor and Surrey Heath than at the national and regional level. Household growth in Hart was above the national and regional level between 2001 and 2011.

Figure 3.5: Number of Households 1981 – 2011

	1981	1991	2001	2011	change 2001-2011	change 1991-2011	change 1981-2011
Hart	25,683	29,085	32,479	35,510	9%	22%	38%
Rushmoor	27,339	30,546	35,255	36,344	3%	19%	33%
Surrey Heath	26,611	29,144	31,722	33,546	6%	15%	26%
HMA	79,633	88,775	99,456	105,400	6%	19%	32%
South East	2,751,432	2,967,749	3,287,491	3,555,463	8%	20%	29%
England	18,145,970	18,765,583	20,451,427	22,063,368	8%	18%	22%

Source: Census of Population.

3.16 Families account for around one-third of households in the HMA and in each local authority area, consistent with the South East and England as a whole (Figure 3.6). There has been growth in the number of families in each authority over the last 10 years but with greater growth in Hart (10%) and lower growth rates in Rushmoor (7%) and Surrey Heath (6%) compared to the South East (9%) (see Figure 3.7). There has been a shift from married couples with children to cohabiting couples with children, consistent with national trends. Overall, family households have experienced the greatest absolute growth over the period – an increase of 2,600 households in the HMA.

3.17 Couple households account for just over one-third of all households in the HMA and in each authority. Rushmoor has experienced a decline in the number of couple households over the decade, with losses of couples without children, and pensioner couples, but with some gain in the number of older couples with non-dependent children.

3.18 Single households account for 27% of households in the HMA with a slightly higher proportion in Rushmoor (28%) and lower proportions in Hart (24%) and Surrey Heath (26%). Perhaps surprisingly, the share of single people in the population has not changed over the decade. There has been absolute growth in the population of single people over the decade of just under 2,000 people in the HMA. In Hart and Surrey Heath, modest growth has been driven equally by older people and other single adults living

alone. In Rushmoor, there has been a decline in the number of single older people. The available migration data suggests that this is due to out-migration of these households. Modest growth has therefore been driven by an increase in the number of other younger single adults.

3.19 Since 2001, the largest percentage growth in households has been in the *'other households'* group which has grown by 10% over the decade. These are typically 'non-traditional' households, including unrelated individuals sharing housing. In absolute terms, the growth has been modest at just under 500 households over the period. To some extent, these households may have similar characteristics to single households but comprise people unable to afford self-contained accommodation or choosing to share with other individuals at a particular stage in their life, e.g. students or young people in work. In Rushmoor, these households include older Nepali households living in Houses in Multiple Occupation.

Conclusion

3.20 The population of the HMA grew by 18% over the 30 year period 1981 to 2011, an increase of around 42,400 people. The number of households has grown by 32% over the same time period, as a result of both the growing population and, for much of the period, declining average household size. This period 1981-2011 took in a full economic cycle, including two economic recessions and housing market peaks and troughs in 1990/91 and 2008/09.

3.21 If past trends continue, then the population of the HRSH HMA can be expected to continue to grow. Projections for future growth of the population and households in the market area are presented in Section 8, which sets out the implications of demographic growth for housing requirements. Past trends highlight that the ageing of the population, particularly the growth in the number of people in advanced old age (85+), will be a key issue in the future. The needs of older people in the housing market are further considered in Section 14.

Figure 3.6: Number of Households by Type 2001 and 2011

	2001				2011			
	Hart	Rushmoor	Surrey Heath	HMA	Hart	Rushmoor	Surrey Heath	HMA
All Households	**32,479**	**35,255**	**31,722**	**99,456**	**35,510**	**36,344**	**33,546**	**105,400**
One person – pensioner	3,407	4,202	3,463	11,072	3,715	3,410	3,648	10,773
One person – other	3,861	4,621	4,065	12,547	4,246	5,881	4,219	14,346
One person - lone parents - all children non dependent	758	1,230	789	2,777	926	1,178	1,059	3,163
Single Person Households	**8,026**	**10,053**	**8,317**	**26,396**	**8,887**	**10,469**	**8,926**	**28,282**
Pensioner couple	2,890	2,219	2,894	8,003	3,653	2,183	3,366	9,202
Cohabiting couple - no children	1,680	2,305	1,593	5,578	1,810	2,245	1,711	5,766
Married couple - no children	5,746	4,855	5,282	15,883	5,618	4,608	4,914	15,140
Cohabiting couple - all children non dependent	91	127	96	314	168	181	196	545
Married couple - all children non dependent	2,291	2,076	2,206	6,573	2,385	2,086	2,303	6,774
Couples	**12,698**	**11,582**	**12,071**	**36,351**	**13,634**	**11,303**	**12,490**	**37,427**
Married couple with dependent children	8,130	7,702	7,480	23,312	8,224	7,292	7,378	22,894
Cohabiting couple with dependent children	719	1,367	779	2,865	1,270	1,610	1,137	4,017
Lone parent with dependent children	1,232	1,771	1,332	4,335	1,456	2,350	1,408	5,214
Other households with children	483	887	542	1,912	712	1,279	865	2,856
Families with Children	**10,564**	**11,727**	**10,133**	**32,424**	**11,662**	**12,531**	**10,788**	**34,981**
Student households	13	65	7	85	0	21	4	25
Other pensioner households	101	99	65	265	90	82	72	244
Other households	1,077	1,729	1,129	3,935	1,237	1,938	1,266	4,441
Other multi person households	**1,191**	**1,893**	**1,201**	**4,285**	**1,327**	**2,041**	**1,342**	**4,710**

Source: Census of Population

Figure 3.7: Change in Number and Percentage of Households by Type 2001-2011

	Hart		Rushmoor		Surrey Heath		HMA		South East		England	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
All Households	**3,031**	**9%**	**1,089**	**3%**	**1,824**	**6%**	**5,944**	**6%**	**267,972**	**8%**	**1,611,941**	**8%**
One person – pensioner	308	9%	-792	-19%	185	5%	-299	-3%	-23,192	-5%	-213,869	-7%
One person – other	385	10%	1,260	27%	154	4%	1,799	14%	108,878	23%	730,098	23%
One person - lone parents - all children non dependent	168	22%	-52	-4%	270	34%	386	14%	21,722	25%	-512,716	-82%
Single Person Households	**861**	**11%**	**416**	**4%**	**609**	**7%**	**1,886**	**7%**	**107,408**	**10%**	**3,513**	**0%**
Pensioner couple	763	26%	-36	-2%	472	16%	1,199	15%	-1,458	0%	-36,988	-2%
Cohabiting couple - no children	130	8%	-60	-3%	118	7%	188	3%	23,055	13%	196,293	20%
Married couple - no children	-128	-2%	-247	-5%	-368	-7%	-743	-5%	8,254	2%	62,770	2%
Cohabiting couple - all children non dependent	77	85%	54	43%	100	104%	231	74%	5,867	55%	42,134	64%
Married couple - all children non dependent	94	4%	10	0%	97	4%	201	3%	5,386	3%	16,164	1%
Couples	**936**	**7%**	**-279**	**-2%**	**419**	**3%**	**1,076**	**3%**	**41,104**	**4%**	**280,373**	**4%**
Married couple with dependent children	94	1%	-410	-5%	-102	-1%	-418	-2%	-15,392	-2%	-215,445	-6%
Cohabiting couple with dependent children	551	77%	243	18%	358	46%	1,152	40%	37,197	37%	229,707	35%
Lone parent with dependent children	224	18%	579	33%	76	6%	879	20%	44,817	26%	261,281	20%
Other households with children	229	47%	392	44%	323	60%	944	49%	18,722	30%	125,647	27%
Families with Children	**1,098**	**10%**	**804**	**7%**	**655**	**6%**	**2,557**	**8%**	**85,344**	**9%**	**401,190**	**7%**
Student households	-13	-100%	-44	-68%	-3	-43%	-60	-71%	7,102	61%	45,142	57%
Other pensioner households	-11	-11%	-17	-17%	7	11%	-21	-8%	-3,578	-25%	-20,669	-25%
Other households	160	15%	209	12%	137	12%	506	13%	30,592	25%	246,011	33%
Other multi person households	**136**	**11%**	**148**	**8%**	**141**	**12%**	**425**	**10%**	**34,116**	**23%**	**270,484**	**30%**

Source: Census of Population

4. Resident Employment and Incomes

Summary

There are 172,100 people aged between 16 and 64 in the housing market area. This is a common measure of the size of the workforce, even though people may work beyond 64, and participation in the labour market by those under 18 is limited.

Of the working-age population in the market area, 83% are either in employment or self-employment. There are particularly high rates of self-employment in Hart (17% of the working-age population) compared to the regional and national average. The type of jobs available within the economy impacts upon local earnings and determines to a great extent whether households can access housing, and the tenure, type and size of property they can afford.

The proportion of residents employed as managers, directors and senior officials in the HRSH area (9.8%) is lower than in the South East (12.1%) and England (10.6%). The proportion of residents employed in these positions appears to have fallen in the last two years. However, the proportion is higher in Surrey Heath (12.4%) and lower than the regional average in Rushmoor (7.5%).

The area has a higher proportion of those in professional occupations (23%) than in the South East (21.7%) and England as a whole (19.9%), with the highest representation in Hart (26.6%). A similar pattern is observed across other occupations that are associated with higher levels of pay and higher levels of qualifications, with Hart having the strongest representation of these occupations, followed by Surrey Heath and then by Rushmoor. In Rushmoor, there is an overrepresentation of those in skilled trades and elementary occupations – the latter particularly associated with lower wages.

In 2013, levels of unemployment recorded by the numbers on job seekers allowance appear low – at around 2%. This appears to have fallen further in the last 2 years, but the data may be unreliable because of the roll out of Universal Credit which replaces working age benefits. Overall, unemployment is not high by historic standards.

Household income growth is strongly correlated to increases in demand for housing. Various academics have modelled this relationship. Christine Whitehead of LSE and Cambridge Centre for Housing and Planning Research finds that a 1% increase in household incomes tends to result in a *greater than* 1% increase in the demand for housing.

But the *distribution* of household incomes and how the overall growth in household income is shared amongst the household population is uneven. The wealthiest households have tended to increase their incomes more rapidly than the poorest over the past 20 years. This has an impact on household tenure choice, and the type, size and quality of homes households are able to access.

Median household incomes in the housing market area are around £40,500. The fact that half of all households have incomes of less than £40,500 has obvious implications for the housing market, particularly in terms of the affordability of home ownership and also larger, family-sized private rented properties. The data shows around one-quarter of households have an income below £20,000, with a further fifth in the range of £20,000 to £30,000.

There are over 12,500 individuals claiming one or more benefits because they are out of work or unable to work. This represents 7% of the working-age population and is significantly below rates at the national and regional level, though the rate in Rushmoor (9%) is similar to the regional average.

Introduction

4.1 This section presents evidence on patterns of resident employment in the HRSH area; how this is linked to household incomes; and the impact of employment patterns and incomes on the demand for housing. In particular, income patterns feed into the assessment of the need for affordable housing and affect indicators of housing affordability, when considering market signals. Income patterns are in turn influenced by the number of people in work and what people are paid. The pattern of job growth in the HRSH area is considered in Section 11.

4.2 The 2008-09 economic recession and the subsequent slow recovery have made it very apparent how the economy, and the pattern of people's participation in the economy impact the housing market. Economic and employment growth impact directly on housing demand through in-migration, as workers move into or out of an area (or country) to access jobs, and through increases in income and earnings. This feeds through into demand for more or better housing.

4.3 Household income impacts on housing in the following ways:

- Household income growth is strongly correlated to increases in demand for housing. Various academics have modelled this relationship. Christine Whitehead of LSE and Cambridge Centre for Housing and Planning Research finds that a 1% increase in household incomes tends to result in a *greater than* 1% increase in the demand for housing. In a context where supply is constrained, prices will rise.[17]
- The *distribution* of household incomes and how the overall growth in household income is shared amongst the household population affects housing choices. Household incomes vary enormously. Over the last 20 years the wealthiest households have tended to increase their incomes more rapidly than the poorest. This impacts on household tenure choice, and the type, size and quality of homes that different households are able to access.

4.4 The rest of this section presents evidence on the participation of people in the HRSH in economic activity and how this affects the demand and need for housing, under the following headings:

- Resident Employment and Unemployment
- Earnings and Household Incomes

4.5 Workplace-based employment in the HRSH area is analysed in depth in Section 5, which considers the past pattern of job growth in the housing market area (HMA), future forecasts of employment in the HMA; and the implications for labour supply (Section 11).

Resident Employment and Unemployment

4.6 There are 172,100 people aged between 16 and 64 in the housing market area. This is a common measure of the size of the work force, even though people may work beyond 64, and the proportion of people aged under 18 who work is low. Increasingly, as the age at which people receive the state pension increases and as people over 64 enjoy better health and wish to continue working, the numbers of people aged over 64 who work is increasing. Of the working-age population, 83% are either in employment or self-employment, with higher levels of employment in Rushmoor and higher levels of self-employment in Hart and Surrey Heath (Figure 4.1).

[17] *The Density Debate*, Professor Christine Whitehead, 2012

Figure 4.1: Economic Activity and Employment in 2015

	Hart	Rushmoor	Surrey Heath	HMA	South East	England
Population aged 16-64	56,200	62,000	53,900	172,100	5,479,800	34,228,900
of which, economically active	84.7%	92.6%	77.5%	85.3%	80.3%	78%
in employment	*66.7%*	*80.3%*	*62%*	70.1%	*64.9%*	*63.1%*
self employed	*17.4%*	*8.9%*	*12.7%*	12.8%	*11.7%*	*10.4%*
unemployed	*	*3.7%*	*3.7%*	*	*4.3%*	*5.3%*
of which, economically inactive	15.3%	7.4%	22.5%	14.8%	19.7%	22%
would like a job	*13%*	*41.3%*	*16.4%*	19.7%	*26.6%*	*24.2%*
not seeking work	*87%*	*58.7%*	*83.6%*	80.3%	*73.4%*	*75.8%*
1: managers, directors and senior officials	10.2%	7.5%	12.4%	9.8%	12.1%	10.6%
2: professional occupations	26.6%	18%	25.4%	23.0%	21.7%	19.9%
3: associate prof & tech occupations	18.6%	14%	19.1%	17.0%	15.2%	14.3%
4: administrative and secretarial occupations	12%	14.6%	16.4%	14.3%	11%	10.7%
5: skilled trades occupations	10%	9.3%	5.5%	8.4%	9.8%	10.4%
6: caring, leisure and other service occupations	9.9%	7.2%	10.4%	9.0%	8.7%	9.1%
7: sales and customer service occupations	6.3%	4.7%	3.7%	5.0%	7%	7.5%
8: process, plant and machine operatives	2.5%	11.6%	!	5.2%	5%	6.3%
9: elementary occupations	4%	12.3%	5.4%	7.5%	9.1%	10.8%

Source: ONS Annual Population Survey 2015

Note: * and ! indicates data unavailable or suppressed

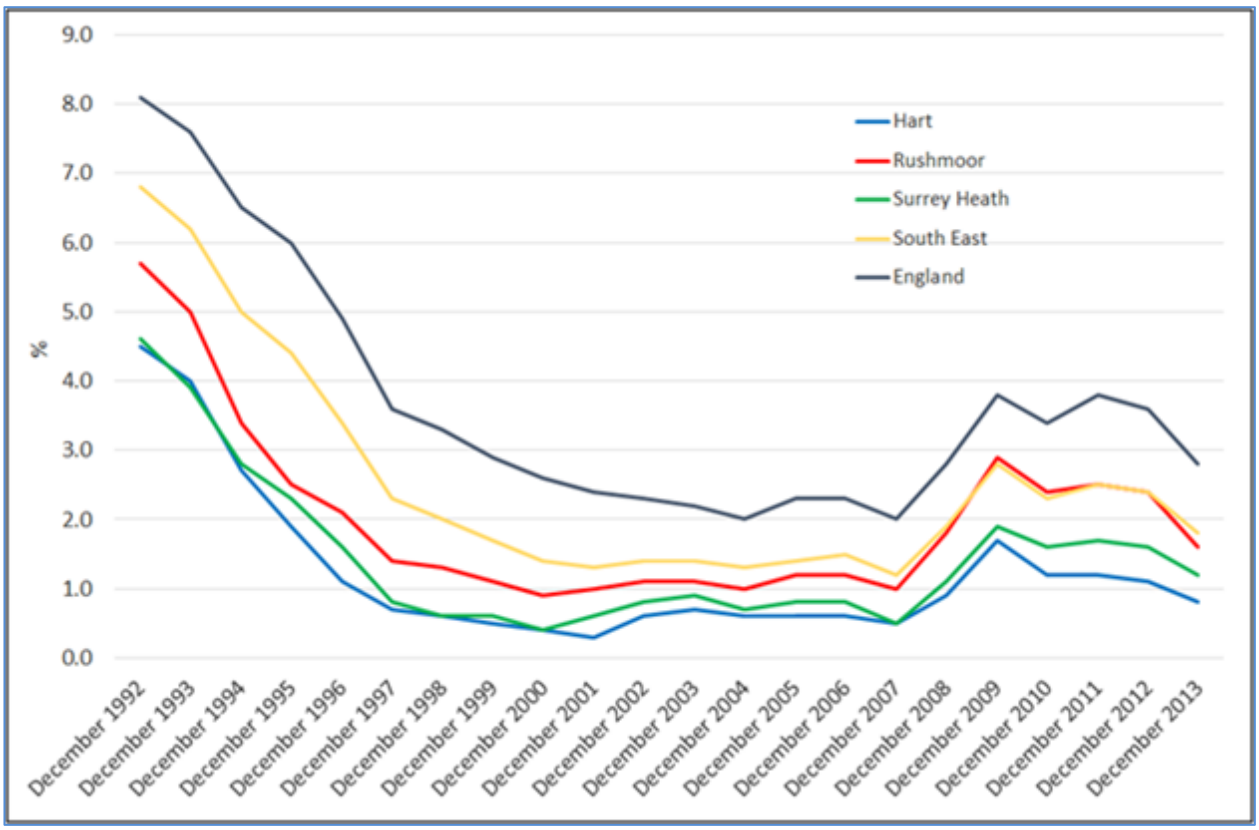
4.7 Unemployment in the HRSH area in 2015, as measured by the number of people in receipt of Job Seekers Allowance (JSA), appears low; around 2% at the end of 2013 (see Figure 4.2). This is low compared to historic levels and compared to the regional or national averages. Unemployment measured on this basis is lowest in Hart, followed by Surrey Heath, and highest in Rushmoor; but even Rushmoor has lower levels of JSA-measured unemployment than the South East average. Data is available for 2014 and 2015 which shows a substantial further drop in unemployment in all three authorities. Universal Credit has only been rolled out in the HMA since February 2016, so this decline probably reflects a real decline in unemployment, rather than a change in benefit systems.

4.8 However, Figure 4.1 would indicate that significant numbers of people in the HRSH who do not receive Job Seekers Allowance are without work and would like to work. Around 15% of the population of the HRSH area aged 16-64 are not economically active; and around 1 in 5 of these economically inactive persons would like to work. Typically, factors such as unaffordable childcare, lack of appropriate skills or health issues make it difficult for some people to find suitable employment even when jobs are available.

4.9 National research shows that there are significant numbers of people who have jobs and so do not feature in the unemployment figures, but do not have as many hours of work as they would like or need.

This would include a number of people who are on zero hours contracts. Therefore there is scope to increase labour supply by increasing the number of hours people work.

Figure 4.2: Unemployment – Number of Working Age People Claiming Job Seekers Allowance 1992-2013



Source: Job Seekers Allowance on NOMIS. Note: Data available for 2014 and 2015 shows a further decline in claimants but may be unreliable because of the roll out of Universal Credit.

4.10 The type of jobs available within the economy impacts upon local earnings and to a great extent determines whether households can access housing and the tenure, type and size of property they can afford. It is important to remember that significant numbers of residents of the HRSH area work outside the HRSH area, and many of these may command higher incomes than those who work in the HMA. Most obviously, those who commute into London may earn on average more than those who work locally. Obviously significant numbers of people who live outside the HRSH area work in the HRSH area (see Appendix C on commuting patterns).

4.11 The proportion of residents employed as managers, directors and senior officials in the HRSH area (9.8%) is lower than in the South East (12.1%) and England (10.6%) (see Figure 4.1). The proportion of residents employed in these positions appears to have fallen in the last two years. However, the proportion is higher in Surrey Heath (12.4%) and lower than the regional average in Rushmoor (7.5%). The area has a higher proportion of those in professional occupations (23%) than in the South East (21.7%) and England as a whole (19.9%), with the highest representation in Hart (26.6%).

4.12 A similar pattern is observed across other occupations that are associated with higher levels of pay and higher levels of qualifications, with Hart having the strongest representation of these occupations, followed by Surrey Heath and then by Rushmoor. In Rushmoor, there is an overrepresentation of those in skilled trades and elementary occupations – the latter particularly associated with lower wages.

4.13 It is interesting to note that levels of self-employment within Hart (17% of those in work) are higher than the regional and national average; around 9,800 people are self-employed (Figure 4.3). In contrast, self-employment levels in Rushmoor are lower than the national and regional levels at just 9%.

Figure 4.3: Self Employment in 2015

	Hart	Rushmoor	Surrey Heath	HMA	South East	England
Self-employment	9,800	5,500	6,800	22,100	642,800	3,567,000
%	17%	9%	13%	13%	12%	10%
Employees	37,500	49,800	33,400	120,700	3,553,700	21,581,600
%	67%	80%	62%	70%	65%	63%
In employment	47,300	55,300	40,200	142,800	4,196,500	25,148,600

Source: ONS Annual Population Survey 2015

Earnings and Household Incomes

4.14 Average earnings of those living in the housing market area in 2015 were £28,200, with higher levels in Hart and Surrey Heath than in Rushmoor, though average earnings in Rushmoor are consistent with the regional average and above those at the national regional level (Figure 4.4). However, this figure is affected by those in part time employment. Average full-time earnings were £32,800. This compares to £30,100 in the South East region. Earnings have remained broadly stable over the last 2 years.

4.15 The earnings of those working in the market area are, on average, slightly lower than resident earnings. This reflects the tendency for residents, particularly those in Hart and Surrey Heath to commute outside of the area to access higher paid jobs, including in London.

Figure 4.4: Annual Earnings of Residents and Workers in 2015

	Resident		Workplace	
	All	Full time	All	Full time
Hart	£31,191	£ 36,240	£ 27,799	£ 33,113
Rushmoor	£ 24,607	£ 28,110	£ 27,498	£ 32,468
Surrey Heath	£ 28,906	£ 34,278	£ 26,114	£ 31,310
HMA	£ 28,193	£ 32,812	£ 27,159	£ 32,317
South East	£ 24,888	£ 30,074	£ 23,783	£ 29,036
England	£ 22,716	£ 27,869	£ 22,720	£ 27,872

Source: Annual Survey of Hours and Earnings (2015)

4.16 It is important to understand that local income levels (along with prices and rents – see Section 9) will determine levels of affordability and provide an indication of the need for subsidised housing be that subsidised rented or subsidised ownership housing. Data about total household income has been modelled on the basis of a number of different sources of information to provide both an overall average income and the likely distribution of incomes in each area.

4.17 The key sources of data include:

- CACI from *Wealth of the Nation 2012*; these data provide an overall national average household income figure which is used for benchmarking. CACI is a commercial data analysis company.
- The English Housing Survey; this source provides information about the distribution of incomes (taking account of variation by tenure in particular)

- ONS modelled income estimates and Annual Survey of Hours and Earnings (ASHE); these sources have been used to provide more localised income estimates (e.g. for individual local authorities)

4.18 Median household income in the housing market area is just over £40,000 (Figure 4.5). This is higher than median individual earnings because some households have two wage-earners. Median earnings and incomes have been used in this study because mean household incomes are skewed by a small number of households with very high earnings. The fact that half of all households have incomes of less than £40,000 has obvious implications for the housing market, particularly in terms of the affordability of home ownership and also larger, family sized private rented properties.

Figure 4.5: Average Household Income (2016)

	Mean income	Median income
Hart	£58,444	£44,452
Rushmoor	£46,294	£35,211
Surrey Heath	£55,772	£42,419
HMA	£53,404	£40,618

Source: Justin Gardner Consulting derived from ASHE, SEH, CACI and ONS data

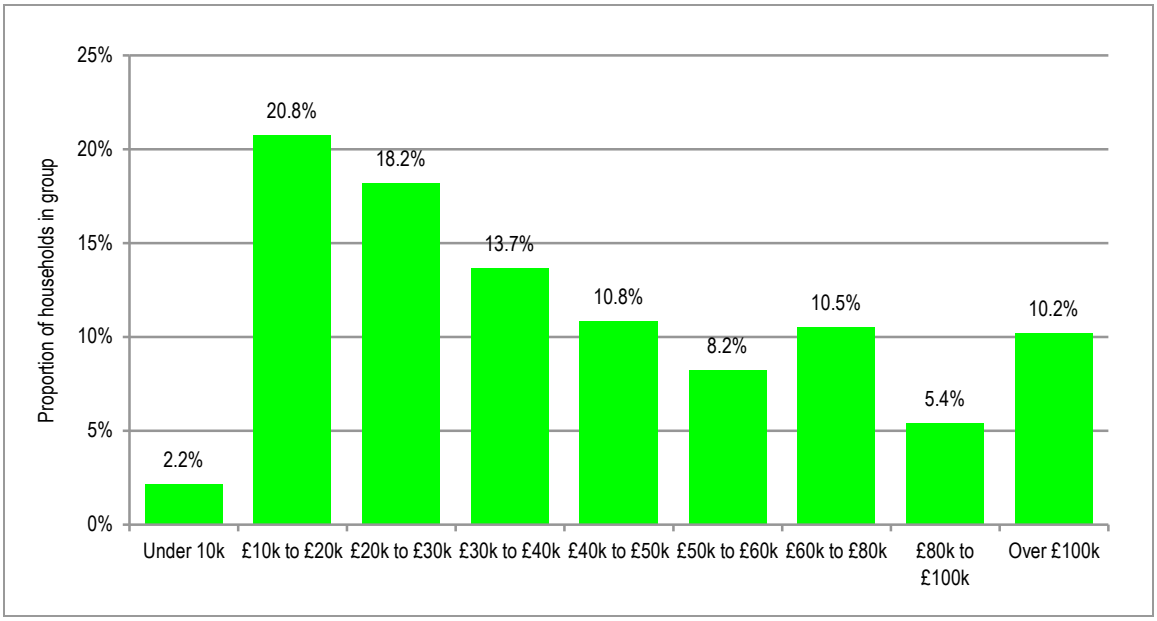
4.19 Figure 4.6 shows the distribution of household incomes for the whole of the market area. The data shows around one quarter of households have incomes below £20,000, with a further fifth in the range of £20,000 to £30,000.

4.20 Given that the information above has been based on data drawn from a number of sources, it is worthwhile cross checking the data where possible. For Hart and Surrey Heath it is possible to check the estimates against those reported in the CACI Wealth of the Nation report (for 2014), which reports figures for the 10 authorities with the highest incomes in the country which include Hart and Surrey Heath.

4.21 This report indicates an average (mean) income of £54,300 for both Hart and Surrey Heath. Both of these figures are close to Wessex Economics' modelled estimates, and therefore confirms that the modelled income data is robust. The report provides further details on the average incomes in Hart and Surrey Heath of singles and couples aged 18-34 with no children; families with children; empty nesters (no children; and retired (no children).

4.22 In Rushmoor, no such direct data exists; however, the previous SHMA in 2008/9 which was based on a household survey, indicates that incomes in Rushmoor were 74% of the average for Hart and 73% of the average for Surrey Heath. The modelled data above puts these figures at 76% and 78% respectively. Again, these differences are not significant and indicate that the estimated figures for Rushmoor are of the right order of magnitude.

Figure 4.6: Distribution of Household Income – Hart, Rushmoor, Surrey Heath HMA 2016



Source: Justin Gardner Consulting derived from ASHE, SEH, CACI and ONS data

4.23 There are over 12,500 people in the housing market area claiming one or more benefits because they are out of work or unable to work (Figure 4.7). This is 7% of the working-age population and is significantly below rates at the national and regional level, though the rate in Rushmoor (9%) is similar to the regional average. A similar number of people, or households, claim housing benefit.

Figure 4.7: Number of Benefit Claimants by Type of Benefit 2016

	Hart	Rushmoor	Surrey Heath	HMA	South East	England
Single Benefits						
Carers allowance (CA)	290	410	300	1,000	40,320	300,580
Disability living allowance (DLA)	460	640	460	1,560	57,420	385,060
Incapacity benefit (IB) or ESA	450	1,000	560	2,010	97,090	830,630
Income support (IS)/pension credit (PC)	280	670	340	1,290	56,250	457,640
Job seekers allowance (JSA)	550	1,260	760	2,570	114,370	1,128,860
Severe disablement allowance (SDA)	10	~)	~)	10	500	3,120
Widows benefit (WB)	30	20	30	80	2,950	18,770
Multiple benefits						
DLA and SDA	40	40	10	90	3,970	27,340
IB/ESA and DLA	530	1,100	620	2,250	100,620	797,910
IS/PC and CA	90	200	120	410	21,050	191,640
IS/PC and IB/SDA	30	50	30	110	6,500	74,770
IS/PC, DLA and SDA	80	130	90	300	14,440	104,360
IS/PC, IB and DLA	50	110	60	220	14,480	127,500
Other combinations	150	260	180	590	25,900	196,860
Total 'out of work' benefits	3,030	5,910	3,580	12,520	555,850	4,645,040
% claiming 'out of work' benefits	5%	9%	7%	7%	10%	14
Total Housing Benefit Claimants	2,680	6,730	3,070	12,480	546,920	4,307,610

Source: DWP

Conclusion

4.24 Economic and employment growth impact directly on housing demand through in-migration, as workers move in to access jobs, and through increases in income and earnings. This feeds through into demand for more or better housing. Average median household incomes in the market area are around £40,500, and earnings are above the levels in the South East and England as a whole.

4.25 Nevertheless, the majority of new households in the market area have insufficient incomes to afford home ownership without access to savings and/or property equity. This should be borne in mind when reviewing the objective assessments for housing, and for subsidised rented housing in particular, in later sections of this SHMA.

4.26 Local income levels presented in this section, along with prices and rents (see Section 9), determine levels of affordability and provide an indication of the potential for intermediate housing (examined in Section 10). Section 6 examines the stock of housing in the market area and, in particular, changes in tenure of housing over time which in part reflect the difficulty in accessing home ownership

5. Past Trends in Employment and Forecast Employment Growth

Summary

NPPG states that consideration should be given to the likely change in job numbers based on past trends and/or economic forecasts on the requirement for housing. Employment trends are inherently uncertain particularly when considered over a 20-year time period, both because both the future pattern of growth of the national economy and the competitive performance of the local economy is uncertain.

It is important to bear in mind that economic growth is dependent only in part on employment growth. Given current high levels of employment in many parts of the South East of England, it would be reasonable to assume that productivity growth might be a more desirable policy objective than employment growth.

The analysis of past and future employment growth uses data from three economic consultancies that prepare employment forecasts. To establish trend rates of growth, employment growth in the HRSH area is analysed over the course of the business cycle, measured on both a peak to peak basis and a trough to trough basis.

This analysis indicates that on average in the HRSH area employment has grown over the course of the business cycle by between 1,050 and 1,380 jobs per annum.

The fact that historic data generates a range of average annual job growth is because different figures are generated whether the assessment is made on a peak to peak basis or a trough to trough basis; and because forecasters differ in their estimates of past job growth, even though they have access to the same government sources of data. This reflects the fact that official data sources are themselves estimates of employment and different assumptions can be applied to seek to remedy deficiencies in the data.

Forecasts of employment from three different forecasting houses have been used in the study. Over the period 2014 to 2032, the time span covered by this report, the different forecasting houses anticipated average annual growth of around 910 jobs pa (Experian); 950 (Cambridge Econometrics) and 1,480 (Oxford Economics). The wide range of forecasts in terms of average annual job growth indicates the inexact nature of employment forecasting, particularly at the sub-regional level.

In view of this, Wessex Economics has tested five different scenarios for the period 2014-2032 evenly spaced across the range of potential employment growth outcomes anticipated by the forecasting houses in the HRSH area.

These scenarios are as follows:

- Scenario 1 – 900 jobs pa
- Scenario 2 – 1,050 jobs pa
- Scenario 3 – 1,200 jobs pa
- Scenario 4 – 1,350 jobs pa
- Scenario 5 – 1,500 jobs pa

These scenarios are taken into account in the subsequent consideration of Objectively Assessed Housing Need (see Section 11). Throughout the commentary it is important to bear in mind the inherent uncertainty associated with employment trends and forecasts. The recent EU Referendum result has added to uncertainty of future patterns of economic and employment growth.

5.1 NPPG states that consideration should be given to the likely change in job numbers based on past trends and/or economic forecasts[18] on the requirement for housing. The relevant section of NPPG is set out in Figure 5.1. It has become customary for SHMAs to examine both historic trends in employment and forecasts in order to have the fullest picture possible of anticipated employment growth in future years.

Figure 5.1: NPPG on Role of Employment Trends on the Assessment of Housing Need

How should employment trends be taken into account?

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

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

Paragraph: 018 Reference ID: 2a-018-20140306

5.2 It is worth noting at the outset that future employment trends, particularly when considered over a 20-year time period, are inherently uncertain, both because the future pattern of growth of the national economy is unknown and because the competitive performance of the local economy is uncertain. Future employment trends will also be affected by the pattern of economic growth at the global and European level, Europe being the UK's most important trading partner.

5.3 The UK's economic performance compared to other nations will depend on the decisions made by Government. The outcome of the EU Referendum is likely to have a significant impact on the performance of the UK economy, and the UK labour market. In the short term (2-3 years) it is likely that there will be some adverse impacts of the decision to leave the EU, but the scale of these are uncertain, and the scale and direction of long term impacts are unknowable.

5.4 An additional source of uncertainty regarding economic and employment growth is that in recent times the link between national economic growth and employment has also become less predictable, since productivity growth (output per hour worked) has not recovered from the recent recession in the manner expected by economists. There is debate about whether historic rates of productivity growth will return, or whether the recent lower level of productivity growth will persist.

5.5 Given current high levels of employment in many parts of the South East of England, it would be reasonable to assume that productivity growth might be a more desirable policy objective than employment growth. Productivity growth feeds through more directly into wages and salaries, once high levels of employment are achieved; and higher wages and salaries will improve the ability of residents to access housing. Growth in productivity does not require a growth in employment and may not therefore

[18] Though NPPG refers to economic forecasts, this is taken, given the context and reference to workforce analysis, to mean employment forecasts

be associated with increased in-migration; it may instead be associated with an increase in housing to accommodate higher rates of household formation within the existing local population.

5.6 An additional issue in taking account of employment trends in the process of arriving at OAHN is that NPPG does not indicate how the need for additional housing should be determined if the economically active labour force is less than anticipated future job growth. The Local Plans Expert Group recommendations to Government propose avoiding a direct linkage between anticipated employment growth and housing growth, relying instead on linking uplift in planned housing provision to market signals, which they believe will embody demand pressures arising, inter alia, from job growth.

5.7 NPPG points to a number of possible market and policy responses. Job growth in excess of the economically active labour force might be met by increased commuting (a market response), but local authorities would need to satisfy themselves that this would be sustainable. NPPG also indicates that investment in appropriate infrastructure or decisions about the location of additional homes might be a solution. But the solution might also be to provide more homes in the HMA and boost the resident population.

5.8 In coming to the conclusions regarding the requirement to boost planned housing provision where there is a likely shortfall within the market of labour supply, consideration would also have to be made to the way the labour market and businesses respond to labour market shortages. Businesses may invest in capital goods to reduce their labour requirements. Other employers may move to areas where labour is cheaper or more readily available.

5.9 Similarly, additional entrants may be drawn into the labour market either in response to rising wages, or opportunities created through training. Figure 4.1 shows that about 2 in every 10 economically in-active people living in the HRSH area would like to work. It is also commonplace in many local economies that there are many people who would like to work longer hours than they currently do.

5.10 In the longer term, changes in technology will also have an impact on working patterns and on the efficiency with which existing transport infrastructure is used. New flexible working patterns can reduce the need for travel. Technology is moving towards forms of transport – both cars and trains – that allow existing infrastructure to be used more intensively with safety.

5.11 Put simply, there are multiple ways that labour markets adjust to increased demand for labour. The provision of additional homes in a particular local labour market in order to increase the local supply of labour is just one way to meet the requirement for additional labour; and there are mechanisms that reduce the demand for labour without adverse economic impacts, if labour supply is constrained. These realities should be borne in mind when considering economic (job growth) projections and their implications for the objective assessment of housing needs in the HRSH HMA.

Historic Employment Trends

5.12 The NPPG indicates that examination of historic trends of employment growth can be useful in informing the likely pattern of future employment growth. For the purposes of the SHMA, what is particularly relevant is the number of people working in the Housing Market Area; that is, those whose place of work is in the HMA including those who work from home. This is generally referred to as Workplace Employment. It excludes those who live in the HMA but work outside the area.

5.13 Data on historic patterns of employment are available from essentially two different sources:

- official sources of data on employment (see Figure 5.2); and,
- the estimates of total workplace employment made by various independent forecasting houses.

5.14 The independent forecasting houses draw upon the official sources of data to present time series data on employment for past years. However, they seek to reflect the different coverage of official datasets over time to produce a single annual figure for workplace employment (and other employment indicators), typically calibrated to sum to national estimates of total employment. National estimates of employment are always more robust than data on employment at the local level.

Figure 5.2: Official Sources of Data on Employment.

Employer Surveys: For around the last 35 years Government has collected data on employment from employers through a variety of surveys. **The Business Register and Employment Survey (BRES)** is the most recent iteration of these surveys. BRES provides data from 2008 onwards for workplace employment (employees) and Business Owners and Self Employed people registered for VAT; but this only counts a minority of self-employed people. Prior to BRES **the Annual Business Inquiry** captured data on workplace employment (employees) for the period from 1998 to 2008, and its predecessors the **Annual Employment Survey** (for the period 1991 to 1998) and the previous **Census of Employment** (1981 to 1991) collected similar data on employees.

Resident Surveys: the Annual Population Survey is a sample survey of residents in an area from which, among other themes, captures data on people who are in work, and where they work. It is the primary source of data (along with the decennial Census) providing estimates of the numbers of self-employed residents living in a particular local authority area. Data are available from 2004. Some similar data can be derived from the **Local Area Labour Force Survey** for years before 2004

From the year 2000 **Job Density** data have been published. Job Density is the number of jobs filled in an area divided by the number of working age residents in the area. The numerator in this calculation is an estimate of the total number of jobs in an area. This figure includes employees, self-employment jobs, HM Forces and government-supported trainees. Unlike the BRES it includes agricultural employment. BRES data is a key component in estimating the total jobs in an area but the calculation draws on a wider set of data to estimate total employment.

5.15 The discontinuities between different official datasets on employment mean that it is preferable, in Wessex Economics' judgement, to use the record of historic employment change, as reported by the forecasting houses. The forecasting houses have a strong interest in generating the most reliable estimates possible of the historic pattern of employment growth, since this historic data is an important element in the development of their forecasts of future employment change.

5.16 In order to ensure that the SHMA is based on the fullest information possible, this report draws on historic and forecast data on employment from the three key forecasting houses that produce local employment forecasts on a regular basis.[19] This represents a significant enhancement on the approach taken in the preparation of the 2014 SHMA which relied on employment forecasts prepared by only one of the three forecasting houses; and used only the official sources of data for past trends in employment growth. These official data sets are subject to discontinuities and the scope and coverage of employment surveys have changed over time.

[19] All three forecasts are dated December 2015 and include data using the ONS Provisional BRES Data for 2014

5.17 The three forecasters and the dates for which they provide data are set out below:

- Cambridge Econometrics: historic data from 1981 to 2014, and forecasts 2015 to 2036
- Experian: historic data from 1997 to 2014, and forecasts 2015 to 2035
- Oxford Economics: historic data from 1991 to 2014, and forecasts 2015 to 2036

5.18 As shown above, the three forecasting houses are different in terms of how far back they present data on historic employment levels, with Cambridge Econometrics starting in 1981, Oxford Economics in 1991 and Experian in 1997. Thus it is only possible to analyse long-term trends in employment change from 1981 using CE data; and it is only possible to compare the forecasters' data on historic trends from 1997, the most recent data produced by Experian.

5.19 In terms of the bundle of employment data purchased for this study, data for the UK and the South East region were purchased from Cambridge Econometrics and Experian (but not from Oxford Economics). These data allow historic and future employment growth in the HMA to be compared with that in the South East of England and UK as a whole.

5.20 It might be assumed that the forecasting houses would be in perfect agreement on the total numbers of jobs in an area. This is not so, since the different forecasters are understood to use different methods to 'clean up' the historic data to address under-recording when the data at the local level does not sum to the national total. The forecasting houses may also use different methods to estimate self-employment at the local level.

The Time Frame for Analysis of Past Trends in Employment Data

5.21 Wessex Economics' experience in analysing employment trends over time in a local area is that, where the output of the analysis is an average annual rate of employment growth, this can be very sensitive to the time periods used for analysis. It is important, therefore, to base the analysis on a time period that relates to the wider economic environment.

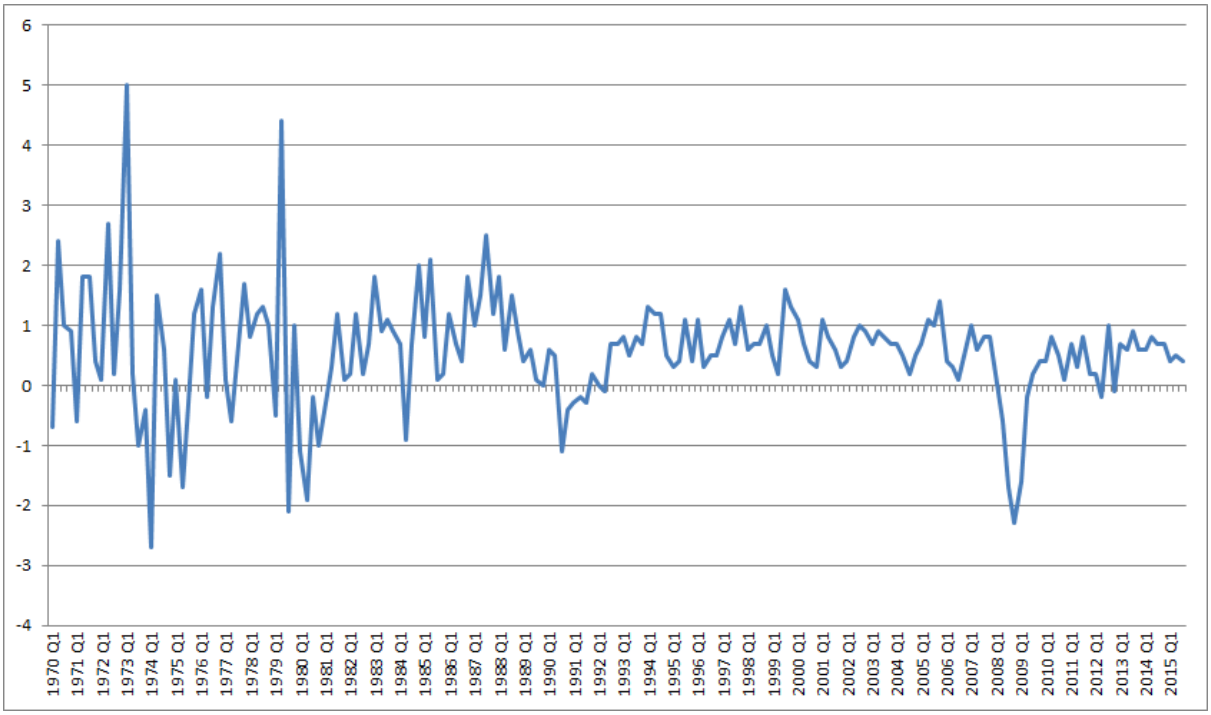
5.22 A logical basis for determining the most appropriate years over which to measure trends in employment growth is over the course of the most recent full business cycle[20], be that from peak-to-peak or trough-to-trough. This should capture changes in the competitive position of a particular local area over a period of time better than other dates chosen on an arbitrary basis.

5.23 This approach ensures that the analysis is not skewed either by starting a point in the middle of the business cycle, when employment will be high, and assuming an end point in a recessionary phase; or using a starting point in the depths of a recession and an end point in the early phases of recovery where there can be rapid growth, and excludes the likelihood that the rapid employment growth during this early phase will moderate over time, before the next recession commences.

[20] The business cycle is a term used to describe the fluctuations in economic activity that an economy experiences over a period of time. A business cycle is basically defined in terms of periods of expansion or recession. During expansion phases, the economy is growing in real terms (i.e. excluding inflation), as evidenced by increases in indicators like employment, industrial production, sales and personal incomes. During recessions, the economy is contracting, as measured by decreases in the above indicators. Expansion is measured from the trough (or bottom) of the previous business cycle to the peak of the current cycle, while recession is measured from the peak to the trough.

5.24 Figure 5.3 shows the pattern of GDP growth since 1970 in the UK. The UK suffered severe recessions in the mid 1970s, in 1980/81 and then most recently in the period 2008-09, with a shallower recession in 1990. It would be reasonable to expect employment at the local level to reflect a somewhat similar pattern in terms of employment growth.

Figure 5.3: UK Quarter upon Quarter GDP Growth 1970-2013



Source: ONS

5.25 Data on total employment at the UK level and the South East England level was purchased for this SHMA from Cambridge Econometrics (for the period 1981 to 2014) and from Experian (for the period 1997 to 2014).[21] Figure 5.4 shows the pattern of employment change at the UK level based on CE data; and Figure 5.5 shows the pattern of employment change at the South East region level based on CE data. It is worth noting that the impact of the 2008-09 recession in terms of the impact on UK employment was much less severe than the downturn in 1990-1993; and that employment started to grow in the South East a year before employment grew at the national level following the 2008-09 recession.

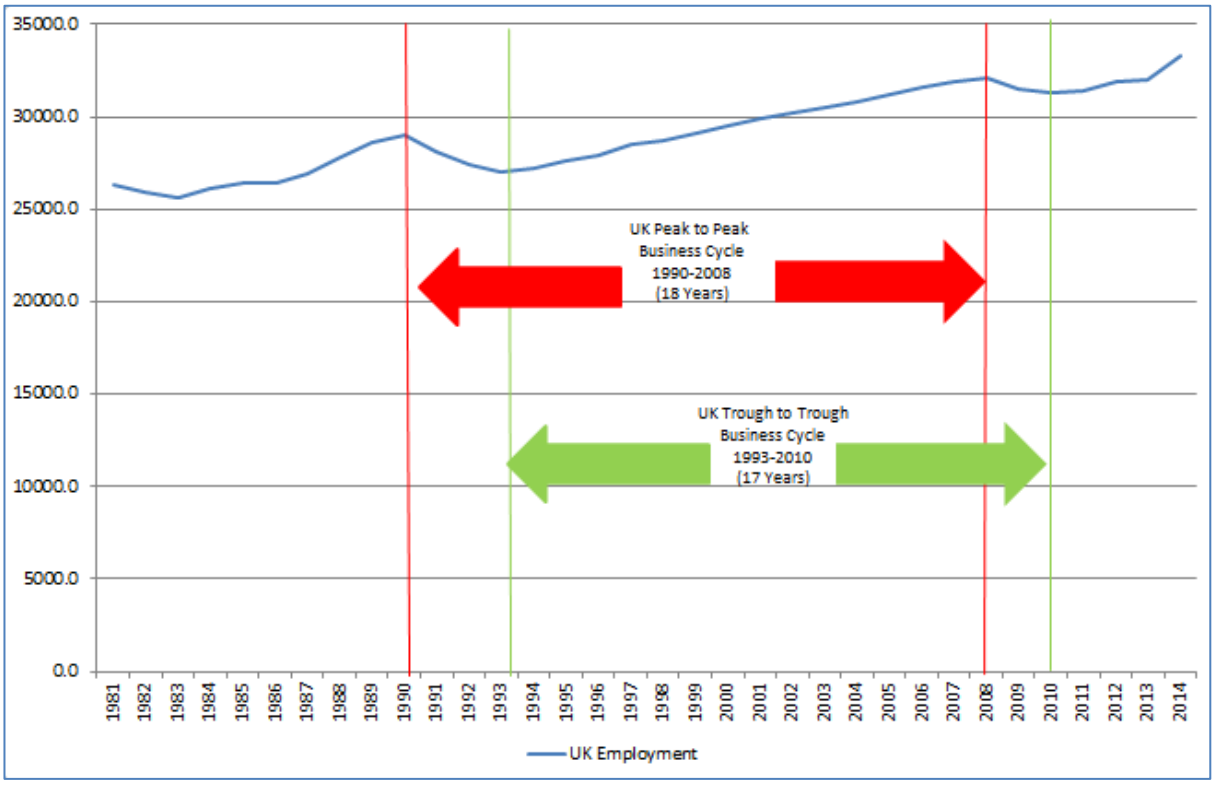
5.26 Figures 5.4 and 5.5 support the view that in analysing the pattern of historic trends in employment change, it is worth examining average employment growth in the Housing Market Area over both the peak to peak period and the trough to trough pattern. It is worth noting that there has been widespread reportage that productivity has suffered more and for longer in the period since 2008, so the historic linkage between employment growth and GDP has proven less strong in recent years than in the previous recovery phases in the economy.[22]

5.27 As part of this study, data on total workplace-based employment in the UK and the South East region has been sourced from Experian, as well as Cambridge Econometrics. The Experian data set only starts in 1997, which does not allow analysis of employment change either for the peak-to-peak period or the trough-to trough-period, since as shown in Figure 5.4 (and confirmed in Figure 5.3), the last full UK

[21] Data at UK and South East level from Oxford Economics was not purchased as part of the data package sourced from Oxford Economics.
[22] Productivity in the UK, House of Commons Briefing Paper 06492, May 2016 provides a helpful summary of the UK productivity puzzle.

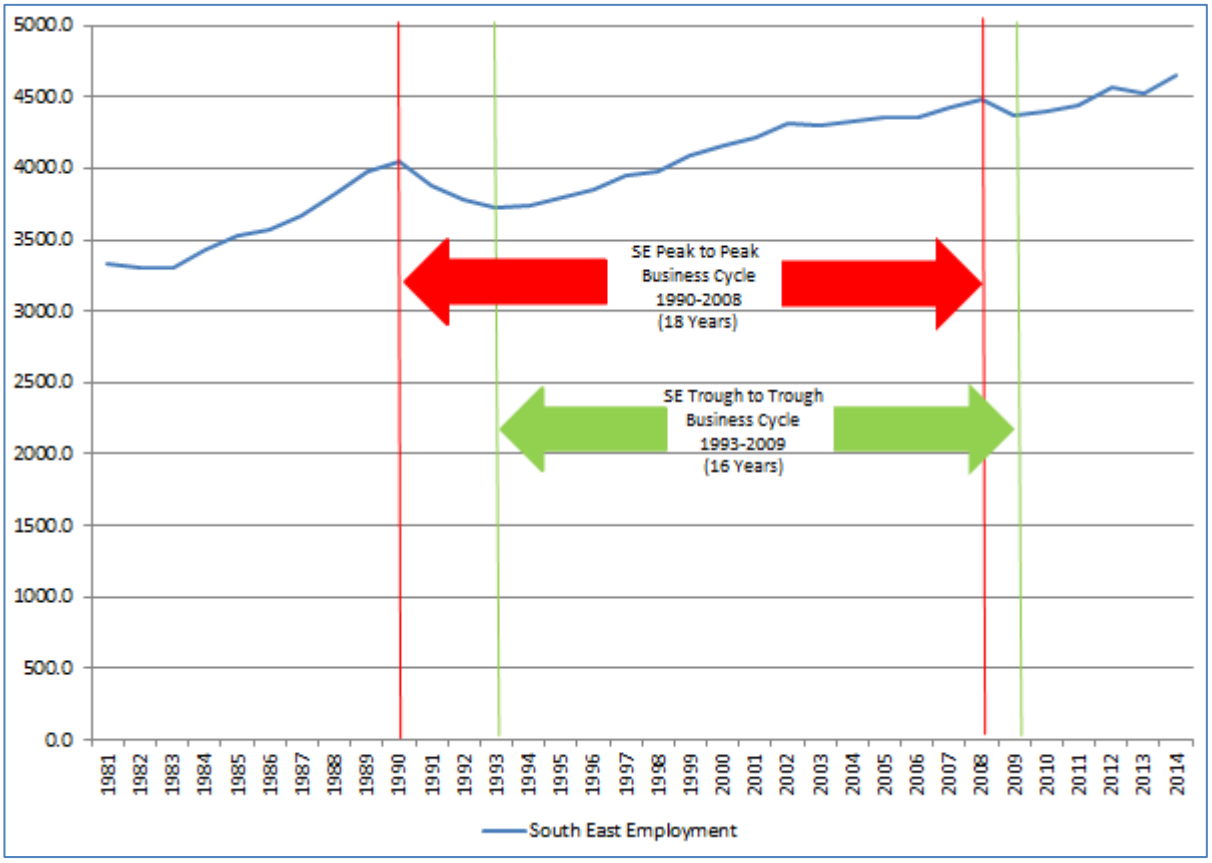
business cycle measured on a peak to peak basis was 1990-2008; and the UK business cycle measured on a trough to trough basis is from 1993 to 2010 (see Figure 5.4).

Figure 5.4: CE Total UK Employment 1981-2014 ('000)



Source: Wessex Economics, Cambridge Econometrics

Figure 5.5: CE Total South East Region Employment 1981-2014 ('000)



Source: Wessex Economics, Cambridge Econometrics

5.28 Figures 5.6 and 5.7 compare the pattern of employment growth from 1997 to 2014 for both the UK and the South East derived from the CE data and the Experian data. The figures show that at national and regional level both CE and Experian show the same pattern of employment change, even though they differ slightly in terms of the total number of jobs at each spatial level.

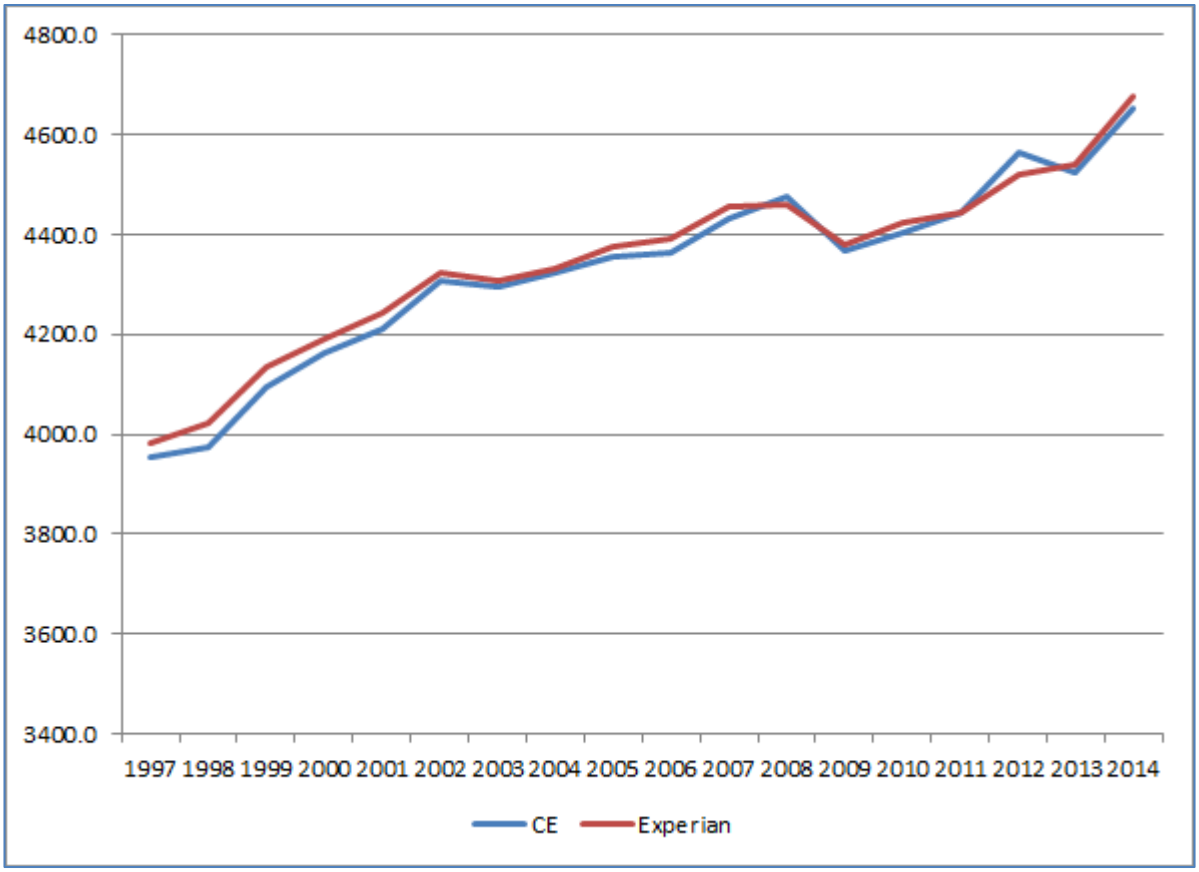
5.29 The difference between the two sets of historic trend analysis differ year by year from each other by between 0% to 1% of the total employment at the UK level as recorded year by year by Experian; that is, in any single year in the period 1997 to 2014, the difference in employment between the two datasets is up to 1 in every 100 jobs. Over the entire period 1997 to 2014, the mean difference between the two sets of data is around 0.43%, or around 1 in every 236 jobs.

5.30 The differences between the CE and Experian historic trend analysis on a year-to-year basis at the South East England level are between +1.2% and -1.0%, but over the entire period 1997 to 2014 the mean difference between the two sets of data is around 0.39% or around 1 in every 256 jobs. These differentials are most likely to arise from estimates of self-employment and techniques used to make all the data consistent at a national level.

Figure 5.6: Total CE and Experian UK Employment Change 1997-2014 ('000)

Source: Wessex Economics, Cambridge Econometrics, Experian

Figure 5.7: Total CE and Experian South East England Employment Change 1997-2014, ('000)



Source: Wessex Economics, Cambridge Econometrics, Experian

Past Trends in Employment Change in the HRSH Area

5.31 Data on past employment in the HRSH Area have been sourced from Cambridge Econometrics (CE), Experian and Oxford Economics (OE). As noted previously, each forecasting organisation uses a different base year for its analysis of trend data. Figure 5.8 shows the estimates each forecaster make for total employment in the HRSH area in the period for which historic data is available.

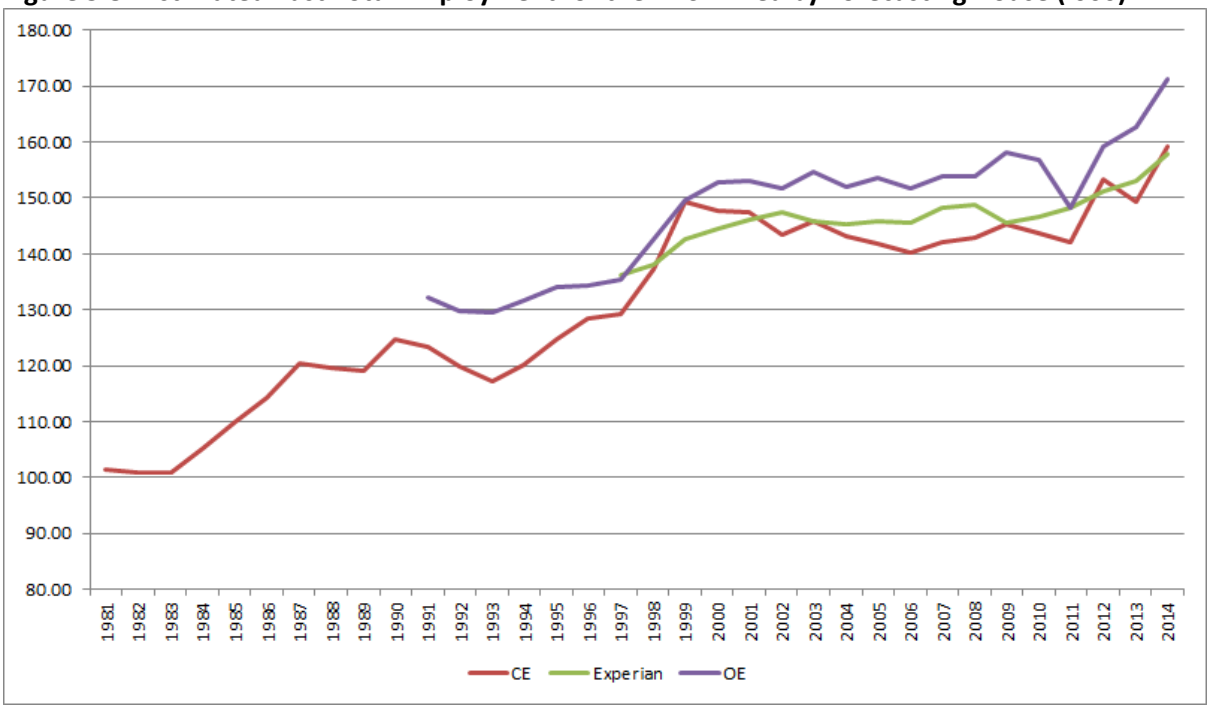
5.32 OE figures for employment in the HMA are consistently higher than those for CE and Experian, with differentials in total employment between the CE and OE estimates of total employment on average around 9,000 jobs every year during the period 1991-2014. The CE and Experian data are more closely aligned, with, on average, Experian reporting an average of 1,900 more jobs than CE each year over the period for which data is available from both forecasters.

5.33 However, there is considerable variability from year to year, with Experian in any particular year showing a large difference with the CE figures and in other years the figures being closer, or the CE figures being higher than the Experian figures. These significant differences should be contrasted with the close alignment between the CE and Experian datasets for the national and regional employment trends (see above). It is clear that at the geographical scale of the HRSH HMA, employment trends provide an uncertain basis for estimates of future job growth.

5.34 Since each forecaster has access to the same official statistics, the reported differences probably reflect different assumptions to adjust for the partial coverage of official statistics; and different approaches to estimating those elements of total employment not well covered by official statistics. These differences between the three forecasters in their analysis of historic employment data at local authority level, which

should be a matter of fact, once again indicate the degree of caution that should be given to long-term forecasts of future employment growth.

Figure 5.8: Estimated Past Total Employment for the HRSH Area by Forecasting House ('000)



Source: Wessex Economics, Cambridge Econometrics, Experian, Oxford Economics

5.35 As noted above, the most robust basis for analysis of past trends in employment growth is to examine employment change over the course of the business cycle, be that the 'peak-to-peak' growth or the 'trough-to-trough' growth rate. The CE data is the only data set with a sufficiently long time series to undertake this analysis, though the OE data can also be used as a secondary source by making a reasonable estimate for employment in 1980.

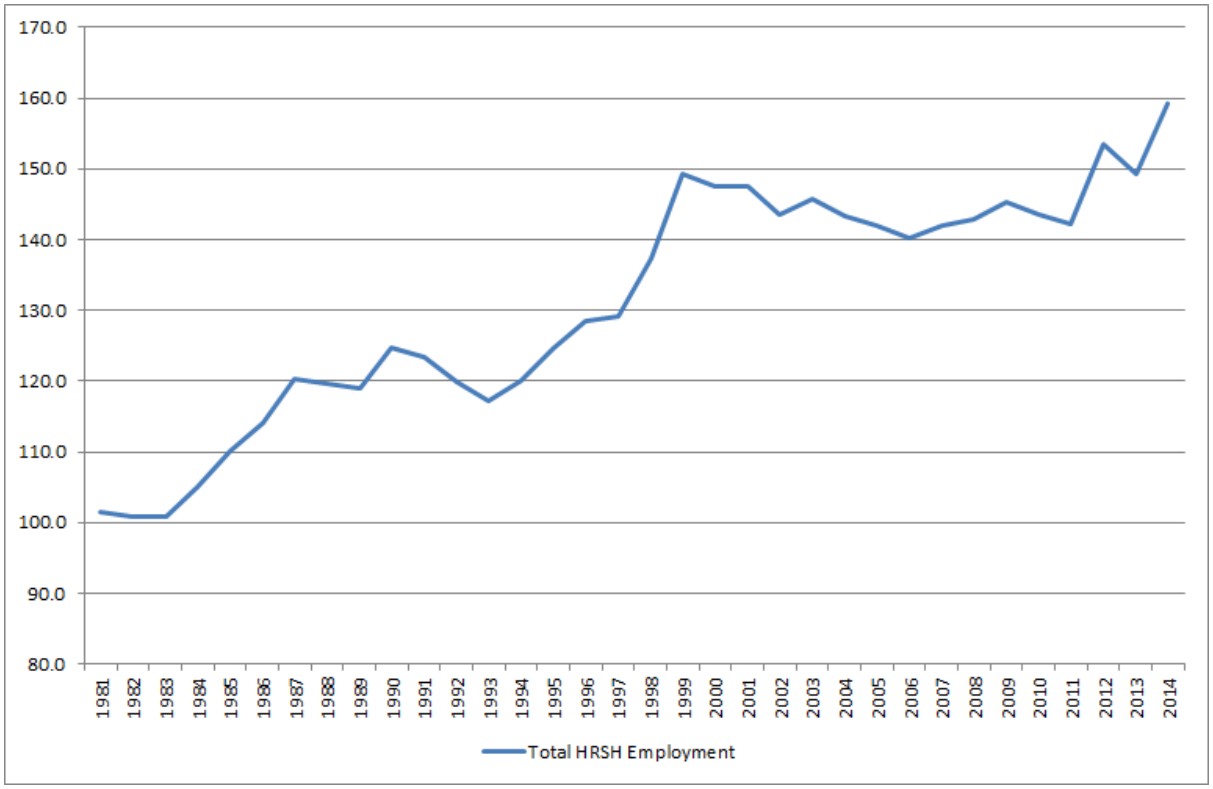
5.36 Figure 5.9 shows the pattern of employment change in the HRSH Area over the period 1980 to 2014 based on CE data. There is a very distinct pattern of rapid employment growth from 1983 onwards, with something of a downturn in the recession of the early 1990s, followed by rapid employment growth to a peak in 1999. The pattern throughout the period 2000 essentially to 2010, has been one of decline or weak employment growth, with a marked increase in growth from 2011 onwards. In terms of employment, the decade 2000-2010 was something of a lost decade for the HRSH area.

5.37 However, analysis of the sectoral pattern of change in the HRSH area shows that the peak employment in 1999 is associated with one sector and one authority: the Government Services sector and Rushmoor. Employment in 1998 in Rushmoor in the Government Services sector was 10,200, jumped by 13,500 to 23,700 in 1999 according to the CE data, and then reverted to 11,000 in 2000. This seems likely to be a statistical or classification error probably relating to military personnel and should be dis-regarded. The fact that employment in this sector returned in the year 2000 to close to its 1998 level means that this is not significant for trend analysis that starts before and ends after 1999.

5.38 Figure 5.10 shows the revised pattern of employment growth based on using an average of the 1998 and 2000 data for the Government Services sector in Rushmoor. The overall pattern of employment change is similar to that shown in Figure 5.9, but the peak employment at the end of the decade 1990-2000 is now in the year 2000 rather than 1999. This coincides with the end of the technology boom of the mid to late

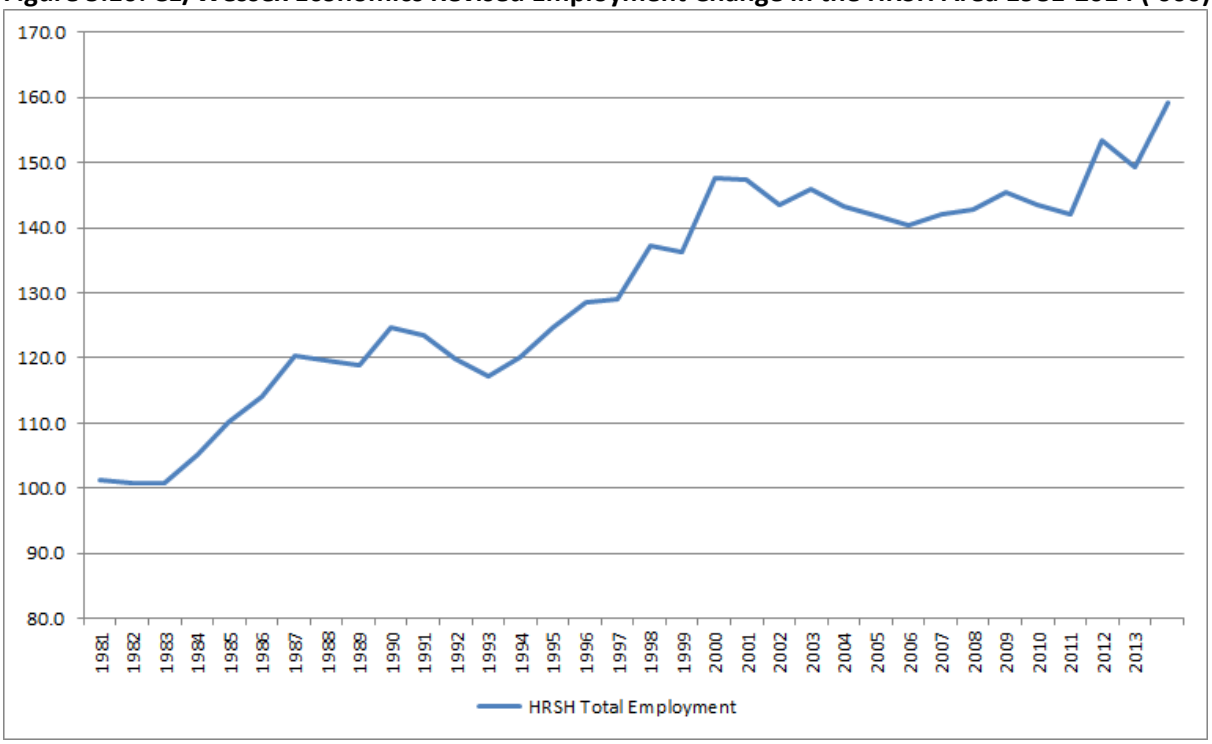
1990s. Since this one year of suspect data does not affect any analysis that spans the period 1998 to 2000, other charts are presented using the baseline un-amended CE data.

Figure 5.9: CE Employment Change in the HRSH Area 1981-2014 ('000)



Source: Wessex Economics, Cambridge Econometrics

Figure 5.10: CE/Wessex Economics Revised Employment Change in the HRSH Area 1981-2014 ('000)

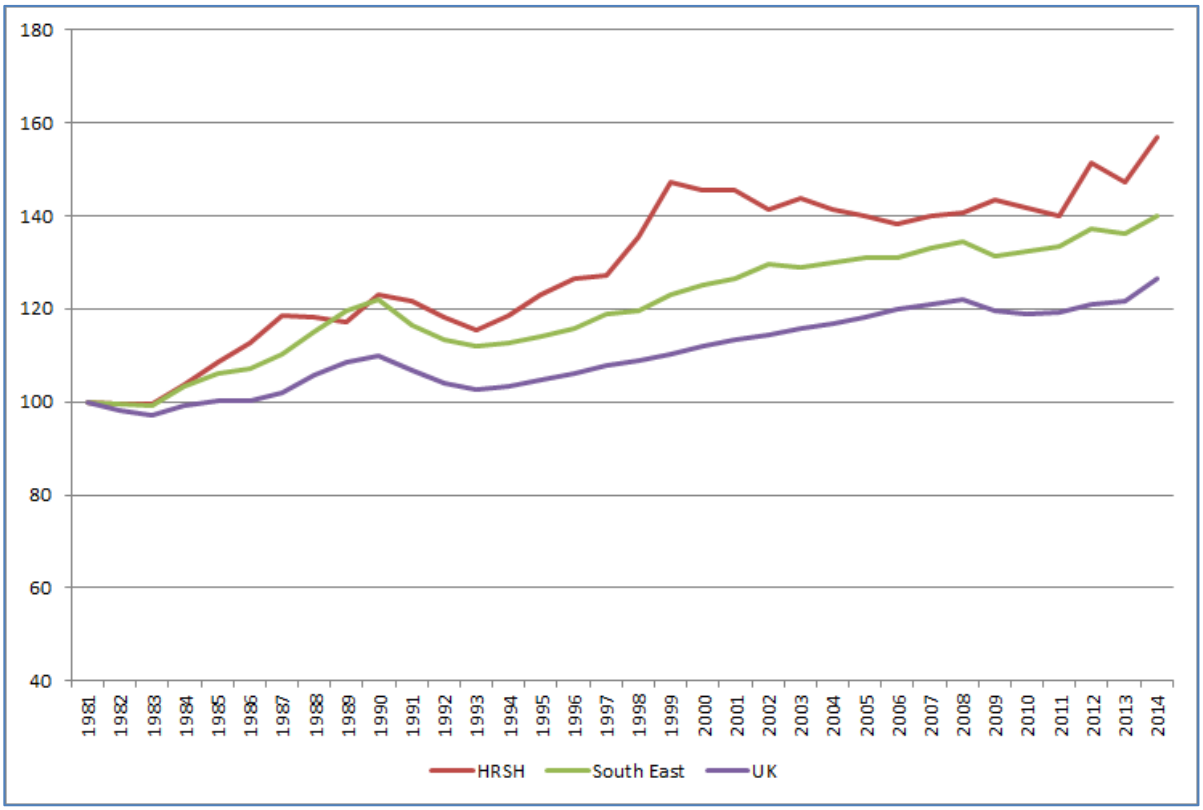


Source: Wessex Economics, Cambridge Econometrics

5.39 How does the pattern of employment change in the HRSH area compare with the regional and the national picture? Figure 5.11 compares the pattern of employment growth from 1981 to 2014 in the HRSH area with employment growth in South East England as a whole and the UK. The comparison is made on an indexed basis where employment in 1981 in each of the three geographies equals 100, and subsequent employment change is benchmarked against this starting point.

5.40 Figure 5.11 shows the HRSH HMA outperforming the South East region in the 1990s in terms of employment growth; but also shows how in the period 1999/2000 to 2010 employment declined while the South East achieved consistent employment growth up until 2008. In the most recent years for which official data is available, the period 2011-14, employment in the HMA has grown rapidly compared to the South East, though employment in the South East has grown steadily since 2009. The prolonged impact of the recession and its aftermath on the UK economy is clearly shown in the shallow u-shaped pattern of employment growth in the UK since 2008, but there has been a pronounced uptick since 2013.

Figure 5.11: CE Indexed Employment Change (1991=100) for the HRSH Area, South East Region and UK



Source: Wessex Economics, Cambridge Econometrics

5.41 The pattern of growth in the HRSH area presents something of a conundrum in terms of analysing peak-to-peak and trough-to-trough employment growth. Figures 5.9 and 5.10 show that in the HRSH area there were clear peaks in employment in 1990 and 1999/2000, which could be treated as a peak to peak trend. But this is at odds with the UK and South East pattern of employment change that shows clear peaks in 1990 and 2008. At all times, one should bear in mind the fact that employment trends at the HMA level are less certain than those described for regional and national scales.

5.42 If one were to use the 1999/2000 figure as the start of a new peak-to-peak period in the HRSH area as the starting point for trend analysis, then the peak of this sub-regional cycle has not yet been reached, since from 2011 employment has been increasing. A trough-to-trough analysis just for the HRSH would be based on either the period 1993 to 2006, the lowest level of employment achieved in the period after

1993; or to 2011, the low point immediately before the sharp upturn in employment. Employment in HRSH area in 2011 was only 1,800 jobs greater than in 2006 (out of a total of 140,100 jobs in total in 2011).

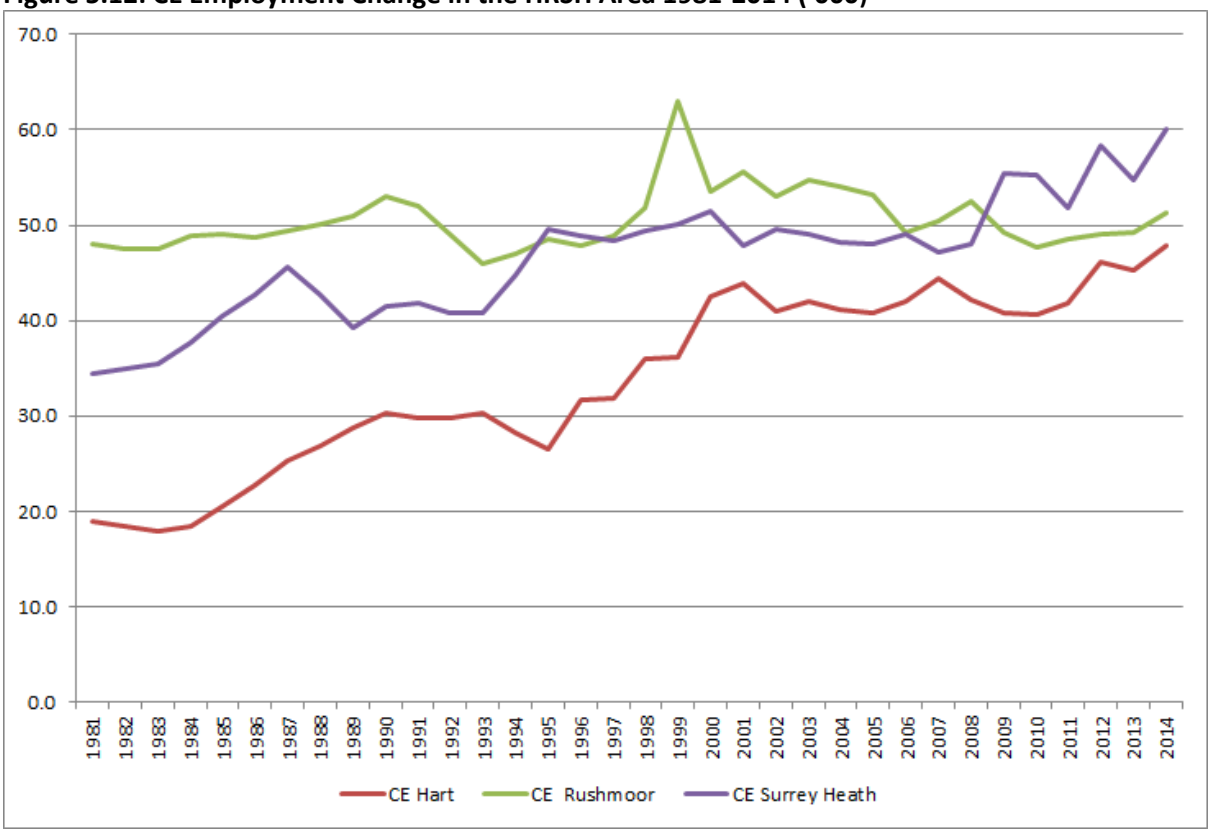
5.43 The fact that the pattern of employment growth in the HRSH area in the period from 1993 onwards is so markedly different to the regional and national pattern could be taken to indicate that the sub-regional economy of the HRSH was behaving quite differently to the South East economy. The HRSH economy appears to have experienced a surge in job growth, which ended sharply after 2000, and was followed by a steady fall in employment until 2011.

5.44 For the purposes of trend analysis, the most robust approach is to take the longer term perspective, based on the peak-to-peak and trough-to-trough pattern evidenced by the UK and the South East employment data. However, there is clearly a need to consider what was happening in the HRSH economy between 1993 and 1999 (the boom); and what changed in the period between 2000 and 2011.

5.45 The CE data appears to suggest that employment growth in the whole period 1981 to 2014 has been driven by growth in Hart and Surrey Heath, while total employment in Rushmoor in 2014 was only 3,000 jobs higher in 2014 than in 1981, while the total number of jobs in the HRSH area has increased by around 58,000 jobs. However it should be noted that employment in Rushmoor was significantly higher than in Hart or Surrey Heath throughout the 1980s.

5.46 Figure 5.12 shows the pattern of employment growth in each of the constituent authorities in the HMA. The very sharp spike in the chart shown for Rushmoor is associated with a sudden 13,500 job increase in 1999 associated with the Government Services sector, which is regarded as rogue data (see Para 5.37).

Figure 5.12: CE Employment Change in the HRSH Area 1981-2014 ('000)



Source: Wessex Economics, Cambridge Econometrics

5.47 Figure 5.13 shows the overall pattern of employment change for each of the individual local authorities in the HMA broken down by sector. Figure 5.13 shows the dramatic shift of employment in the HRSH area away from manufacturing to an economy based on private sector services over the period 1981 to 2014, with very substantial growth in financial and business services and information and communications. Rushmoor's relatively weak overall growth (reflective of its much higher start point in 1981) is indicated by a large loss of manufacturing business and government employment (probably linked to a reduction in the military presence over time) and a lower level of replacement employment in the two main sectors where there has been dramatic employment growth.

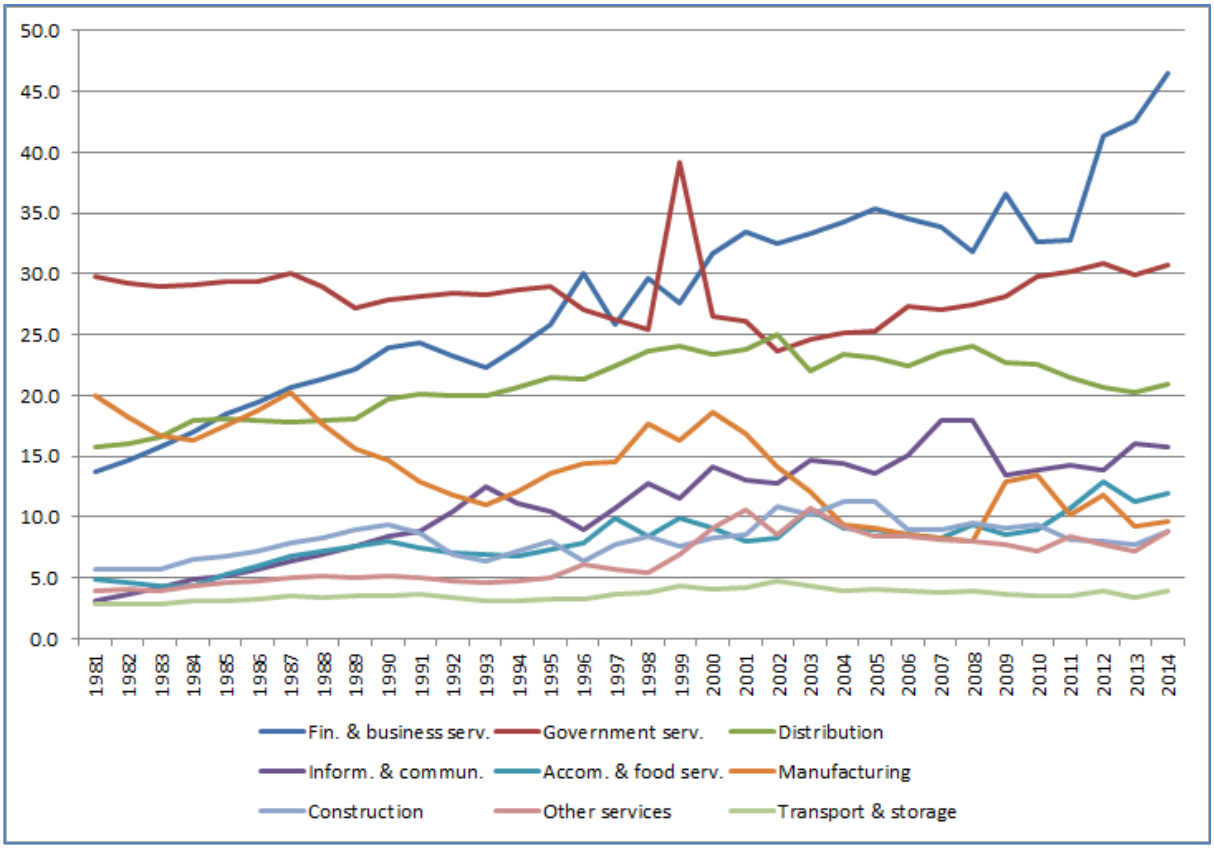
Figure 5.13: CE Total Employment Change in the HRSH Area 1981-2014

Sector	Hart	Rushmoor	Surrey Heath	HRSH HMA
Agriculture etc	33	161	-296	-102
Mining & quarrying	51	4	12	67
Manufacturing	262	-4,886	-5,699	-10,323
Elect., gas, water etc	217	-1	51	267
Construction	634	968	1,529	3,131
Distribution	2,027	-325	3,554	5,256
Transport & storage	965	-445	619	1,139
Accomodation & food services	3,467	1,455	2,267	7,189
Information & communications	4,663	5,573	2,425	12,661
Financial & business services	11,868	8,771	12,077	32,716
Government services	2,203	-8,207	6,925	921
Other services	2,516	159	2,164	4,839
Total Employment Change	**28,904**	**3,228**	**25,629**	**57,761**

Source: Wessex Economics, Cambridge Econometrics

5.48 Figure 5.14 shows the pattern of change by sector over the period 1981 to 2014 for the 9 sectors in the HRSH which account for 99% of employment in the HRSH area. The chart makes it clear that employment growth in the HRSH HMA has been driven particularly by growth in the Financial and Business Services sector, and, to some extent, by the Information and Communications sector and Government Services sector.

Figure 5.14: CE Total Employment Change in the HRSH Area 1981-2014 ('000)



Source: Wessex Economics, Cambridge Econometrics

Average Annual Employment Growth over the Business Cycle

5.49 It is useful when examining employment trends over different periods of time to translate figures of job growth into an annual average job figure, though it should be noted that the average annual job growth is very sensitive to small changes in the number of years for which the analysis is undertaken. For example, if job growth over a 20 year period is 25,000 jobs the average annual growth is 1,250 jobs; but if the job growth of 25,000 arises over 22 years (as would be possible if there were two extra years of zero job growth) the average job growth would be 1,136 pa. These differences, if projected forward over a 20 year period can give rise to quite different estimates of future job growth (eg 25,000 or 22,720 jobs by year 20 in these examples).

5.50 As noted previously, while the dates of the most recent business cycle for the UK and the South East measured on a peak-to-peak basis are clear (1990 to 2008), this is less clear for the HRSH area. To fit in with the regional trend peak-to-peak employment growth for the period 1990 to 2008, the peak-to-peak trend for the HRSH area is taken to be 1990 to 2009, using 2009 as the peak rather than 2008 since employment in the HRSH area was higher in 2009 than 2008.

5.51 The choice of the appropriate start year for the trough-to-trough analysis is clear, with 1993 being a low point in employment in the HRSH area, the South East of England and the UK. The low point for the South East at the end of the cycle was 2009; for the UK, it was 2010. For the HRSH area, most recent low points would be either 2006 (before the economic downturn of 2008/09) or 2011, after which employment began to grow rapidly. Since 2011 clearly marks a significant transition point in terms of the pattern of employment growth the trough-to-trough analysis has been analysed for the period 1993 to 2011.

5.52 Figure 5.15 shows that past average annual growth in employment in the HRSH area over the business cycle based on the CE data:

- Measured on a peak-to-peak basis there has been average growth in employment of around 1,100 jobs
- Measured on trough-to-trough basis, average employment growth has averaged around 1,400 jobs pa.

5.53 A similar analysis can be made of the trough-to-trough growth in employment using the Oxford Economics historic datasets; and a similar peak-to-peak estimate can be made based on the Oxford Economics employment dataset if an assumption is made of the level of employment in 1990, one year before the start of the OE dataset. Wessex Economics has calibrated this by reference to the differential between the 1990 and 1991 employment figures contained in the CE data.

Figure 5.15: Historic Annual Rate of Employment Growth (Cambridge Econometrics) Peak-to-Peak and Trough-to-Trough Analysis

	Peak to Peak Business Cycle			
CE	Total	Hart	Rushmoor	Surrey Heath
1990 (Employment in '000)	124.8	30.3	53.0	41.4
2009 (Employment in '000)	145.4	40.7	49.2	55.4
Total Workplace Jobs	20,588	10,391	-3,819	14,016
No. of Years	19	19	19	19
Average Annual Growth in Jobs	1,084	547	-201	738
	Trough to Trough Business Cycle			
	Total	Hart	Rushmoor	Surrey Heath
1993	117.2	30.4	46.0	40.8
2011	142.1	41.8	48.5	51.8
Total Employment Growth	24,885	11,437	2,478	10,970
No. of Years	18	18	18	18
Average Annual Growth in Jobs	1,383	635	138	609

Source: Wessex Economics, Cambridge Econometrics

Figure 5:16: Historic Annual Rate of Employment Growth (Oxford Economics) Peak to Peak and Trough to Trough Analysis

	Peak to Peak Business Cycle			
OE	Total	Hart	Rushmoor	Surrey Heath
1990 (Employment in '000)	133.5	33.0	53.7	46.7
2009 (Employment in '000)	158.1	43.3	55.1	59.7
Total Employment Growth	24,607	10,298	1,338	12,971
No. of Years	19	19	19	19
Average Annual Growth in Jobs	1,295	542	70	683
	Trough to Trough Business Cycle			
OE	Total	Hart	Rushmoor	Surrey Heath
1993 (Employment in '000)	129.4	33.3	50.1	46.0
2011 (Employment in '000)	148.3	43.1	51.5	53.7
Total Employment Growth	18,830	9,816	1,400	7,614
No. of Years	18	18	18	18
Average Annual Growth in Jobs	1,046	545	78	423

Source: Wessex Economics, Oxford Economics

5.54 The scale of the differential between the Cambridge Econometrics and Oxford Economics figures of historic growth in the HRSH area is worth commenting on, given that these two forecasting bodies are working with the same sets of official data. Figure 5:17 shows the differential in the estimated historic trend over the business cycle measured in terms of average annual job growth.

5.55 It is also worth noticing that CE report lower levels of job creation than Oxford Economics measured over the peak-to-peak period, but higher levels of job creation than OE measured over the trough-to-trough period. Figure 5.17 compares and contrasts the CE and OE trend data for the peak-to-peak and the trough-to-trough trend analysis.

5.56 These differences between what the CE and OE historic data indicate in terms of long term annual employment growth over the same periods can be summarised as follows:

- CE report that over the period 1990 to 2009 (peak-to-peak) around 20,600 additional jobs were created in the HRSH area, while OE report that around 24,600 additional jobs were created. This gives rise to an average annual increase in jobs of 1,084 according to CE and 1,295 jobs according to OE.

- CE report that over the period 1993 to 2011 (trough-to-trough) around 24,885 additional jobs were created in the HRSH area, while OE report that around 18,830 additional jobs were created. This gives rise to an average annual increase in jobs of 1,383 according to CE and 1,046 jobs according to OE.

Figure 5.17: Comparison of CE and OE Historic Job Growth Estimates

	CE	OE	Diffence (CE-OE)
Peak to Peak 1990-2009			
Average jobs pa	1,084	1,295	-211
Total Employment Growth	20,588	24,607	-4,019
% Employment Growth from base year	16.5%	18.4%	-1.9%
Trough to Trough 1993-2011			
Average jobs pa	1,383	1,046	337
Total Employment Growth	24,885	18,830	6,055
% Employment Growth from base year	21.2%	14.5%	6.7%

Source: Wessex Economics, Cambridge Econometrics, Oxford Economics

5.57 This analysis serves to demonstrate the level of uncertainty there is even about historic trends of employment growth between the forecasting houses. This will arise from a number of factors; the under or over reporting of employment in official data sets; the particular techniques that different forecasters use to make good deficiencies in official data sets; and the techniques that they use to ensure alignment between national and local data sets.

5.58 The historic data sets of the different forecasting houses underpin their forecasts. It is only to be expected, therefore, that forecasts of future employment between forecasters will vary considerably. This is particularly so when forecasting employment on a 20 year time frame, when small differences in assumptions and estimates of annual growth employment rates can, though the process of compound growth, result in big differences in expected employment in 20 years' time.

Average Annual Employment Growth Since 2011

5.59 The business cycle provides a rationale for the choice of particular start and end dates for trend analysis. However, in examining past trends, it is also relevant to draw attention to the rapid growth in employment in the HRSH area in the period 2011-14. Figure 5.18 shows the level of employment growth as reported by each of the three forecasting houses in this period.

Figure 5.18: Employment Growth in the HRSH Area 2011-14

	Cambridge Econometrics	Experian	Oxford Economics
Job Growth 2011-14	17,082	9,710	23,007
No. Years	3	3	3
Average job growth pa 2011-14	5,694	3,237	7,669

Source: Wessex Economics, Cambridge Econometrics, Oxford Economics, Experian

5.60 The three different forecasters all record significant employment growth in the HRSH area with wide differences in the scale of such growth. Both CE and OE identify 2011 as a clear low point in employment in the Study Area, while Experian has employment in 2011 a little higher than the 2010 low point in recent employment history. The scale of growth recorded mirrors, in many ways, the scale of growth in the late 1990s (see Figures 5.8 and 5.9), which then petered out in the decade 2000-2010.

Comparing the Forecasts and Official Sources of Data on Employment Growth

5.61 The most important source of official data on local employment is the Business Register and Employment Survey (BRES), though it should be noted that BRES does not pick up on all employment in an area, particularly the self-employed but also employment in agriculture, the armed forces etc. The forecasting houses only had access to the data up to 2014 when they prepared the forecasts used in this section. .

5.62 Figure 5.19 shows employment totals for each of the HRSH authorities and the HRSH as a whole. The employment captured in Figure 5.19 is the number of employees at workplaces in the HRSH, plus working owners and self-employed people registered for VAT. The BRES does not count the majority of self-employed people in any area, since it tends to be the case that a high proportion of self-employed people are not registered for VAT.

5.63 Therefore, the BRES certainly does not represent total employment in an area, particularly those areas which have high levels of self-employment (for example Hart District). The fact that military personnel are not included in BRES data also means that BRES will under-estimate total employment in the HRSH area because of the number of military personnel in the area.

5.64 It should also be noted that the 2015 BRES data is provisional and will not be finalised until September 2017. There can be significant revisions to the BRES data. The finalised figure of employment in the HRSH area for 2013 is 135,900 jobs; the provisional figure released in September 2014 was 137,000, so a downward revision amounting to some 1,100 was made following further checks on accuracy of the data. Provisional data should therefore be treated with some care.

Figure 5:19: Employment (Employees and Working Owners) 2009-15 for the HRSH Area

	Hart	Rushmoor	Surrey Heath	HRSH	South East
2009	35,000	47,000	51,000	133,000	3,891,000
2010	36,000	46,000	49,000	131,000	3,935,000
2011	35,000	44,000	46,000	125,000	3,921,000
2012	35,000	45,000	54,000	134,000	3,933,000
2013	40,000	46,000	50,000	136,000	3,975,000
2014	42,000	47,000	53,000	142,000	4,047,000
2015p	39,000	49,000	55,000	143,000	4,166,000
Change 2009-15	4,000	2,000	4,000	10,000	275,000
Change 2011-15	4,000	5,000	9,000	18,000	245,000
% Change 2009-15	*11%*	*4%*	*8%*	*8%*	*7%*
%Change 2011-15	*11%*	*11%*	*20%*	*14%*	*6%*

Source: Wessex Economics, BRES; 2015 data is provisional
Note: Figures may not sum to totals due to rounding

5.65 Figure 5.19 shows that in the period 2009-15 employment growth in the HRSH area has arisen since 2011 Over the full period it is Surrey Heath that has experienced the greatest job growth followed by Hart and then Rushmoor. Employment growth in the HRSH area (+8% over the period 2009-15 and +14% over the period 2011-15) has exceeded employment growth in the South East of England as a whole (+7% 2009-14 and +6% 2011-15).

5.66 Over the period 2011-14 the Cambridge Econometrics data indicate a very similar level of employment growth as the BRES over the period 2011-14 (+17,100 jobs); while Oxford Economics reports a higher number (+23,000) and Experian a lower number (+9,700). The differentials between the forecasting houses may reflect when they take account of newly released data and how they deal with the imperfect official data available at local level on self-employment.

5.67 It is known that Cambridge Econometrics and Oxford Economics forecasts reflect the provisional 2014 BRES data released in September 2015; but it is understood that Experian only incorporates new BRES data fully into their model when it has been finalised a year later than the provisional release, because the revisions can be substantial.

5.68 The other source of official data on employment is the Jobs Density dataset. The most recent data available is for 2014. As noted in Figure 5.2, one element of the published Jobs Density dataset is an estimate of the total number of jobs in an area, including employees, self-employment jobs, HM Forces, agricultural employment and government-supported trainees.

5.69 As would be expected, the data from the ONS Job Density dataset indicates that estimated total employment in the HRSH is significantly higher than that recorded by the BRES. Thus, in 2014 the ONS Job Density data indicate that estimated employment in the HRSH area is 166,000 compared with the BRES data for employees and working owners of 142,000 people, a difference of 24,000 people.

5.70 The difference between the two data sets will be made up of self-employed people not registered for VAT; military personnel (probably a substantial number given the historic presence of the military in the HRSH area); agricultural employees; and people on government-supported training schemes.

5.71 While there is no alternative but to examine official employment data, it is important to be aware that BRES data is based on a survey of businesses and businesses' interpretation of who 'works' from the premises in a particular locality. The interpretation of who is deemed to work from a particular workplace is in the hands of the business reporting the data. This may lead to local employment being overstated particularly in areas with large company headquarters.

5.72 Where big companies have dispersed operations they may still operate their payroll systems from one central location, and employees are assigned to that location even if they do not work in the area. This may be particularly applicable to companies that are extensively involved in outsourcing. It is therefore worth noting that Serco, one of the UK leading outsourcing companies, and the national headquarters of Virgin Media are based in Hook, Hart.

Figure 5.20: Estimated ONS Total Employment 2009-14 for the HRSH Area

Date	Hart	Rushmoor	Surrey Heath	HRSH	South East
2000	45,000	54,000	53,000	152,000	4,300,000
2001	46,000	55,000	50,000	151,000	4,299,000
2002	47,000	59,000	51,000	157,000	4,363,000
2003	46,000	57,000	52,000	155,000	4,309,000
2004	44,000	56,000	50,000	150,000	4,308,000
2005	45,000	57,000	49,000	151,000	4,423,000
2006	46,000	52,000	48,000	146,000	4,327,000
2007	48,000	52,000	48,000	148,000	4,400,000
2008	45,000	54,000	48,000	147,000	4,396,000
2009	41,000	51,000	55,000	147,000	4,303,000
2010	42,000	50,000	55,000	147,000	4,372,000
2011	46,000	51,000	51,000	148,000	4,442,000
2012	47,000	52,000	57,000	156,000	4,477,000
2013	50,000	53,000	58,000	161,000	4,565,000
2014	51,000	54,000	61,000	166,000	4,678,000
Change 2009-14	10,000	3,000	6,000	19,000	375,000
Change 2011-14	5,000	3,000	10,000	18,000	236,000
% Change 2009-14	*24%*	*6%*	*11%*	*13%*	*9%*
%Change 2011-14	*11%*	*6%*	*20%*	*12%*	*5%*

Source: Wessex Economics, ONS Job Density

Conclusions on Historic Employment Trends

5.73 The analysis of trend rates of employment growth analysed over the course of the last business cycle for the HRSH fall within the range of job growth of 1,046 jobs pa (OE trough to trough), this being the lowest of all the trend-based analyses; to 1,383 jobs pa (CE trough to trough), this being the highest of all the trend-based figures generated from the analysis (see Figure 5.17).

5.74 Using the same approach to define the range of historic job growth reported by Cambridge Econometrics and Oxford Economics at the individual local authority level, trend rates of employment growth for individual authorities fall within the following ranges:

- Hart: 542 to 635 jobs pa
- Rushmoor: -201 to 138 jobs pa

- Surrey Heath: 423 to 738 jobs pa

5.75 The use of data from different forecasting houses clearly throws up quite different rates of employment growth. If these are projected 20 years into the future they would give rise to very different levels of possible employment growth. This highlights the inherent uncertainty in all economic forecasts; not even the base data on which forecasts are based is certain.

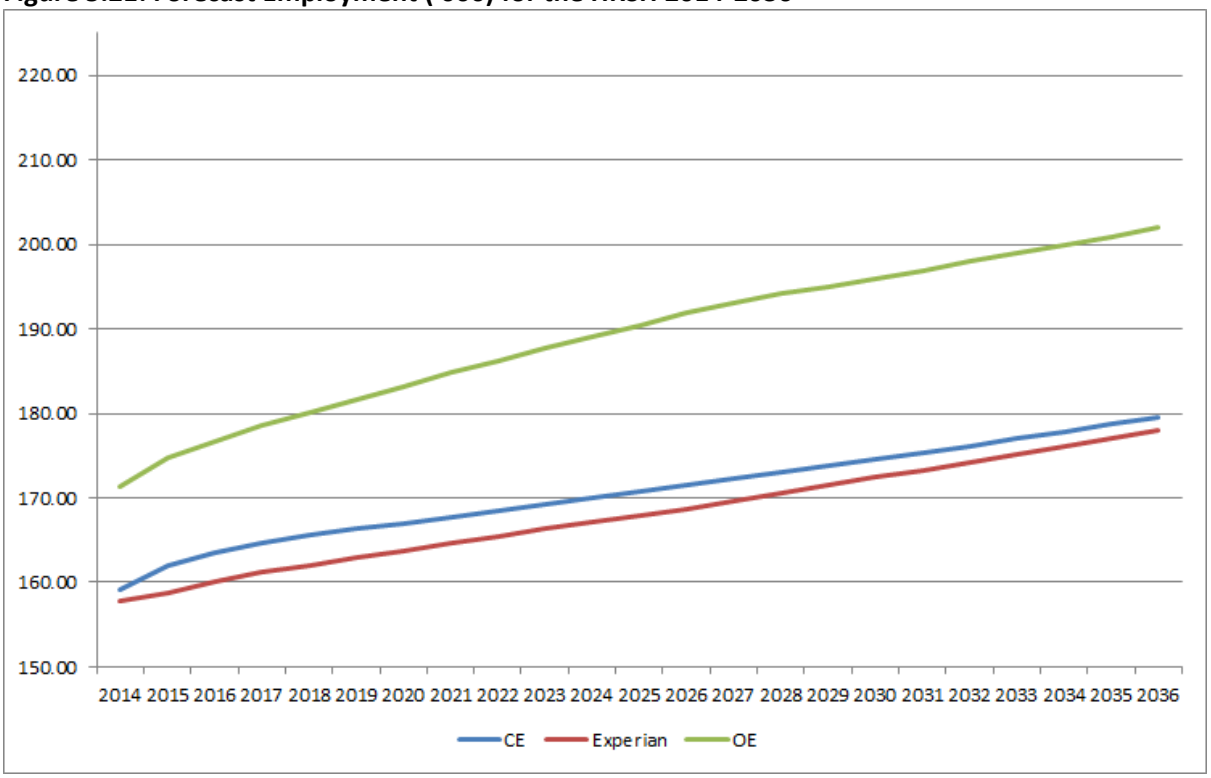
5.76 Ultimately, a degree of judgement has to be applied in determining the appropriate level of employment growth to plan for; this then needs to be taken into consideration in in determining Objectively Assessed Housing Need, along with other matters of fact (eg commuting patterns) and 'policy-on' considerations.

5.77 In view of the obvious limitations of the job growth forecasts it is appropriate to examine the implications for the labour force, and hence for housing provision, for a range of scenarios, rather than seeking to determine a definitive 'answer' from one data source to the question: *'how should employment trends be taken into account?'* (paragraph 18, NPPG; ID: 2a-018-20140306)

The Employment Forecasts

5.78 Employment forecasts have been examined from each of the three forecasting companies for the period 2014 (the most recent date for which official data was available on employment at the time the analysis was being undertaken) to 2036[23]. Figure 5.21 shows the overall pattern of employment growth forecast between 2014 and 2036 by each of the three forecasting houses. It is apparent that Oxford Economics have both a higher estimate of total employment in 2014 than CE and Experian, and anticipate a higher rate of employment growth than CE and Experian.

Figure 5.21: Forecast Employment ('000) for the HRSH 2014-2036



Source: Wessex Economics, Cambridge Econometrics, Experian, Oxford Economics

[23] The Experian forecast only runs to 2035, but Wessex Economics has extended this to 2036 by assuming the same rate of growth in employment in 2035 to 2036 as Experian forecast between 2034 and 2035.

5.79 Figure 5.22 shows the average annual growth in employment forecast by each of the three forecasting houses for two time periods: the whole 2014-36 period; and the assessment period for the SHMA, 2014-32. The full year by year figures for total employment for the HRSH Area by forecasting house are set out in Appendix D.

Figure 5.22: Average Forecast Annual Employment Growth 2014-36 and 2014-32

	CE	Experian	OE
Job Growth 2014-36	20,419	20,135	30,663
No. Years	22	22	22
Average job growth pa 2014-36	928	915	1,394
Job Growth 2014-32	17,003	16,370	26,648
No. Years	18	18	18
Average job growth pa 2014-32	945	909	1,480

Source: Wessex Economics

5.80 In summary, the annual average employment growth over the 22-year period 2014-36 is as follows:

- Cambridge Econometrics: 928 jobs pa
- Experian: 915 jobs pa
- Oxford Economics: 1,394 jobs pa
- Average of the three forecasts: 1,079 jobs pa

5.81 The figures produced by CE and Experian are all below the lowest average growth rates estimated by analysis of historic trends, the lowest figure being associated with the OE estimate of average job growth on the Trough to Trough basis of growth of 1,046 jobs pa on average. The highest forecast job growth for the period 2014-36 is from Oxford Economics (1,394 jobs pa), which is very similar to the CE trough-to - trough trend of 1,383 jobs pa.

5.82 The SHMA is being undertaken for the 18-year period 2014 to 2032. The average annual growth in total employment in this period is slightly different to that forecast for the longer 2014-2036 time period (see Figure 5.22), but it only the OE forecasts that are significantly different when comparing average annual growth rates.

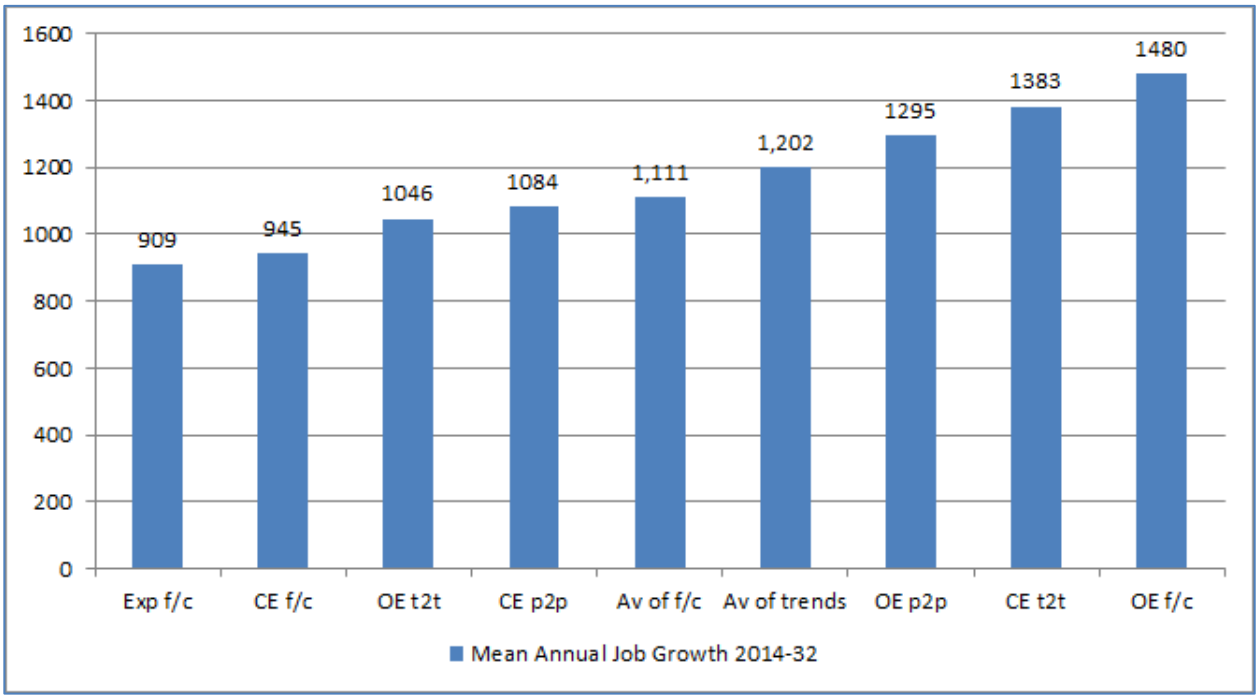
5.83 The annual average employment growth over the 18-year period 2014-32 is as follows:

- Cambridge Econometrics: 945 jobs pa
- Experian: 909 jobs pa
- Oxford Economics: 1,480 jobs pa
- Average of the three forecasts: 1,111 jobs pa

Assessment of Local Economic Prospects

5.84 The results of both the trend analysis of employment growth and the forecasts produced by the three forecasting houses present a challenge, since the results produce a very wide range of scenarios for possible employment growth in the HRSH area. Figure 5.23 shows the range of annual employment growth that could be considered appropriate to use for planning purposes based on trend analysis and the forecasters' perceptions of the future.

Figure 5.23: Summary of Average Annual Employment Growth from Historic Trend Analysis and Forecasts 2014-2032



Source: Wessex Economics, Cambridge Econometrics, Experian, Oxford Economics
Key Exp =: Experian; CE = Cambridge Econometrics; and OE = Oxford Economics; f/c = forecast; p2p = peak to peak trend; t2t = trough to trough trend

5.85 There is no obvious pattern which might be used to determine the 'right' figure for future employment growth in the HRSH area. In terms of the forecasts, they bookend the figures for trend analysis, in that the Experian and CE forecasts generate the lowest figures of anticipated job growth, while Oxford Economics' forecast is the highest of all the figures. The trough-to-trough trend figures lie on either side of the peak-to-peak figures. The average of the three forecasts lies in the centre of the range along with the peak to peak trend figure from CE.

5.86 Why is there such a divergence in the forecasts? There is no scope to interrogate the models of the three forecasters. However, in Wessex Economics' view, the divergence between the forecasts may well be associated with the very different performance of the HRSH economy in terms of employment growth over the last 25 years. Figure 5.8 shows that between 1993 and 2000 the area experienced very rapid employment growth and then between 2000 and 2011, employment was generally in slow decline.

5.87 Local employment forecasts are essentially based on past employment trends analysed at sector level and then projected forward sector by sector on anticipated national or regional growth rates applied sector by sector. Where you have a local economy where the pattern of employment growth does not match the national or regional pattern, with stronger growth in one time period in the relatively recent

past, and then underperformance, forecasts become very dependent on the time frame being used for analysis of historic patterns.

5.88 To move forward, it is necessary to delve into the factors that led both to the rapid growth in employment in the period 1993 to 2000 and the fall in employment between 2000 and 2011. Were it is possible to pin point the causes of change in the HRSH economy, then it would be possible to focus on considering whether those same factors are going to be manifest in future years or will be reversed; and the extent of that reversal. However, such forensic analysis of past economic performance is beyond the scope of this study and might not, in any case, provide definitive conclusions.

5.89 Similar considerations might apply to making judgements about whether the very substantial employment growth observed in the years 2012-15 is a recovery from the lost years in terms of employment growth from the year 2000 to 2008 and the further set back in employment growth in 2010 and 2011; or whether it reflects a fundamental change in the competitive positioning on the HRSH area. It is notable that employment growth in 2014-15 has slowed significantly following its very rapid growth in 2013-14.

5.90 In reality, the future economic and performance of the HRSH area may well depend in large measure on the performance of the HRSH area compared to the larger sub-regional economy of West Surrey and North Hampshire as a whole (referred to hereafter as the Rest of Enterprise M3 North area[24]); and to the performance of the Thames Valley Berkshire economy. Both areas compete with the HRSH area for businesses and jobs, but also complement the HRSH area in terms of business clustering.

5.91 The performance of the HRSH area is also influenced by its relationship with the London economy, particularly with regard to the Financial and Business sector and the Information and Communications sector, both of which have been important drivers of employment growth in the HRSH economy. London competes with the HRSH for key businesses, but also complements the HRSH area. The sectoral pattern of growth is not directly relevant for SHMA so discussion of this topic is presented in Appendix E.

5.92 At this stage in the SHMA it is necessary to choose between the various forecasts and trend rates of growth. Rather, to help understand the relationship between job growth and housing requirements Wessex Economics has tested five different scenarios for the period 2014-2032 evenly spaced across the range of potential historic patterns of employment growth and the forecasts of job growth anticipated by the forecasting houses in the HRSH area. These five scenarios are as follows:

- Scenario 1 – 900 jobs pa
- Scenario 2 – 1,050 jobs pa
- Scenario 3 – 1,200 jobs pa
- Scenario 4 – 1,350 jobs pa
- Scenario 5 – 1,500 jobs pa

[24] Comprising the following LAs: Basingstoke and Deane; East Hampshire; Elmbridge; Guildford; Runnymede; Spelthorne; Waverley; and Woking.

Summary and Conclusions

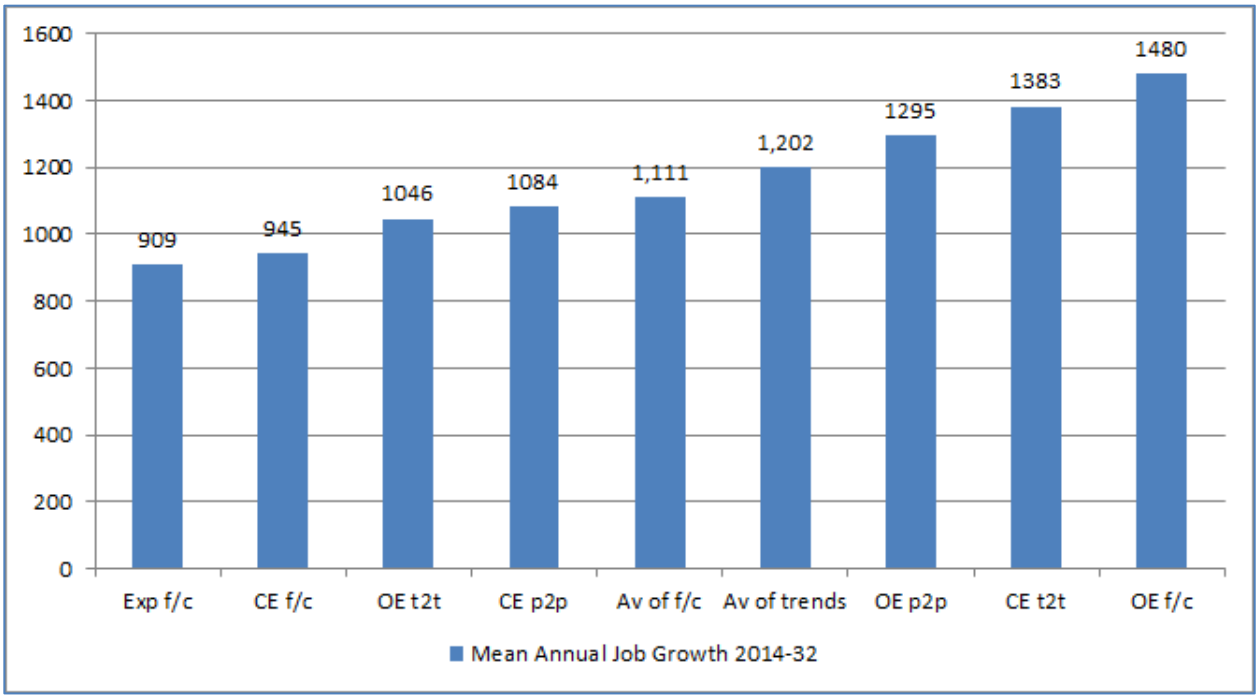
5.93 The analysis of both historic trends of employment growth and the range of forecasts provided by the three forecasting houses indicate that employment growth can be expected to be in the range of 910 jobs pa to 1,480 jobs per annum (see Figure 5.24). This is a very wide spectrum which would generate very different estimates in terms of the number of new homes required to accommodate the additional workforce required to fill these jobs.

5.94 To help illuminate the relationship between different levels of job growth and the implications for housing it makes sense to test the range of potential employment growth 2014-2032 indicated by analysis of past trends and forecasts of future employment growth. These five scenarios are based on average annual job growth as follows:

- Scenario 1 – 900 jobs pa
- Scenario 2 – 1,050 jobs pa
- Scenario 3 – 1,200 jobs pa
- Scenario 4 – 1,350 jobs pa
- Scenario 5 – 1,500 jobs pa

5.95 Discussion of the implication of employment growth in informing OAHN is discussed in Section 11.

Figure 5.24: Summary of Average Annual Employment Growth from Historic Trend Analysis and Forecasts



Source: Wessex Economics, Cambridge Econometrics, Experian, Oxford Economics
Key Exp =: Experian; CE = Cambridge Econometrics; and OE = Oxford Economics; f/c = forecast; p2p = peak to peak trend; t2t = trough to trough trend

6. Housing Stock and Supply

Summary

There are 105,400 homes in the market area, with the stock shared fairly evenly between the three authorities. The majority (73%) of households in the market area own their homes (either outright or buying with a mortgage), but with lower levels in Rushmoor (64%) and higher levels in Hart (78%) and Surrey Heath (77%)

The number and proportion of owner occupiers has fallen over the last 10 years. There were 1,200 fewer home owners in the housing market area in 2011 compared to 2001.

There has been a significant shift in tenure over the last 10 years in particular, with households moving into or entering the private rented sector rather than home ownership or social renting.

There are just under 16,000 households living in the private rented sector in the housing market area in 2011. This number has increased by 50% over the last 10 years. The private rented sector now accounts for 15% of all housing in the market area, up from just under 11% in 2001. However, the proportion of households living in the PRS remains below the level in the South East and England at 18% of all households.

The social rented sector has fallen in size over the last 30 years. This is not just as a proportion of all households as other sectors have grown. The overall stock of social rented homes has fallen by around 2,500 homes and there are now under 12,000 social rented homes in the market area.

The majority of homes in the market area have three or more bedrooms although there are significant differences in the stock of the three authorities with a higher proportion of smaller (1 and 2 bedroom) properties in Rushmoor (40% of all homes) compared to Hart (26%) and Surrey Heath (27%).

To some extent the differences in the size mix of homes by area can be explained by tenure differentials, with smaller homes more likely to be privately rented and larger homes more likely to be owner occupied. It also reflects the difference in housing stock between urban and rural areas with urban areas typically characterised by a larger proportion of smaller dwellings.

Introduction

6.1 This section presents evidence on the stock of housing within the three authorities in terms of the tenure, type and size of properties available. Dramatic changes in tenure over the last 10 years need to be considered as part of the overall picture in understanding housing needs and how they can best be met. Information from this section has been taken into account in Section 13 of this SHMA. The nature of the existing stock, in terms of tenure, type and size, also feeds into considerations about the mix of housing that might be required in the future.

6.2 The rest of this section presents evidence on:

- The tenure of the housing stock
- Dwelling type and size
- Occupancy and overcrowding
- Recent completions by type and size

Tenure

6.3 As of 2011, there were 105,400 homes in the market area, with the stock shared fairly evenly between the three authorities. The majority (73%) of households in the market area own their homes (either outright or buying with a mortgage), but with lower levels in Rushmoor (64%) and higher levels in Hart (78%) and Surrey Heath (77%) (Figure 6.1). The proportion of home owners in Rushmoor is below that of the South East region but in line with England as a whole.

Figure 6.1: Tenure in 2011

	Owned	*Outright*	*With mortgage*	**Shared ownership**	**Private Rented**	**Social Rented**
Hart	78%	*36%*	*43%*	1%	13%	8%
Rushmoor	64%	*23%*	*40%*	2%	18%	16%
Surrey Heath	77%	*35%*	*42%*	1%	13%	9%
HMA	73%	*31%*	*42%*	1%	15%	11%
South East	68%	*33%*	*35%*	1%	18%	14%
England	63%	*31%*	*33%*	1%	18%	18%

Source: Census of Population, 2011

6.4 However the number and proportion of owner occupiers has fallen over the last 10 years (Figure 6.2). There were 1,200 fewer home owners in the HMA in 2011 compared to 2001. The proportion of home owners has fallen to 73% from 78% in 2001. Home ownership in the HMA is now below the level it was in 1991 (76%).

6.5 There has been a significant shift in tenure over the last 10 years in particular, with households moving into or entering the private rented sector rather than home ownership or social renting.

6.6 In 2011, there were almost 16,000 households living in the private rented sector (PRS) in the HMA. This number has increased by almost 50% over the last 10 years in the HMA (Figure 6.3). The PRS now accounts for 15% of all housing in the market area, up from just under 11% in 2001. However, the proportion of households living in the PRS remains below the level in the South East and England at 18%

of all households. There are higher levels of renting in Rushmoor with 18% of households in the PRS and a further 16% in the social rented sector.

Figure 6.2: Tenure Change over the last 10 years (2001-2011) (Number of Households)

	Owned	Private Rented	Social Rented
Hart	1,320	1,320	-5
Rushmoor	-2,630	2,510	550
Surrey Heath	70	1,260	230
HMA	-1,240	5,090	780
South East	-26,940	227,130	28,510
England	-79,100	1,554,460	-37,180

Source: Census of Population, 2001, 2011

Figure 6.3: Tenure Change over the last 10 years (2001-2011) (Percentage Change)

	Owned	Private Rented	Social Rented
Hart	5%	40%	0%
Rushmoor	-10%	60%	10%
Surrey Heath	0%	40%	8%
HMA	-2%	48%	7%
South East	-1%	57%	6%
England	-1%	63%	-1%

Source: Census of Population, 2001, 2011

6.7 The larger private and social rented sectors in Rushmoor has implications for housing need. Households on lower incomes tend to gravitate to areas with greater availability of "affordable" housing – either in the private rented or social rented sectors – because there is greater prospect that they will find suitable accommodation. It is likely that a proportion of households who find private rented accommodation with housing benefit will also try to register with the local authority for social rented housing. Whilst the PRS may be affordable with the support of housing benefit, it does not provide tenants with security of tenure. It is not a recognised form of affordable housing in terms of national planning policy.

6.8 The fact that Rushmoor has a larger private and social rented sector than Hart and Surrey Heath also generates its own needs. Where young families are housed, many will often need to be re-housed in larger homes, unless their household income increases to a point where they can afford market housing. It is important to stress that households will only be eligible to join Rushmoor's housing allocation pool if they meet certain criteria in relation to priority needs. Nevertheless, this will have a knock-on impact on the level of affordable housing estimated as required in Rushmoor compared to Hart and Surrey Heath and this is partly due to the existence of a larger rented sector.

6.9 The social rented sector has fallen in size over the last 30 years (Figure 6.3). This is not just as a proportion of all households as other sectors have grown, but also represents an absolute loss of stock of around 2,500 homes from the social rented sector (Figure 6.4). There are now under 12,000 social rented homes in the market area. This is likely to be due to the Right to Buy programme and other programmes that have led to the demolition or disposal of some dwellings without replacement provision. There has been some growth in the social rented sector in the last decade but the size of the stock still remains below the level recorded in 1981.

6.10 The intermediate (shared ownership/shared equity) sector has also emerged as a new tenure over the last 10 years, though its share of the stock is still small (just 1% in all areas with the exception of Rushmoor with 2%).

Figure 6.4: Tenure Change over the last 30 years (1981-2011) (Number of Households)

	Owned	Private Rented	Social Rented
Hart	9,900	1,800	-500
Rushmoor	9,100	1,900	-800
Surrey Heath	8,300	1,500	-1,200
HMA	27,200	5,200	-2,500
South East	770,700	315,800	-99,300
England	4,344,500	2,155,000	-1,260,000

Source: Census of Population (figures rounded to nearest 100)

Figure 6.5: Tenure Change over the last 30 years (1981-2011) (Percentage Change)

	Owned	Private Rented	Social Rented
Hart	55%	64%	-16%
Rushmoor	65%	40%	-12%
Surrey Heath	47%	52%	-28%
HMA	55%	50%	-18%
South East	47%	102%	-17%
England	45%	116%	-24%

Source: Census of Population

6.11 As well as the growth of the private rented sector, the clearest development over the last decade has been the fall in the number and proportion of households entering home ownership – those buying with a mortgage. In the early part of the decade the fall in home ownership was driven by declining affordability as rises in house prices significantly out-stripped the growth in earnings and household incomes. However, between 2007 and 2013, while affordability as measured by the relationship between earnings and prices improved, the accessibility of home ownership continued to decline because of the contraction of the mortgage market. From mid-2013, the market has started to revive, but affordability remains a key issue. Section 9 of this SHMA considers issues such as affordability and their potential implications for the Objective Assessment of Housing Need.

Dwelling Size and Type

6.12 The majority of homes in the market area have three or more bedrooms, although there are significant differences in the stock of the three authorities, with a higher proportion of smaller (one and two bedroom) properties in Rushmoor (40% of all homes) compared to Hart (26%) and Surrey Heath (27%). To some extent, this explains the differences in tenure mix by area, with smaller homes more likely to be privately rented and larger homes more likely to be owner occupied. It also reflects the difference in housing stock between urban and rural areas, with urban areas typically characterised by a larger proportion of smaller dwellings.

Figure 6.6: Dwelling Size (2011)

	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5+ bedroom	Total
Hart	7%	19%	36%	29%	9%	100%
Rushmoor	13%	27%	44%	13%	3%	100%
Surrey Heath	8%	19%	37%	27%	10%	100%
HMA	9%	22%	39%	23%	7%	100%
South East	12%	26%	39%	17%	6%	100%
England	12%	28%	41%	14%	5%	100%

Source: Census of Population, 2011

6.13 There are fundamentally different dynamics in operation within the owner occupied, private rented and social rented sectors which impact on the nature of properties in these three sectors.

6.14 The owner occupied sector is driven by income and wealth. Owners do not necessarily buy or occupy size of home that they 'need', but often look to buy the size of home that they can afford. Many couples buy three or four bed homes and singles will buy two bed homes. It is not possible therefore to extrapolate that growth in single person households in the future will translate into increased demand for one bedroom homes. What is more relevant in the market sector is household income, household income distribution, and accumulated housing equity.

6.15 In the owner occupied sector, almost three quarters of homes in Rushmoor have three or more bedrooms, and the proportion is higher in both Hart (83%) and Surrey Heath (81%) (see Figure 6.7). Whereas over half of private rented homes have just one or two bedrooms and around two thirds of social rented homes have just one or two bedrooms.

6.16 Demand for different types and sizes of homes in what may be thought of as the public sector (social rented sector and private rented sector where households are supported by Housing Benefit) is more directly driven by demographics, since local authority allocation policies and housing benefit levels are related to household size. In the social rented sector, households are allocated a property that meets their minimum requirements and these are far from generous.

Figure 6.7: Number of Bedrooms in Homes of Different Tenures, Percentage of Dwellings

	Hart	Rushmoor	Surrey Heath	South East	England
Owned					
1 bedroom	3%	6%	4%	5%	4%
2 bedrooms	14%	22%	15%	22%	23%
3 bedrooms	37%	51%	38%	44%	48%
4 bedrooms	35%	17%	33%	22%	19%
5 or more bedrooms	11%	3%	11%	8%	6%
Private Rented					
1 bedroom	15%	21%	17%	24%	23%
2 bedrooms	37%	34%	36%	37%	39%
3 bedrooms	33%	35%	30%	27%	28%
4 bedrooms	12%	8%	12%	8%	7%
5 or more bedrooms	3%	2%	5%	4%	3%
Social Rented					
1 bedroom	28%	30%	31%	32%	31%
2 bedrooms	36%	37%	29%	33%	34%
3 bedrooms	32%	28%	37%	31%	31%
4 bedrooms	3%	4%	3%	3%	3%
5 or more bedrooms	0%	1%	1%	1%	1%

Source: Census of Population, 2011

6.17 Although the owner occupied sector is the dominant tenure, under 5% of the stock (in 2013, 4,700 properties) is sold each year. There is no publicly accessible data available on the size of properties traded, but transactions by type show that there is an even split between sales in larger (detached), and smaller (flats and terraces), properties in the market area. The social rented sector has a similar turnover to the owner occupied sector – just 5% of homes are re-let each year, around 600 pa across the market area. Data shows that one or two bedroom properties are re-let more frequently.

6.18 In contrast, turnover in the private rented sector is estimated at 33%. That is, one third of all PRS properties are let each year. In the market area, this amounts to around 5,300 properties and therefore equals the supply in the owner occupied and social sectors combined representing around one half of all supply each year. This estimate could also be regarded as conservative since research by the Association of Residential Lettings Agents (ARLA) suggests that average tenancies are 18 months long. This would imply that private rented properties are re-let every other year on average – a turnover of 50% of the stock annually.

6.19 Overall, this implies that most of the homes available each year are smaller properties (since the PRS is biased towards two-bed properties). Given that supply is dominated by the private rented sector the available properties are also more likely to be in a poorer condition than the stock as a whole according to the English Housing Survey.

Figure 6.8: Number of Bedrooms in Homes of Different Tenures, Number of Dwellings

	Hart	Rushmoor	Surrey Heath	South East	England
Owned					
1 bedroom	870	1,420	970	111,660	542,180
2 bedrooms	4,060	5,310	3,790	540,080	3,248,460
3 bedrooms	10,320	12,040	9,790	1,066,120	6,751,850
4 bedrooms	9,740	4,150	8,500	539,320	2,756,190
5 or more bedrooms	3,160	830	2,990	186,620	850,110
Private Rented					
1 bedroom	680	1,420	760	152,550	904,010
2 bedrooms	1,740	2,250	1,580	232,160	1,552,980
3 bedrooms	1,540	2,350	1,320	166,900	1,134,980
4 bedrooms	550	530	550	49,830	286,760
5 or more bedrooms	130	140	210	22,760	132,320
Social Rented					
1 bedroom	760	1,810	960	158,080	1,202,640
2 bedrooms	990	2,200	890	160,750	1,343,640
3 bedrooms	880	1,660	1,140	150,650	1,201,390
4 bedrooms	80	220	80	14,740	123,590
5 or more bedrooms	10	50	20	3,250	32,290

Source: Census of Population, 2011

6.20 It is not possible to measure the change in the number of dwellings of different sizes over time because it is only in the most recent Census (2011) that the number of bedrooms has been recorded. However, Figures 6.9 and 6.10 shed some light on the changing nature of the housing stock over the last 10 years.

6.21 Figure 6.9 presents data on the proportion of different dwelling types in the stock. There is a strong bias towards detached homes in Hart and Surrey Heath, with very few of these larger properties in Rushmoor. Rushmoor has a high proportion of flats, both purpose built and those in converted dwellings, which account for 25% of the stock as a whole. This is above the level in both the South East and England. This pattern is not untypical of other towns and cities.

Figure 6.9: Type of Housing in 2011

	Detached	Semi detached	Terraced	Flats - purpose built	Flats - conversions	Other
Hart	44%	25%	18%	9%	1%	2%
Rushmoor	17%	32%	25%	22%	3%	2%
Surrey Heath	45%	25%	13%	13%	2%	2%
HMA	22%	28%	19%	15%	2%	2%
South East	28%	28%	22%	16%	4%	2%
England	22%	31%	25%	17%	2%	2%

Source: Census of Population, 2011

6.22 The Census suggests that the stock has increased by 6,800 dwellings between 2001 and 2011. In the market area as a whole the greatest growth has been in the number of purpose built flats. Over 4,600 have been added to the stock over the decade, the majority within Rushmoor. Interestingly, there appears to have been a net loss of flats in converted buildings.

6.23 The growth in flatted development has been a national phenomenon and is the result of a number of factors:

- In the market sector, rising prices and declining affordability mean households are forced to occupy less space – or households are able to buy less space for their money
- The emergence in the period up to 2007 of the buy-to-let market with investors willing to buy off plan and de-risking the development of apartments (which have to be built all at once, unlike houses which can be trickled out according to demand)
- The growth of the private rented sector and greater willingness of renting households to live in flats.
- Planning policy has encouraged or allowed higher density development on brownfield sites. Brownfield sites may also be challenging in terms of viability because of the higher cost of site preparation, and higher densities help to improve viability.
- The delivery of new affordable homes is increasingly tied to the development of new market homes. By and large, the type and size of affordable properties delivered reflects the pattern of market homes.

6.24 It is interesting to note that the largest numbers of dwellings added to the stock in Hart and Surrey Heath have been detached homes (Figure 6.10). In contrast, Rushmoor has experienced a net loss of detached homes, and these are likely to have been converted to other dwelling types; that is, they have been subdivided into smaller properties or demolished with the land used to build other properties.

6.25 It is also worth noting that there is likely to have been a significant increase in larger dwellings through extensions to existing properties. Research by Cambridge University in 2004[25] found that more 4-bed properties had been created through extension and conversion over the previous 10 years than were built by developers in South East.

6.26 Rushmoor has experienced a net loss of detached dwellings over the last 10 years. It does not appear that these have been converted into flats since there has been a small net reduction in flats developed from conversions. However, there has been a significant increase in the number of purpose-built flats in Rushmoor and the other two authorities. It is likely that some demolition of detached dwellings has occurred, with development of flats on the same plot.

Figure 6.10: Increase in Different Dwelling Types over Last 10 Years (2001-2011)

	Detached	Semi detached	Terraced	Flats - purpose built	Flats - conversions	Other
Hart	1,000	820	500	850	-10	50
Rushmoor	-720	30	-100	2,450	-90	-30
Surrey Heath	340	260	190	1,310	-30	-60
HMA	610	1,110	590	4,620	-130	-50
South East	41,110	54,400	43,330	153,440	7,380	3,410
England	341,270	362,220	147,830	869,240	26,700	22,900

Source: Census of Population, 2011 and 2011

Figure 6.11: Increase in Different Dwelling Types over Last 10 Years (2001-2011)

	Detached	Semi	Terraced	Flats -	Flats -	Other

[25] The Use of the Existing Housing Stock in the South East, Cambridge Centre for Housing and Planning Research, February 2007

		detached		purpose built	conversions	
Hart	7%	10%	8%	34%	-4%	9%
Rushmoor	-10%	0%	-1%	43%	-8%	-5%
Surrey Heath	2%	3%	4%	39%	-5%	-10%
HMA	2%	4%	3%	40%	-6%	-3%
South East	4%	6%	6%	35%	6%	5%
England	7%	5%	3%	29%	3%	7%

Source: Census of Population, 2011 and 2011

Conclusion

6.27 There have been dramatic changes in tenure over the last 10 years, with the rapid expansion of the private rented sector. These changes are tied very closely to declining affordability and reduction in the stock of social rented accommodation as the PRS has expanded to meet housing needs. The nature of the existing stock, in terms of tenure, type and size, also feeds into considerations about the mix of housing that might be required in the future, which is taken forward in Section 14.

6.28 Information on house prices, rents and affordability of the housing stock in the market area are presented in Section 9 as Step 2 in the process used to establish Objectively Assessed Housing Need. Section 9 also covers occupancy and overcrowding and presents information on the past pattern of housing completions.

7. The Process of Determining Objectively Assessed Housing Need

Summary

To establish the OAHN for Hart, Rushmoor and Surrey Heath, bespoke demographic modelling has been undertaken for the housing market area (defined as the combined area covered by the local authorities of Hart, Rushmoor and Surrey Heath). The aim of this, in accordance with the NPPG is *'to establish a reasonable, up-to-date, basis for informing future housing requirements'* in Hart, Rushmoor and Surrey Heath.

While the NPPF expects that the full OAHN will be met within the HMA, the NPPF qualifies this by stating *'…as far as is consistent with the policies set out in this Framework'* (para 47). The SHMA does not extend to answering the question of whether levels of housing provision as indicated by the OAHN can be delivered without breaching this proviso. This question can only be answered by identifying the capacity to deliver new homes in the housing market area, consistent with the overriding requirement for sustainable development.

A 5 step approach has been used to establish the figure for Objectively Assessed Housing Need

- Step 1: The Starting Point: the most recent Government Household Projections
- Step 2: Assessment of Market Signals and Adjustment to Household Projections
- Step 3: Affordable Housing Need
- Step 4: Housing Requirements Arising from Employment Growth
- Step 5: Bringing the Evidence Together to establish OAHN

Introduction

7.1 This section sets out the steps in the process used in this SHMA to establish a figure for Objectively Assessed Housing Need (OAHN). Objectively Assessed Housing Need is the term used in the National Planning Policy Framework and supporting guidance as representing the totality of housing demand and need in a particular area, with the focus being on the market area rather than an individual authority.

7.2 It is important to bear in mind that there is a distinction between OAHN and the housing requirement established by local authorities in subsequent stages of the plan-making process, which necessarily takes wider considerations into account.[26] This report is focused on establishing the OAHN for the HRSH HMA. However some elements of the analysis included may also help to inform local authority policy making. An example of such analysis relates to the role of the private rented sector in providing accommodation for those in housing need.

Relevant Guidance

7.3 In undertaking an assessment of OAHN, it is important to have regard to a number of publications, albeit they vary in the weight that they have been given in various Local Plan Examinations and some have only recently been published. Key documents are:

- The National Planning Policy Framework (NPPF), which sets out the requirement for Local Plans to meet *'the full, objectively assessed needs for market and affordable housing in the housing market area, as far as is consistent with the policies set out in this Framework' (para 47).* Under the section on Plan Making (p37), the NPPF sets out in brief the requirement for an evidence base *('adequate, up-to-date and relevant'* para 158), including a SHMA (para 159).

- The NPPF has now been supplemented with National Planning Policy Guidance (NPPG) published in March 2014, and subject to occasional updating. The guidance contains a section on the assessment of housing and economic development needs, which addresses the definition of need, the definition of housing market areas and recommends data sources. The emphasis of the guidance is that analysis needs to be *'thorough but proportionate'*.

- The Planning Advisory Service (PAS) has also published a series of Technical Advice Notes on the processes to be used and principles to be followed in establishing Objectively Assessed Housing Need. The most recent iteration of these publications is the document *'Objectively Assessed Need and Housing Targets, 2nd Edition, July 2015,'* prepared for PAS by Peter Brett Associates. This is not official guidance, but gives much more detail than the NPPG on the sources of data and methods that can be used in establishing OAHN.

- The study team has also had regard to a number of other research studies particularly on demographic issues published by the Royal Town Planning Institute (RTPI), Town and Country Planning Association (TCPA) and the Cambridge Centre for Housing and Planning Research (CCHPR) as well as other organisations on issues relating to the interpretation and reliability of population and household projections.

[26] This distinction between the process of establishing OAHN and the plan making process was brought out in the Court of Appeal case of Solihull Metropolitan Borough Council vs Gallagher Homes Ltd & Lioncourt Homes, April 2014.

Recent Policy Developments

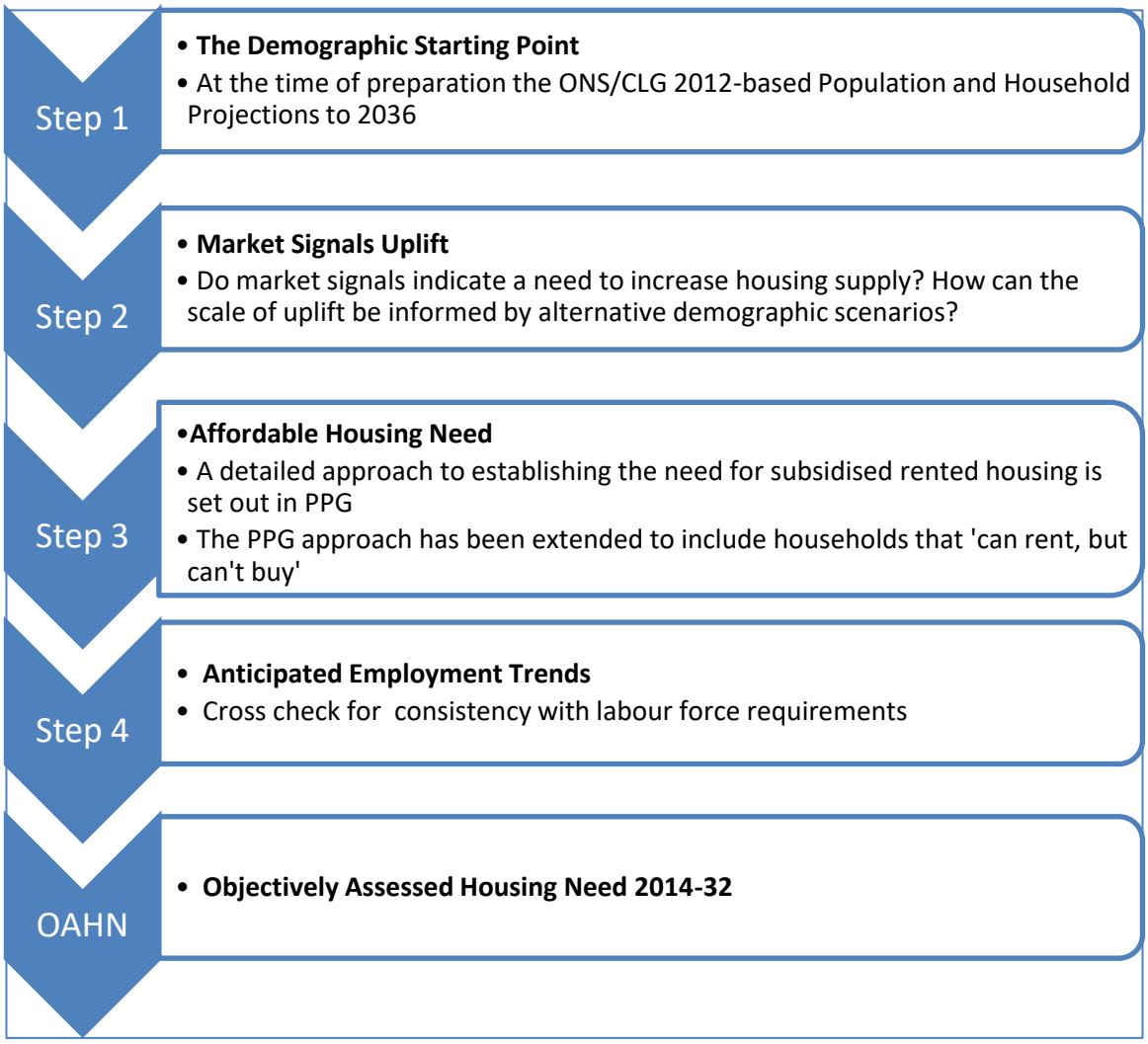
7.4 The SHMA also takes into account a number of recent developments in the policy environment as well as reflecting on current practice in the conduct of SHMAs.

- Wessex Economics has reviewed the recommendations regarding SHMAs and the methodology recommended for arriving at OAHN contained in report of the Local Plans Expert Group published in March 2016. As of October 2016 the Government had not responded to the recommendations of LPEG, nor indicated if LPEG's recommendations relating to the approach to determining OAHN would be incorporated into NPPG.
- The LPEG proposals for the process of establishing OAHN are markedly different to what has developed hitherto as custom and practice, based on practitioners' interpretation of the NPPG, as regards the preparation of SHMAs. Therefore, this SHMA does not adopt the LPEG approach but broadly maintains the approach that has become standard in the last three years in establishing OAHN.
- However, this SHMA gives significant weight to market signals in considering whether an uplift over the demographic starting point should be applied as part of the OAHN process; in passing reference is made to what the LPEG proposals would, if adopted, imply in terms of uplifts in response to market signals.
- The SHMA has also assessed housing need in the light of the shift in government policy to a broader definition of housing need than used in the past. The assessment of the need for affordable housing examined includes the need that the Government is seeking to meet through provision of Starter Homes. It does so by assessing the characteristics of those households that can afford to rent but cannot afford to buy.
- Evidence presented in this report highlights the uncertainty that surrounds both past and future employment growth in the HRSH area. In the light of this uncertainty (now enhanced by the outcome of the EU Referendum), this SHMA highlights that this is an area of the SHMA that should be kept under review as time passes, and new evidence comes forward.

Methodology to Determine OAHN

7.5 Wessex Economics and Justin Gardner Consulting have jointly developed a methodology that follows the guidance contained in the National Planning Practice Guidance, reflects best practice in terms of the assessment of OAHN, and takes into account published research and experience gained from Local Plan Examinations. The approach has 5 key steps as shown in Figure 7.1.

Figure 7.1: The 5 Step Approach to Determining Objectively Assessed Housing Need



7.6 The first step of the 5 Step Approach is to develop a full up-to-date set of population and linked household projections. These start with the most recent Government population and household projections at the time that the analytical work was undertaken, namely the ONS 2012-based Population Projections and the CLG 2012-based Household Projections.

7.7 Later on in the SHMA process, the ONS 2014-based Population Projections were published (25th May 2006); and the CLG 2014-based Household Projections were published on 12th July 2016. Appendix H comments on these two releases and the implications for this SHMA.

7.8 Consideration also needs to be given as to whether there is research evidence to suggest that the latest government projections, because they embed and reflect past trends, do not fully take into account trends likely to manifest themselves in the relevant Plan period[27].

[27] See NPPG Para 016, ID: 2a-016-20150227, para 3; and NPPG Para 018, ID: 2a-018-20140306.

7.9 In particular consideration has been given as to whether:

- economic recovery after the 2008-09 recession will be reflected in increased household formation rates at the HRSH level as a consequence of higher employment and wage and salary growth
- increased levels of housebuilding compared to the period 2008 to 2012 and increased mortgage availability will boost the rate of household formation above the levels set out in the 2012 Household Projections

7.10 Consideration of whether the generally improving market context at the national level up to Quarter 3-2016 (in terms of the recovery of house building output and mortgage lending compared to the period to the immediate post- recession period), will boost household formation needs to be considered in the local context of market signals such as house prices, rents, and affordability.[28]

7.11 Similarly, in a national and local context consideration needs to be given to the impact of trends in employment and earnings on household formation. The outcome of the EU Referendum was announced during the process of preparing this SHMA. This introduces additional short-term uncertainty as regards both the economy and the housing market, with unknown long–term effects on the economy and patterns of international migration.

7.12 Step 2 examines market signals in the HRSH area in terms of house prices, rents and affordability. There is no easy link between the evidence base in terms of house prices and affordability and the impact of building more homes. However, this issue is explored by examining what past and current household trends can illuminate about the possible impact that improved housing affordability might have, in terms of enhanced household formation rates in response to these market signals.

7.13 National Planning Policy Guidance also requires that an assessment be made of the need for affordable housing. Section 10 of this assessment sets out evidence on the need for affordable housing in the market area. The NPPG indicates (Para 029, ID: 2a-029-20140306) that '*an increase in the total housing figures….should be considered where it could help deliver the required number of affordable homes.'* This is Step 3 in the OAHN process.

7.14 With regard to the OAHN, Step 3 examines whether the need for affordable homes in the HMA area does imply a need to reconsider the overall need for new housing taking into account any uplift in planned provision in response to market signals; and whether such a response is a policy decision rather than an OAHN issue.

7.15 NPPG sets out the need to consider whether the level of planned housing provision might *'result in unsustainable commuting patterns…..and could reduce the resilience of local businesses'* and goes onto state '*in such circumstances, plan makers will need to consider how the location of new housing or infrastructure development could help address these problems'.*

[28] At the national level attempts have been made to assess how increasing the delivery of new homes will reduce the long-term average rate of real house price inflation (see the Barker Review of Housing Supply), but these assessments cannot be sensibly undertaken at the local level. Market signals therefore provide contextual information which can inform appropriate judgements on OAHN rather than directly helping to determine a figure by a mathematical method. See Section 9 for how market signals have been considered in the SHMA.

7.16 A comparison of the likely change in job numbers within the HMA with projections for growth of the working age population (as set out in NPPG) and implications for OAHN is covered in Step 4 of the SHMA process.

7.17 Section 10 of this report, therefore, examines what might be the labour force implications associated with different scenarios for employment growth in the HRSH SHMA. The Section tests the adequacy of labour supply for the different possible levels of employment growth, under different demographic scenarios.

7.18 Section 12 is the final step in the assessment process and entails bringing the evidence together, and applying professional judgement to establish a figure for Objectively Assessed Housing Need.

7.19 In establishing the OAHN for Hart, Rushmoor and Surrey Heath, it is important to appreciate that the aim of the analysis is to establish, in accordance with the NPPG's requirements, *'a reasonable, up-to-date, basis for informing future housing requirements'*. The analysis is for the Housing Market Area as a whole comprising Hart, Rushmoor and Surrey Heath with these figures broken down by local authority. The NPPF's expectation is that the full requirement of OAHN will be met within the HMA.

7.20 The NPPF does caveat the requirement to meet the full OAHN within the HMA with the proviso '*…as far as is consistent with the policies set out in this Framework'* (para 47). The scope of this report is limited to establishing OAHN, not to the policy response of the HRSH authorities as they develop their Local Plans. It is through the Local Plan process that the HRSH authorities will assess the capacity to deliver new homes in the HMA area, consistent with the overriding requirement for sustainable development.

8. OAHN Step 1: Population and Household Growth

Summary

The HRSH HMA has a population of around 276,100 people, evenly spread between the three local authorities of Hart (34% of the total HMA population), Rushmoor (accounting for 34.5%) and Surrey Heath (32%). Over the period 2001-14, the population of the HMA has grown by 8.4% compared with 10.6% in South East England as a whole, and 9.8% in England. The key driver of population growth over the period 2001 to 2014 has been natural growth. Net migration has been broadly in balance with net domestic out-migration largely offset by net international in-migration.

The age profile of the population is similar to that of South East England as a whole, with a slight under-representation of people aged under 30 and of those aged 60 and over. 42% of the population is aged between 30 and 59 compared to 40% in South East England and England as a whole. Over the period 2001-2011 the population has been ageing with significant growth in the population aged over 60, and a decline in those aged 30-44.

The most recent household projections at the time the analytical work was undertaken for this SHMA was prepared were the CLG 2012-based household projections, which anticipated that the total number of households in the HRSH HMA would grow by an average of 754 households pa over the period 2014-32, a 12.5% increase in households over the period 2014-32, which is quite significantly lower than the level of growth anticipated in South East England as a whole (18.6%) and in England (17.1%).

To establish if the CLG 2012-based household projections are robust, analysis has been undertaken of the underlying demographic patterns of change. Analysis of the components of population change indicate that the Sub-National Population Projections that underpin the CLG Household Projections are sound; but the opportunity has been taken to update the population projections for 2013 and 2014 with the published Mid Year Population Estimates for the three authorities.

Three sensitivity tests have been undertaken to check the robustness of the 2012-based population projections. These scenarios variously consider the implications for population growth were population projections to be based on long-term migration trends; the difference that arises depending on how Unattributable Population Change (UPC) is accounted for; and a scenario based on both long migration trends and UPC. The 2014-based CLG Household Projections which were published on 12th July 2016, after the analytical work for this SHMA was completed. These projections indicate that the growth in household numbers is expected to be somewhat lower in the period 2014-32 than indicated by the 2012-based Household Projections.

The overall conclusion reached following sensitivity testing is that the 2012-based SNPPs updated with actual population data for 2013 and 2014 from the Mid Year Estimates is a robust starting point for the demographic assessment. The headship rates contained in the CLG 2012-based Household Projections have been applied to the adopted population projection. The resultant increase in households in the HRSH HMA over the period is 2014-32 is expected to be 13,656, an average annual increase of 759 households over the 18 year period.

This translates into a demographically derived housing requirement for an average of 785 dwellings per annum over the period 2014-32, once allowance is made for vacant properties and second homes. This is the figure established in the SHMA as the 'demographic start point' as defined in NPPG.

Introduction

8.1 This section of the SHMA examines the demographic evidence of housing need focused on trend-based projections of population and household growth. Such projections are critical to the SHMA process. This is emphasised in the NPPF (para 158) which states that local planning authorities should prepare a SHMA to identify the scale of housing which *'meets household and population projections, taking account of migration and demographic change'*.

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

8.3 However, the NPPG also identifies (2a-014) that *'establishing future need for housing is not an exact science'* and that *'no single approach will provide a definitive answer'.* It also notes (para 2a-017) that *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions relating to the underlying demographic projections and household formation rates'*. Furthermore, NPPG notes (2a-016) that *'where possible, local needs assessments should be informed by the latest available information*.

8.4 This is relevant to this SHMA since at the time the demographic analysis was undertaken for this SHMA (January to March 2016) new population estimates had been published since the release of the most recent SNPP then available. ONS also released new 2014-based SNPPs on July 12th 2016, after the demographic analysis for this report was completed. Comparison of the new 2014-based SNPPs and the 2012-based SNPPs indicate that the 2014-based SNPPs anticipate that population growth in the HRSH area between 2014 and 2032 will be some 1,900 persons lower than anticipated in the earlier 2012-based SNPPs.

8.5 The more up-to-date 2014-based projections anticipate population growth of 6.8% in the HRSH area 2014-32, compared to population growth of 7.7% anticipated by the 2012-based projections. This implies that the analysis in this SHMA will, on this specific element of the OAHN process, somewhat over-state the level of population growth, when compared to the most recent SNPPs (see Appendix H). This has been taken into account in arriving at the overall recommended level of OAHN.

8.6 The 2015 PAS Technical Advice Note (TAN) provides some additional detail about sensitivity testing and, in particular advises (para 6.24), that using a longer (10 to 15 year) migration trend analysis should provide a more robust projection than the SNPPs (which uses data from the previous 5-6 years). NPPG is silent on this issue, though the Local Plans Expert Group (LPEG) recommend a sensitivity test using a 10 year migration trend. As of October 2016 the LPEG recommendations have not yet been accepted by Government.

8.7 The PAS Technical Advice Note (TAN) also highlights the issue of Unattributable Population Change (UPC). UPC is an adjustment made by ONS for discrepancies between Census data and annual monitoring data. The PAS TAN states (para 6.35) that *'plan makers may take a view that the UPC, or part of it, should be included in the base period as past migration'*. Put another way, part of UPC *may* reflect unaccounted for migration, but from the ONS perspective this is unproven.

8.8 In contrast, LPEG have recommended in their suggested amendment of NPPG that official population and household projections should not be challenged in terms of '*statistical robustness, the implications of UPC, local factors underpinning population change in the time period or the length of the trend period on which the projections are based.'* As noted previously, the LPEG recommendations have not been adopted as of October 2016.

8.9 On the basis of the wording in both the NPPG and the PAS TAN, a number of principles relevant to the assessment of trend-based demographic projections can be established:

- CLG household projections (which link to ONS population projections) are robust and should be used as the *'start point'* for assessing housing need.
- These projections should be sensitivity tested where there is evidence of changes over time (for example, short-term changes to migration patterns) or where local intelligence suggests UPC may be related to recorded migration levels.
- Up-to-date information should be used where possible. This includes more recent releases of ONS mid-year population estimates (MYE) than those on which ONS Population Projections are based.

8.10 In taking into account these other data sources in addition to the ONS SNPPs and CLG Household Projections, it may be that these lead projected population and household numbers to go down as well as up. This is logical since, for example, any suggested increase in migration in one area can be expected to be associated with a commensurate decline in other locations. It should be expected that the sum of population growth for all local authorities in the country will sum to the total level of growth projected nationally, as presented in ONS National Population Projections.

8.11 In considering whether and how to adjust ONS Sub-National Population Projections in the light of these factors, it is worth noting some general trends in the pattern of population growth. In particular, it has been evident since about 2008, the start of recession, that population growth has been relatively strong in many urban areas such as London. This seems to be associated with reduced levels of out-migration from these urban areas. As a result, more rural locations have often experienced lower levels of population growth than previously – though this pattern is not observed across all parts of England. These trends have not been observed universally across different types of locations but can give an insight into whether or not it is reasonable to move away from official projections.

8.12 These trends could reflect a growing preference for urban living, or it might be linked, at least during the 5 years from 2008, to factors such as mortgage finance constraints, which may have discouraged people from looking to buy their own home, and the associated pattern of migration out of urban areas to more suburban areas where the cost of housing is often less than in the cities. This is a particularly relevant consideration in the HRSH area, which is located in what can be regarded as the outer commuter belt of London. This issue is relevant to the question of whether it is reasonable or necessary to adjust official projections to reflect 'recessionary impacts' in the local area.

8.13 Therefore, a number of factors need to be taken into account in arriving at the basis for a reasonable projection of demographic change in a particular area. This includes overlaying past and projected population growth (to see if there is a correlation), and also comparing past and projected levels of migration. In examining patterns of migration, it needs to be recognised that migration may well change over time as the age structure of the population changes, since migration is often linked to certain life-

stages (e.g. the formation of a 'settled' couple household, when children reach secondary school age, retirement etc), and age cohorts are of different sizes.

8.14 In summary, developing the most reasonable and realistic projections for housing need is far from straightforward and involves a degree of professional judgement. The need for judgment is endorsed in a recent High Court case relating to a development in Kings Lynn (CO/914/2015) where the judge noted that *'this is a statistical exercise involving a range of relevant data for which there is no one set methodology, but which will involve elements of judgment about trends and the interpretation and application of the empirical material available'*.

8.15 As noted previously, the 2014-based SNPPs were issued on 25 May 2016 as the demographic elements of the SHMA were close to being finalised, with the linked 2014-based CLG Household Projections being published in July 2016. An assessment of these projections is presented in Appendix H. Nothing in either data set invalidates the 2012-based findings of this SHMA.

The Pattern of Past Population Growth in the HRSH Area

8.16 This section of the analysis examines the demographic characteristics of those people living in the HRSH area, covering past levels of population change, the components of change (e.g. births, deaths and migration) and the age structure of the population. Where relevant, comparisons are made with other areas (the South East region as a whole and England). The analysis uses 2014 as a base date, being the year for which up-to-date population data (the ONS mid-year population estimates) was available at the time the demographic elements of the SHMA were being prepared.

8.17 The population of the HRSH area in 2014 is estimated to be 276,100, an increase of 21,300 people (+ 8.4%) over the 13-year period since 2001. The level of population growth in the HRSH area over the period 2001-14 is slightly less that in the South East region as a whole (+10.6%) and in England (+9.8%) (see Figure 8.1). Population growth has been markedly stronger in Hart District and weaker in Rushmoor.

Figure 8.1: Population Growth (2001-14)

Area	Population 2001	Population 2014	Change in Population	% change
Hart	83,600	93,300	9,700	11.6%
Rushmoor	90,900	95,300	4,400	4.8%
Surrey Heath	80,300	87,500	7,200	9.0%
HRSH	254,800	276,100	21,300	8.4%
South East	8,023,400	8,873,800	850,400	10.6%
England	49,449,700	54,316,600	4,866,900	9.8%

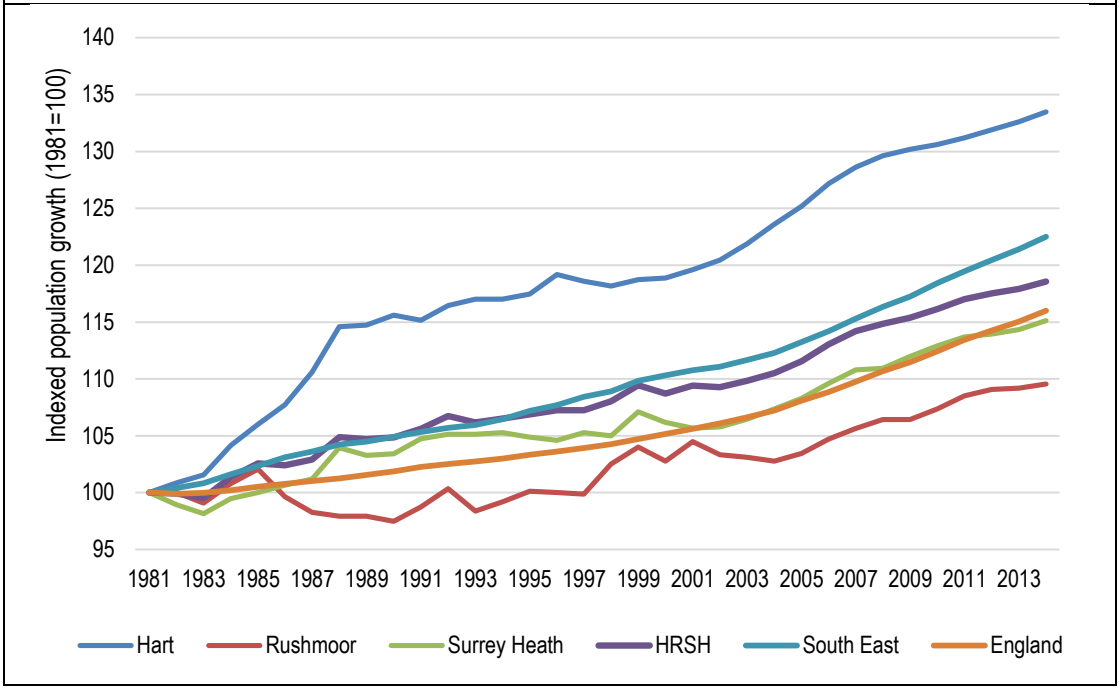
Source: ONS Mid-Year Population Estimates

8.18 Figure 8.2 presents an analysis of longer-term trends in population growth over the period 1981 to 2014. Overall, population growth in the HRSH area has been slightly higher than across England as a whole but lower than across the South East region as a whole. Figure 8.2 makes it very clear than Hart District has experienced rapid and substantial growth well above South East and England levels, while Surrey Heath and particularly Rushmoor have experienced growth below the South East and England levels.

8.19 This pattern of growth is related to the fact that Surrey Heath and Rushmoor have substantial areas covered by the Thames Basin Heaths Special Protection Area (SPA), which is an environmental constraint

and limits land availability. In addition most of the eastern half of Surrey Heath is covered by Green Belt designation and Rushmoor is largely a built-up-area with limited greenfield land. In contrast, Hart District has extensive rural areas not subject to national designations that protect land from development.

Figure 8.2: Indexed Population Growth (1981-2014)



Source: ONS Mid-Year Population Estimates

The Components of Past Population Change

8.20 Figures 8.3 and 8.4 examine the drivers of population change in the HRSH area from 2001 to 2014 (2001 being the base date from which detailed figures are available). Population change has largely been driven by natural change (births minus deaths) and migration. Within the ONS data, there is also a small component of change associated with the *'other changes'* category (this being mainly related to armed forces and prison populations).

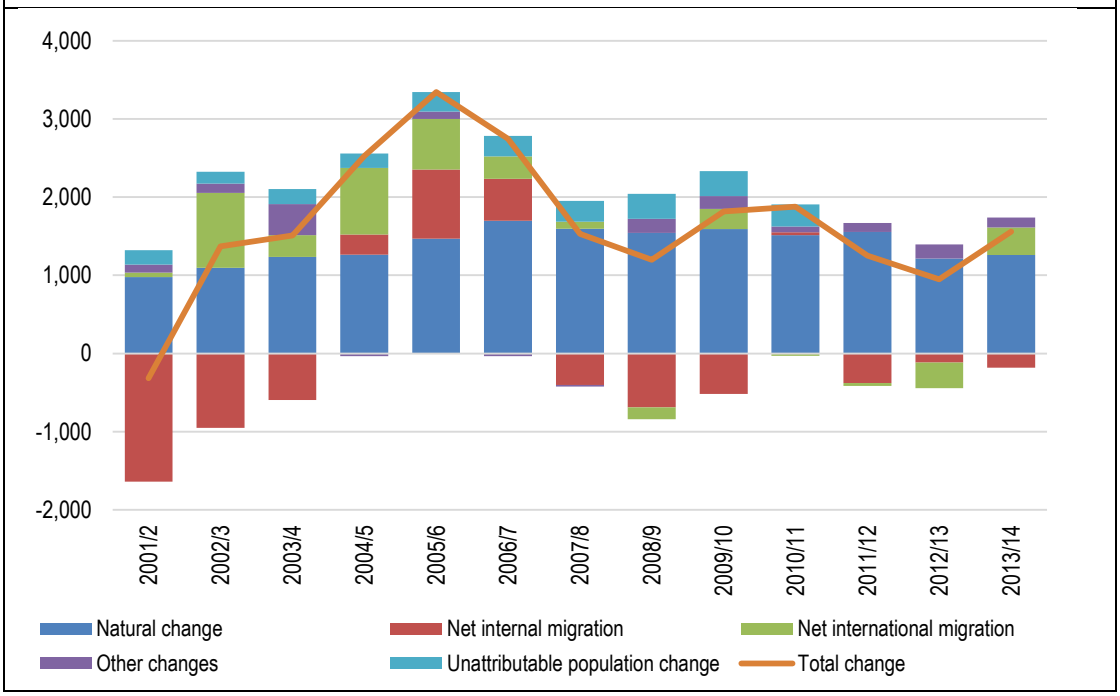
8.21 There is also an element of population change associated with what ONS refer to as *'unattributable population change'* (UPC). UPC is an adjustment made by ONS to mid-year population estimates where Census data indicates that population growth had either been over-estimated or under-estimated in the inter-Census years. Because UPC links back to Census data, a figure is only given for 2001 to 2011, the years in which the 10 yearly Census of Population is undertaken.

8.22 Figures 8.3 and 8.4 show that natural change has been the key driver of population change; over the period 2001-14, natural change averaged +1,386 people per annum out of an average population growth of 1,643. Net migration over the period 2001-14 was broadly in balance with a net average of 289 people per annum moving out of the HRSH area to other locations in the UK, and this being largely offset by net international in-migration averaging 248 people per annum.

8.23 Other changes average out at 112 people per annum. Compared to other areas, this is quite a large figure in the context of total population growth. The data also shows a small (but not insignificant) level of UPC. The UPC (for 2001-11) is an average of +242 per annum (positive) and would suggest that ONS may have

previously under-estimated migration and population growth in the HRSH area. On this basis, there is merit in considering UPC as a sensitivity test.

Figure 8.3: Components of Population Change, mid-2001 to mid-2014 – HRSH



Source: ONS

Figure 8.4: Components of Population Change, mid-2001 to mid-2014 – HRSH

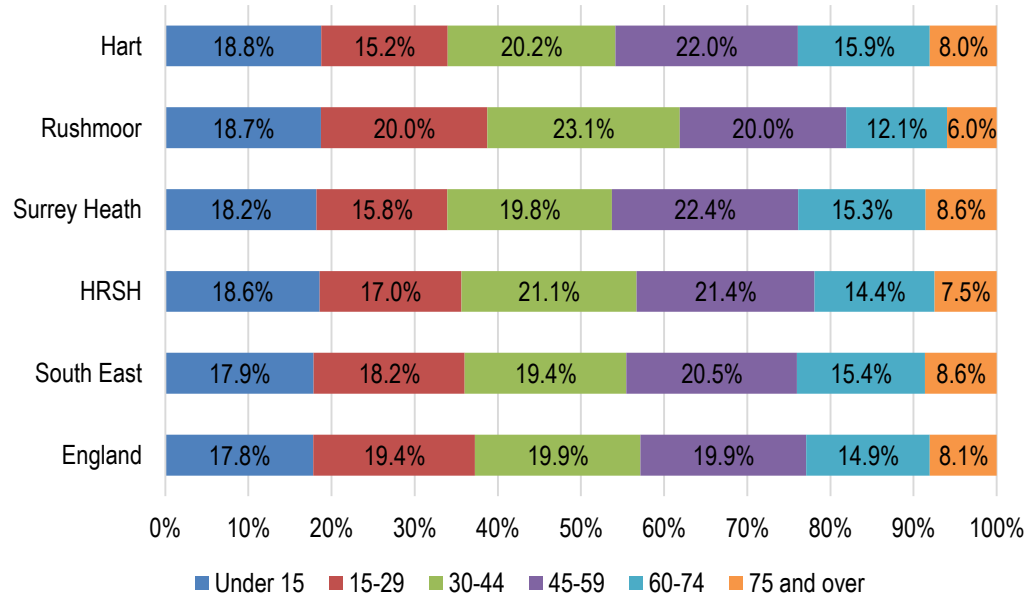
Year	Natural change	Net internal migration	Net international migration	Other changes	Other (unattributable)	Total change
2001/2	976	-1,641	58	102	187	-318
2002/3	1,094	-953	959	119	153	1,372
2003/4	1,237	-594	277	396	195	1,511
2004/5	1,266	254	853	-34	185	2,524
2005/6	1,470	884	646	94	249	3,343
2006/7	1,698	538	285	-34	261	2,748
2007/8	1,595	-405	90	-19	268	1,529
2008/9	1,543	-691	-150	180	318	1,200
2009/10	1,591	-516	259	164	318	1,816
2010/11	1,514	36	-31	74	285	1,878
2011/12	1,556	-377	-39	112	0	1,252
2012/13	1,214	-116	-329	180	0	949
2013/14	1,261	-180	351	127	0	1,559

Source: ONS

Age Profile and Past Changes

8.24 The age profile of the population of the HRSH area is similar to that of the South East region and of England as a whole, although there is a slight under-representation of people aged under 30 and of those aged 60 and over. Consequently the proportion of the population aged 30-59 in the HRSH area is relatively large; some 42% of the population of the HRSH area is in this age band compared with 40% in the South East region and in England as a whole. There are some notable differences between the different parts of the HRSH area, with Rushmoor having a younger age structure (39% under 30) compared to Hart and Surrey Heath (34% in Hart and 35% in Surrey Heath aged under 30), with the differential mostly attributable to those in the 15-29 age bracket.

Figure 8.5: Population Age Profile (2014)



Source: ONS 2014 Mid-Year Population Estimates

8.25 Figure 8.6 shows how the age structure of the population has changed over the period 2001 to 2014. The most significant change is the absolute growth in the number of people in the 60-74 age group, with this group also showing the second highest percentage increase. The number of people aged under 15 and in the 45-59 age groups have also increased (the latter increasing by 8,700 people). The number of people aged 75 and over has increased significantly by around 6,200 people, a 43% increase since 2001. The population aged 30-44 has fallen, and the number of people aged 15-29 shows a small decline.

8.26 Figure 8.7 presents the same analysis for the individual local authorities and a range of comparator areas. The pattern of population change by age in the HRSH area is slightly different to that evident at regional and national level. The main point of difference is the pattern of ageing of the population over this period. For the three individual authorities, the patterns of change are also different, with Rushmoor having a much lower level of increase in the number of people aged 60 and over; and a larger percentage increase in the population of those aged 45-59.

Figure 8.6: Change in Age Structure (2001-2014) – HRSH				
Age group	2001	2014	Change	% change
Under 15	49,700	51,300	1,600	3.2%
15-29	47,600	47,100	-500	-1.1%
30-44	63,200	58,200	-5,000	-7.9%
45-59	50,500	59,200	8,700	17.2%
60-74	29,400	39,800	10,400	35.4%
75 and over	14,500	20,700	6,200	42.8%
Total	254,800	276,100	21,300	8.4%

Source: ONS 2014 Mid-Year Population Estimates

Figure 8.7: Change in Age Structure (2001-2014)							
Area	Under 15	15-29	30-44	45-59	60-74	75 and over	Total
Hart	10.1%	-2.1%	-6.9%	13.9%	46.5%	56.3%	11.6%
Rushmoor	-2.7%	-5.0%	-4.3%	23.2%	28.9%	14.0%	4.8%
Surrey Heath	3.2%	6.2%	-13.1%	15.3%	30.1%	59.6%	9.0%
HRSH	3.2%	-1.1%	-7.9%	17.2%	35.4%	42.8%	8.4%
South East	6.0%	11.0%	-5.1%	16.5%	29.4%	19.4%	10.6%
England	4.2%	12.9%	-4.0%	16.0%	24.1%	17.5%	9.8%

Source: ONS 2014 Mid-Year Population Estimates

Demographic Evidence of Housing Need – Start Point

8.27 NPPG (ID: 2a-015-2014036) states that *'household projections published by the Department for Communities and Local* Government *should provide the starting point estimate of overall housing need. The household projections are produced by applying projected household representative rates to the population projections published by the Office for National Statistics. Projected household representative rates are based on trends observed in Census and Labour Force Survey data'.*

8.28 The most recent household projections published at the time the analytical work on demographics for this SHMA was undertaken (January to March 2016) were the 2012-based CLG household projections published in February 2015. These projections are underpinned by ONS (2012-based) Sub-National Population Projections (SNPP), published in May 2014. CLG published 2014-based household projections in July 2016, after this demographic analysis was undertaken. Commentary and comparisons between the 2012-based and 2014-based household projections are included in this section.

8.29 In addition the 2012-based household projections, CLG published in December 2015 a set of *'Stage 2'* projections which present projected data for different types of households, but do not change the overall 2012-based projections of household numbers. The analysis here focuses on the Stage 1 (February 2015) household projections released by CLG in May 2014. Comments on the Stage 2 data are set out later in this section.

8.30 Figure 8.8 sets out levels of the household growth expected by the CLG 2012-based household projections in the period 2014-32. Data is provided for the South East region and England as a whole for comparative purposes. Across the whole HRSH area, the CLG household projections anticipate household growth of around 13,600 households – a 13% increase; the comparative figures for the South East and

England are 19% and 17% respectively. The percentage rate of household growth is expected to be broadly similar in each of the three local authority areas (ranging from 12%-13%).

Figure 8.8: Household Change 2014 to 2032 (2012-based) CLG Household Projections				
Area	Households 2014	Households 2032	Change in households	% change
Hart	36,515	40,840	4,325	11.8%
Rushmoor	37,561	42,610	5,049	13.4%
Surrey Heath	34,337	38,541	4,204	12.2%
HRSH	108,413	121,991	13,578	12.5%
South East	3,668,287	4,351,596	683,309	18.6%
England	22,718,084	26,604,790	3,886,706	17.1%

Source: 2012-based CLG Household Projections

8.31 While the 2012-based household projections were the most recent 'official' population projections available when this analytic work was undertaken, and hence are the start point for analysis as indicated in NPPG, it is relevant to examine the assumptions underpinning the projections to see if they are broadly reasonable in the local context. This involves considering both the population projections (the SNPPs from ONS) and the way CLG have converted the population projections into household projections.

8.32 The analysis presented below first considers the validity of the population projections and their consistency with past trends; and then considers data released since the population projections were published. The mid-year population estimates (MYE) for 2013 and 2014 are particularly relevant. The analysis then turns to focus on assumptions and evidence that underpin the CLG household projections.

2012-based Subnational Population Projections (SNPP)

8.33 The latest SNPPs at the time the demographic analysis was undertaken for this report (January to March 2015) were published by ONS on the 29th May 2014. These SNPPs replace the 2010 and 2011-based projections. Sub-national population projections provide estimates of the future population by local authority. They are based on the assumption that recent local trends in fertility, mortality and migration will continue, subject to the overall constraints for different components of change contained in the 2012-based national population projections. The new SNPPs are based on domestic trends in the 2007-12 period and the period 2006-12 for international migration trends.

8.34 For the avoidance of doubt, the SNPPs are only population projections and do not contain headship rates; these are needed to convert population data into estimates of household numbers.

8.35 It should be emphasised that the SNPPs are not forecasts and do not attempt to predict the impact that future government or local policies, changing economic circumstances or other factors that might have on migration, birth rates or death rates. The primary purpose of the SNPP is to provide an estimate of the future size and age structure of the population of local authorities in England. These are used as a common framework for informing local-level policy and planning in a number of different fields since they are produced in a consistent way.

Overall Population Growth

8.36 Figure 8.9 shows projected population growth from 2014 to 2032 in each of the three HRSH authorities and a range of comparator areas. The figures for different areas are all taken from the 2012-based SNPPs; in the case of data for England, this uses information from the 2014-based national population projections, whereas for the three HRSH local authorities the data has been updated to 2014 to take account of ONS Mid Year Estimates (MYE) data for 2013 and 2014.

8.37 From 2014 onwards, the data analysis assumes the same birth and death rates as in the 2012-based SNPP and the same levels of migration. For the South East the data is taken directly from the 2012-based SNPP; whilst this means that population levels in 2014 will be slightly different from those now published by ONS, the rates of growth are be consistent with the most recent projections at the time this analysis was undertaken (i.e. the 2012-based SNPP).

8.38 This analysis shows that the population of the HRSH area is projected to grow by around 21,700 people in the period 2014 to 2032, an increase of 8%. This percentage increase is quite significantly lower than projected for the South East region (13%) and for England as a whole (13%). Population growth is expected to be slightly stronger in Hart and weaker in Rushmoor, although differences between the three local authorities are quite modest.

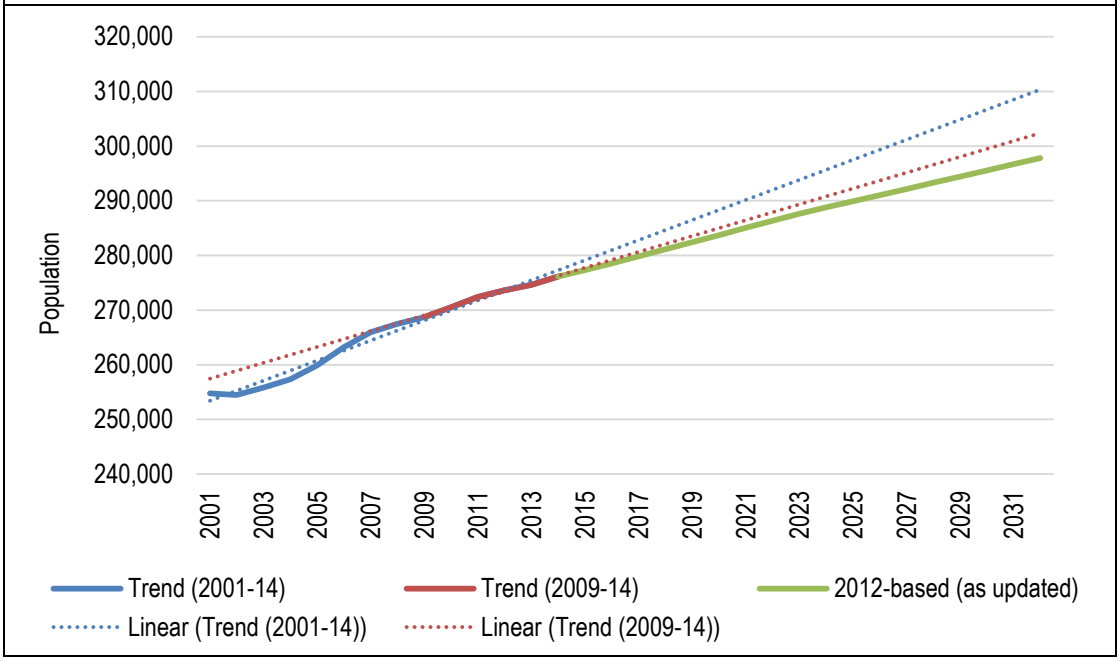
Figure 8.9: Projected Population Growth (2014-2032) – 2012-based SNPP

Area	Population 2014	Population 2032	Change in population	% change
Hart	93,325	101,001	7,676	8.2%
Rushmoor	95,296	102,371	7,075	7.4%
Surrey Heath	87,533	94,440	6,907	7.9%
HRSH	276,154	297,813	21,659	7.8%
South East	8,851,800	10,037,000	1,185,200	13.4%
England	54,317,000	61,175,000	6,858,000	12.6%

Source: Wessex Economics, ONS

8.39 Figure 8.10 shows past and projected population growth in the period 2001 to 2032. The data also plots a linear trend line for the last five years for which data is available (2009-14) and also a longer-term trend line period from 2001 to 2014 – this being the longest period for which reasonable data about the components of population change (e.g. migration) are available. Figure 8.10 shows that the population of the HRSH area is expected to grow at a rate which is below both long and short term trends, although more closely matching the short-term figures. ONS focuses on short-term trends when developing the SNPP, taking account of the last 5 years for internal migration and the last 6 years for international migration.

Figure 8.10: Past and Projected Population Growth – 2012-based SNPP (as updated) – HRSH

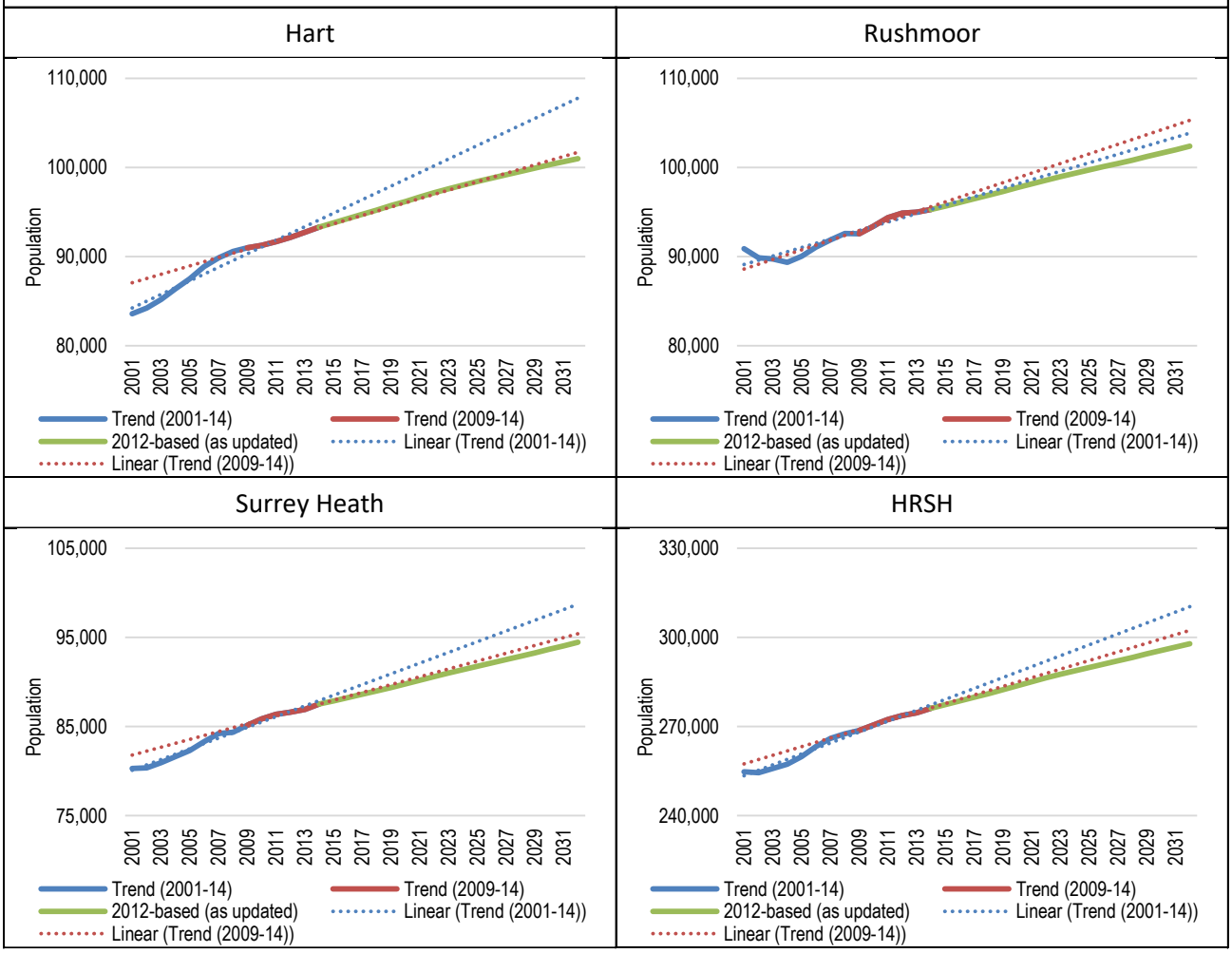


Source: Wessex Economics, ONS

8.40 Figure 8.11 presents the same data for individual HRSH local authorities. In all areas, the projected population growth, as set out in the 2012-based SNPPs, is below past trends although in both Hart and Surrey Heath the future growth is at a not dissimilar level to those seen over the five years to 2014. In Rushmoor, projected population growth is more in-line with longer-term trends, although the difference between the long- and short-term trends is not as marked as in the other two areas.

8.41 While Figures 8.10 and 8.11 compare the 2012-based population with past trends, there is no reason to expect that population change will be, or should be, a continuation of past trends. For example, both natural change and migration can be expected to change over time as the age structure of the population changes, both locally and in areas with an influence in migration terms on the HRSH area. The analysis is presented in this way to provide context and to facilitate understanding of what the projected pattern is compared to past patterns of growth.

Figure 8.11: Past and Projected Population Growth – 2012-based SNPP (as updated) – Individual Local Authorities



Source: Wessex Economics, ONS

Components of Population Change

8.42 Figure 8.12 brings together data about migration (both past trends and the future projection) with information on natural change for the HRSH area as a whole. The contribution of natural change to population growth is expected to decrease over time reflecting a reduction in the excess of births over deaths. As Figure 8.12 shows, historic levels of migration have varied considerably year by year. The ONS SNPPs indicate that migration is expected to become progressively more important in contributing to population growth over the projection timeframe.

8.43 Thus, for the whole of the projection period (2014-32), the average level of net migration is expected to be around +213 people per annum. This figure is higher than the level seen in short-term past trends. Over the past 5 years, there has been net out-migration of -188 persons per annum; over the period 2001-2014 there has been net out-migration of 41 persons per annum. It is reasonable to ask, therefore, why ONS expect that net migration over the next 17 years is expected to increase and become more important as a driver of demographic growth than it was over the past 14 years.

8.44 The reason for the apparent disconnect between historic patterns of net migration and the projected future patterns of net migration is likely to reflect the fact that population projections take into account the propensity of different age groups to move, so both the absolute numbers of people in different

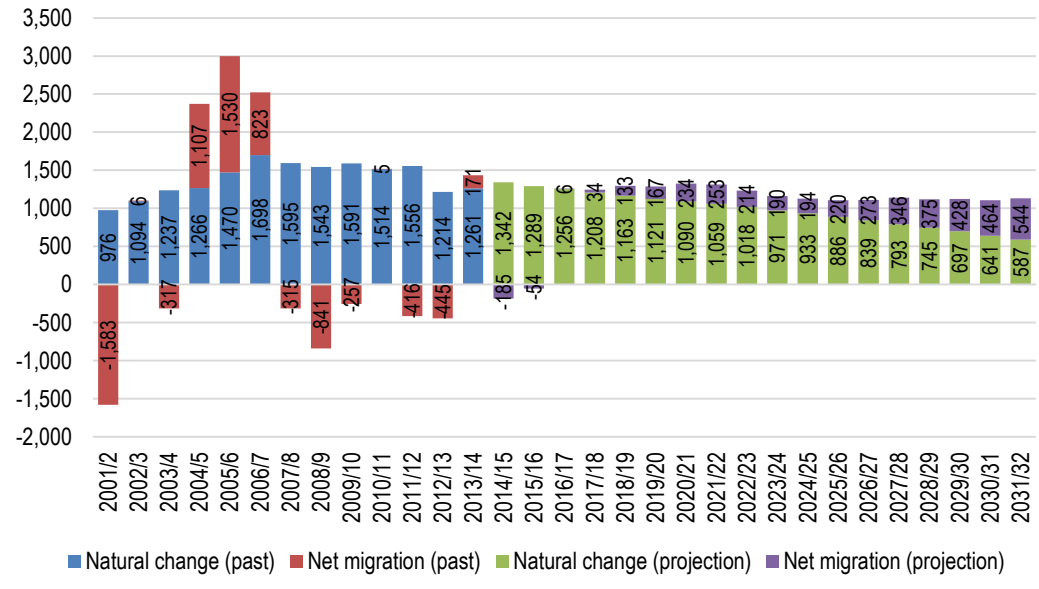
locations and the numbers in each age cohort have an impact on migration patterns. Thus, for example, the changing age structure of the HRSH over the next 17 years can be expected to have an effect on levels of net out-migration; but so too would, for example, the overall population and the age structure of London (as possibly a significant source of in-migrants to the HRSH area).

8.45 In the HRSH area, the lower than trend level of future population growth can therefore be attributed to decreases in natural change over time; this can be linked to the changing age structure of the population, as older people account for an increasingly larger share of the total population of the HRSH area; and, as a consequence of this older population, the number of births falls proportionately and the number of deaths increase. The same process of ageing is likely to result in falling levels of out-migration, which is generally higher in younger adult age groups; this will be a factor, perhaps along with increases in younger adults, in locations from which in-migrants move to the HRSH area, leading to net in-migration in future years rather than the pattern of net out-migration that has characterised the past 10 years.

8.46 If levels of natural change were the same as the average over the past 5 to 13 years then the level of population growth would be around 7,300 to 8,100 people higher than projected by the 2012-based SNPPs. This would place the projection firmly in the range between short- and long-term trends as shown in Figure 8.11. There is no reason to think that the 2012-based SNPPs are not a reasonable basis for future planning of housing requirements, especially given the strong emphasis of NPPG in emphasising that the most recent SNPPs are the starting point for assessment of OAHN.

8.47 However, the PAS Technical Advice Note (July 2015) points out that, even if ONS SNPP modelling produces the best possible results on average, it may not do so for each local authority; and that therefore, in some cases the official projections depart so sharply from past trends that they do not look credible (para 6.19, page 22). This is not the case in the HRSH area, where the overall trend rate of projected population growth is credible and in line with past trends, even though the components of change will be different in the future to those which prevailed in the past.

Figure 8.12: Summary of Components of Population Change, mid-2001 to mid-2032 – HRSH



Source: Wessex Economics, ONS

8.48 Additional detail on the projection methodology and detailed projection outputs are contained in Appendices F and G respectively. These charts show that for each of the HRSH authorities it is anticipated that the population of the authority will grow as a consequence of increasing net migration, partly offset by slowing natural change.

Age Structure Changes

8.49 As the population grows, the age structure of the population will also change. Figure 8.13 summarises the findings for key age groups (in 15 year bands) under the Wessex Economics Updated 2012-based SNPP. The data shows that the largest growth will be in people aged 60 and over. It is estimated that in 2032 there will be 90,500 people aged 60 and over living in the HRSH area. This represents an increase in the population of 60+ residents of the HRSH area of 30,100 from 2014, representing growth of +50%.

8.50 The population aged 75 and over is projected to increase by an even greater proportion, +83%. There is projected to be little change in the population aged under 30, but a fall in the number of people aged 30-44 and 45-59. In each authority, the pattern of age structure changes is broadly similar, with the common feature of population growth in the age groups of 60-74 and 75 and over.

Figure 8.13: Population change 2014 to 2032 by fifteen-year age bands (2012-based SNPP (as updated) – HRSH

Age group	Population 2014	Population 2032	Change in population	% change from 2014
Under 15	51,194	50,797	-397	-0.8%
15-29	47,249	47,724	475	1.0%
30-44	58,196	55,012	-3,184	-5.5%
45-59	59,102	53,806	-5,296	-9.0%
60-74	39,722	52,530	12,808	32.2%
75+	20,691	37,943	17,252	83.4%
Total	276,154	297,813	21,659	7.8%

Source: Wessex Economics, ONS

Alternative Demographic Scenarios

8.51 The evidence shows that the Wessex Economics Updated 2012 Population Projection is a sound projection of anticipated population growth for HRSH area and the individual local authorities in the HRSH area. However, across the HMA the levels of migration and population growth have been variable over time. On this basis, it would be reasonable to consider alternative scenarios as sensitivity tests, designed to highlight how use of reasonable alternative assumptions might change the overall level of anticipated population growth. Such an approach is encouraged in para 2a-017 of the NPPG, which states that *'plan makers may consider sensitivity testing, specific to their local circumstances, based on alternative assumptions in relation to the underlying demographic projections…'*

8.52 In thinking about what alternative scenarios should be developed there are a number of considerations and options:

- This demographic analysis was undertaken using the 2012-based SNPPs, the most recent SNPPs at the time the analysis was undertaken. The publication of population data for 2013 and 2014 allows investigation into patterns of short-term migration, provided an indication of whether the

2014-based SNPPs (now published – see Appendix H) would differ substantially in terms of population growth from the 2012-based SNPPs.

- The 2012-based SNPPs have a lower level of migration in the recent past (the 2007-12 period for domestic migration and 2006-12 for international migration) than the longer-term migration trends covering the period 2001-12. Given that the existing population is ageing and therefore natural population growth is slowing, considering the implications of the higher trend of net migration associated with the period 2007-12 has been considered.
- The analysis presented earlier in this section highlights some concerns in relation to the treatment of 'unattributable' component of population change within ONS population data for the 2001-11 period. It is therefore of value to consider a sensitivity test that incorporates this element of Unattributable Population Change (UTC), despite the reason for such change being unknown.

8.53 The analysis sets out three different sensitivity tests examining potential implications of data related to:

- Use of long-term migration trends
- Alternative approaches to dealing with Unattributable Population Change (UPC)
- Combining long-term migration and UPC trends

Implications of Long-Term Migration Levels

8.54 Previous analysis has identified that levels of population growth have been variable over time and that this is, at least in part, due to a variable level of recorded migration. Consideration has therefore been given to implications for future population growth were longer term migration patterns to be a better reflection of future migration patterns than the shorter term trends used in the SNPPs. The PAS Technical Advice Note (July 2015) recommends analysis of population change over a 10 to 15 year period as an alternative scenario to SNPP-based projections. For the purposes of this sensitivity test Wessex Economics has examined the pattern of net migration to the HRSH area over the 13-year period from 2001 to 2014.

8.55 The scenario presented in this analysis uses the average level of net-migration over the 2001-14 period. This is treated as a fixed component of population change; that is, it does not vary from year to year in the projection period. Arguably, this approach is less robust than that used in the SNPP, where migration levels vary year on year depending on the age structure; however, it is a proportionate response to testing an alternative scenario to the official SNPPs, and it is transparent. Development of a dynamic scenario would be time consuming; and part of the objective in developing an alternative scenario based on long term trends is to develop a more 'stable' baseline of information for the purposes of modelling.

8.56 Figure 8.14 presents the pattern of longer-term domestic and international migration in the HMA and compares these with the data from the 2012-based SNPP. In the period 2001-2014 there has been an average annual domestic net out-migration from the HRSH area of 289 people per annum; and net international in-migration of 248 people each year; giving a net out-migration figure of 41 people pa. The HMA therefore still experiences net out-migration under this scenario, but at a level well below the 2012 based scenario of net out-migration of 322 people pa. Were longer term migration trends to be a better reflection of future trends than short term migration trends, this would indicate that the population of the HRSH area would grow more rapidly than set out in the 2012 SNPPs.

Figure 8.14: Past trends in internal and international migration and long-term average								
	Hart		Rushmoor		Surrey Heath		HRSH	
	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration
2001/2	0	420	-1,440	-286	-201	-76	-1,641	58
2002/3	17	570	-868	93	-102	296	-953	959
2003/4	560	253	-1,195	-173	41	197	-594	277
2004/5	469	444	-87	-9	-128	418	254	853
2005/6	726	254	-80	109	238	283	884	646
2006/7	388	220	-135	-63	285	128	538	285
2007/8	175	156	-268	-32	-312	-34	-405	90
2008/9	-154	192	-748	-288	211	-54	-691	-150
2009/10	-278	146	-386	64	148	49	-516	259
2010/11	-121	118	-124	-51	281	-98	36	-31
2011/12	220	-62	-656	177	59	-154	-377	-39
2012/13	330	-159	-698	4	252	-174	-116	-329
2013/14	127	6	-659	227	352	118	-180	351
Average (2001-14)	**189**	**197**	**-565**	**-18**	**86**	**69**	**-289**	**248**
2012-SNPP	**-32**	**128**	**-436**	**-32**	**77**	**-27**	**-391**	**69**

Source: Wessex Economics, ONS

Implications of Unattributable Population Change

8.57 There is a modest level of Unattributable Population Change (UPC) in the ONS data for 2001-11 in the HRSH area. In this instance UPC is positive, which suggests that the components of change feeding into the SNPP may have under-estimated migration and population growth in the past. However, a different picture emerges in each of the local authorities with a negative level of UPC in Hart and positive figures in Rushmoor and Surrey Heath.

8.58 Wessex Economics do not consider a scenario based on incorporating UPC to be a robust alternative to the SNPP. There are two reasons for taking this position. The first is that it is unclear if UPC is related to migration or not. Second, and more importantly, it is probable that any errors in estimating migration trends arise from the methods used by ONS to measure migration in earlier periods, particularly the years between 2001 and 2006. Since 2006, ONS has improved its collection of migration data. As a result an adjustment relating to UPC is probably not appropriate for more recent data.

8.59 There is, however, a case for looking at the impact of incorporating UPC as a sensitivity test. The scenario examined is to assume a level of net migration which is 242 people per annum higher than that used in the 2012-based SNPP. The figure of 242 people is the average level of UPC calculated by ONS in the 2001-11 period in the HRSH area. This scenario examines what would be the impact if all of the UPC is associated with under-recording of net migration, and this is then carried forward into ONS figures for 2011-14, and then into the subsequent projections from 2014 onwards. This exercise serves to highlight whether the inclusion of UPC would make a material difference to outcomes in terms of population projections.

Combining Long-Term Migration and UPC

8.60 The final scenario examines the outputs of the previous two scenario tests and combines them into a single projection. The rationale for this scenario is that the long-term migration scenario focuses on the period 2001 to 2014, and this includes the period 2001-06 prior to the improvements made by ONS in capturing migration data. Therefore, the sensitivity test set out above based on long-term migration trends includes the period where migration may have been under-estimated; and the figures for UPC may provide a good indication of the scale of such under-estimation.

8.61 This final sensitivity projection therefore takes the outputs from the long-term migration scenario and makes a further additional adjustment for UPC (based on the years in which this arises). For the purposes of analysis, it has been assumed that UPC is equally split between international and internal migration. This assumption is considered to be reasonable given that generally it is thought that UPC is more closely associated with international migration.

8.62 However, in the HRSH area international migration is a relatively small component of population change. In reality, this assumption will not substantially impact the figures given that the overall level of migration is the same regardless of whether it is domestic or international migration; though there would be some differences due to differing age/sex profiles of migrants in each of the international and internal migrant groups.

8.63 Figure 8.15 sets out the assumptions used for this scenario. Across the HRSH area, this scenario is characterised by a higher level of overall net in-migration, with an annual increase in population attributable to migration of +145 people. All the other scenarios examined are associated with overall net-out migration. This is the result of much higher levels of estimated net international in-migration under this scenario compared with the other scenarios.

Figure 8.15: Past Trends in Internal and International migration (with a UPC adjustment) and Long-Term Average

	Hart		Rushmoor		Surrey Heath		HRSH	
	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration	Internal net migration	Inter-national net migration
2001/2	-75	345	-1,348	-194	-125	0	-1,548	152
2002/3	-66	488	-764	197	-47	351	-877	1,036
2003/4	482	175	-1,084	-62	106	262	-497	375
2004/5	388	363	30	108	-72	475	347	946
2005/6	651	179	55	244	303	348	1,009	771
2006/7	317	149	-1	71	353	196	669	416
2007/8	106	87	-125	111	-252	27	-271	224
2008/9	-224	122	-576	-116	268	3	-532	9
2009/10	-336	89	-234	217	212	113	-357	418
2010/11	-171	68	21	94	329	-51	179	112
2011/12	220	-62	-656	177	59	-154	-377	-39
2012/13	330	-159	-698	4	252	-174	-116	-329
2013/14	127	6	-659	227	352	118	-180	351
Average (2001-14)	**135**	**142**	**-464**	**83**	**134**	**116**	**-196**	**341**

Source: Wessex Economics, ONS

Outputs from the Different Demographic Projections

8.64 Figure 8:16 shows the estimated level of population growth associated with the 2012-based SNPP and the alternative projections developed. Across the whole HRSH area, the 2012-based SNPP shows population growth (2014-32) of 7.8%.

8.65 A scenario based on long-term migration generates a smaller percentage increase in population (+6.1%) than the base scenario (the 2012-based SNPP); while a scenario incorporating UPC generates a higher rate of percentage growth (9.7%). Not surprisingly, a scenario based on long-term migration trends and UPC trends generates a figure for percentage population growth 2014-32 between the UPC and the long-term migration scenario (7.5%) somewhat lower than the base scenario.

8.66 Figures 8.17, 8.18 and 8.19 show the same range of scenarios for each of the local authorities. These shows that different assumptions can increase or decrease population projections in different directions at the local authority level. For example, long-term migration increases population growth in Hart, but reduces it in the other areas. For all scenarios other than the 2012-based SNPP it is the case that the range of outputs for different areas is quite large; whereas the SNPP shows in each location a projected population increase of between 7% and 8% in each of the individual authorities.

Figure 8.16: Projected Population Growth (2014-2032) – Alternative Scenarios – HRSH

	Population 2014	Population 2032	Change in population	% change
2012-based SNPP (as updated)	276,154	297,813	21,659	7.8%
Long-term migration	276,154	292,889	16,735	6.1%
UPC adjustment	276,154	302,954	26,800	9.7%
Long-term migration/UPC	276,154	296,885	20,731	7.5%

Source: Wessex Economics, ONS

Figure 8.17: Projected Population Growth (2014-2032) – Alternative Scenarios – Hart

	Population 2014	Population 2032	Change in population	% change
2012-based SNPP (as updated)	93,325	101,001	7,676	8.2%
Long-term migration	93,325	106,104	12,779	13.7%
UPC adjustment	93,325	98,010	4,685	5.0%
Long-term migration/UPC	93,325	103,773	10,448	11.2%

Source: Wessex Economics, ONS

Figure 8.18: Projected Population Growth (2014-2032) – Alternative Scenarios – Rushmoor

	Population 2014	Population 2032	Change in population	% change
2012-based SNPP (as updated)	95,296	102,371	7,075	7.4%
Long-term migration	95,296	94,173	-1,123	-1.2%
UPC adjustment	95,296	107,923	12,627	13.3%
Long-term migration/UPC	95,296	98,492	3,196	3.4%

Source: Wessex Economics, ONS

Figure 8.19: Projected Population Growth (2014-2032) – Alternative Scenarios – Surrey Heath				
	Population 2014	Population 2032	Change in population	% change
2012-based SNPP (as updated)	87,533	94,440	6,907	7.9%
Long-term migration	87,533	92,612	5,079	5.8%
UPC adjustment	87,533	97,022	9,489	10.8%
Long-term migration/UPC	87,533	94,620	7,087	8.1%

Source: Wessex Economics, ONS

8.67 The alternative scenarios examined provide further insight into the way that different components of the process of preparing the population projects impact on the expected population. However, it is not considered that any of these alternative scenarios are more robust than the Wessex Economics adapted 2012-based SNPP.

8.68 The main reasons for this are as follows:

- At the time the demographic analysis was undertaken, the SNPP was the most recent 'official' projection; it has been developed by ONS using a proven and robust methodology by ONS and quality checked
- the levels of projected population growth look reasonable once the components of change data are analysed
- it shows a consistency in the level of projected population growth across the different parts of the HMA unlike the alternative scenarios which have been developed

8.69 The analysis indicates that the 2012-based SNPP, updated with actual population data from the mid-year estimates for 2013 and 2014 for each authority, is a robust starting point for the demographic assessment. The 2012-based SNPP has therefore been taken forward as the main population-based input to the process of modelling housing need. From a technical perspective, the projection linked to long-term migration trends with a UPC adjustment is probably the most robust alternative projection. This shows a lower percentage rate of growth than the preferred scenario.

8.70 Validation of the use of the 2012-based SNPP, updated with actual population data from the mid-year estimates for 2013 and 2014, as an appropriate projection on which to base the analysis, is provided by the 2014-based SNPPs issued in May 2016, after the completion of the demographic analysis. Figure 8.20 presents the data from both the official ONS 2012-based and 2014-based SNPPs; and Figure 8.21 summarises the difference in population for the HRSH area between the two projections.

Figure 8.20: 2012 and 2014 SNPPs for the HRSH Area Compared

2014 based SNPPs '000 All ages	2014	2019	2024	2029	2034	2037	% Change 2014-37
Hart	93.3	95.2	97.2	98.9	100.4	101.3	8.6%
Rushmoor	95.3	96.8	98.5	100.0	101.7	102.8	7.9%
Surrey Heath	87.5	89.4	91.4	93.2	95.0	96.1	9.8%
HRSH	**276.1**	**281.4**	**287.1**	**292.1**	**297.1**	**300.2**	8.7%
2012 based SNPPs '000 All ages	**2014**	**2019**	**2024**	**2029**	**2034**	**2037**	% Change 2014-37
Hart	93.0	95.4	97.7	99.5	101.1	102.1	9.8%
Rushmoor	95.5	97.5	99.7	101.6	103.6	104.8	9.7%
Surrey Heath	87.1	88.9	90.8	92.6	94.4	95.5	9.6%
HRSH	**275.6**	**281.8**	**288.2**	**293.7**	**299.1**	**302.4**	**9.7%**

Source: Wessex Economics, ONS

Figure 8.21: The Difference in Projected Population between the 2012 and 2014 SNPPs for the HRSH Area

2014 SNPP less 2012 SNPP All Ages	2014	2019	2024	2029	2034	2037
Hart	300	-200	-500	-600	-700	-800
Rushmoor	-200	-700	-1,200	-1,600	-1,900	-2,000
Surrey Heath	400	500	600	600	600	600
HRSH	**500**	**-400**	**-1,100**	**-1,600**	**-2,000**	**-2,200**

Source: Wessex Economics, ONS

8.71 Figure 8.21 shows that the base population of the HRSH area as recorded by the ONS 2014 SNPPs is some 500 persons higher than that anticipated by the 2012-based SNPPs. However, by 2034 the population of the HRSH area as projected in the 2014-based SNPPs is some 2,000 persons *less* than projected by the 2012-based projections. Other things being equal, the use of the 2012-based SNPPs, which are used as the starting point for analysis of OAHN in this SHMA, will somewhat overstate housing requirements. Further analysis of the ONS 2014-based SNPPs is contained in Appendix H.

Household Growth - Household Formation (Headship) Rates

8.72 Having examined the anticipated growth in the population of the HRSH area, the next step in the process of determining housing requirements is to convert this information into estimates of the number of households in the area. To do this, the concept of headship rates is used. Headship rates can be described in their most simple terms as the number of people who are counted as heads of households; though the phrase now standardly used by demographers is the Household Reference Person (HRP).

8.73 The most recent set of headship rates available at the time that this SHMA was prepared were the 2012-based CLG Household Projections. The 2014-based CLG Household Projections were published on July 14th 2016 after the analytical work for this study was completed. The overall level of anticipated

household growth for the HRSH area based on the 2012-based CLG Household Projections are presented earlier in this section (see Figure 8.8). The numbers in Figure 8.8 differ slightly from the base scenarios presented for households in this section, because of the updating of the population projections as described in previous paragraphs.

8.74 The CLG 2012-based projections were published in two stages: Stage 1 in February 2015 and Stage 2 in December 2015. Both sets of projections show the same level of overall household growth. However, the Stage 1 and 2 projections differ in terms of both the household outputs and the time series of data used to generate figures. The Stage 1 outputs are for age, sex and marital status and use a time series of data going back to 1971. The Stage 2 figures are for household types (e.g. one person households and households with children) and primarily focus on trends observed between the 2001 and 2011 Census.

8.75 Both the Stage 1 and Stage 2 CLG household projections provide data on how headship rates have changed over time. This is of particular value in identifying how patterns of household formation have changed over time for different age groups, given the requirement set out in paragraph 2a-015 of NPPG to understand if household formation rates have been suppressed historically by under-supply and worsening delivery of housing. In considering if there is evidence of suppressed household formation rates, it is also useful to compare the 2012-based headship rates with, those from the 2008-based projections, these being the last full set of household projections published by CLG prior to the issue of the 2012-based projections.

8.76 National guidance, both in terms of the NPPG and in terms of unofficial guidance, is silent on whether more weight should be given to the Stage 1 headship rates or the Stage 2 headship rates. The CLG documents on projection methodology relating to the Stage 1 and Stage 2 release set out the different approaches and data sources used to produce the two sets of headship rates, but do not indicate any preference between the two approaches.

8.77 In the light of this absence of official or unofficial guidance, or even a clear explanation for the differences between the two sets of figures, a pragmatic approach has been adopted for the purposes of this SHMA in modelling headship rates for different age groups, based on the average of the Stage 1 and Stage 2 headship rates from the 2012-based household projections. The 2008-based headship rates are also presented in order to illuminate whether there appears to have been some suppression of household formation after the year 2000. The figure used for the 2008 headship rates by age are also based on a mid-point of the Stage 1 and Stage 2 headship rates from the 2008-based household projections.

8.78 Figure 8.22 shows the headship rates used in each of the projections for the HRSH area by age group (these being the 2012-based Stage 1 and Stage 2 projections; an average of the 2012 Stage 1 and 2 projections; and the 2008-based projections, being an average of the Stage 1 and Stage 2 projections). This highlights that there are significant differences in some age groups between the 2012-based Stage 1 and Stage 2 headship rates; and, in some age groups, there are notable differences between the 2012- and 2008-based figures, with the 2008-based figures either very similar to the 2012-based figures or higher than the 2012-based figures in terms of headship rates.

8.79 The most striking differentials between the different headship rates for any particular age group, relate to the 25-34 age group. Headship rates among this age group fell significantly between 1991 and 2001, but the decline accelerated between 2001 and 2011 and the projections anticipate continued decline from 2011 to 2031, with the Stage 2 figures showing much steeper decline than the Stage 1 figures. The

pattern of household formation among this age group has followed a very different pattern to that anticipated by the 2008 household projections.

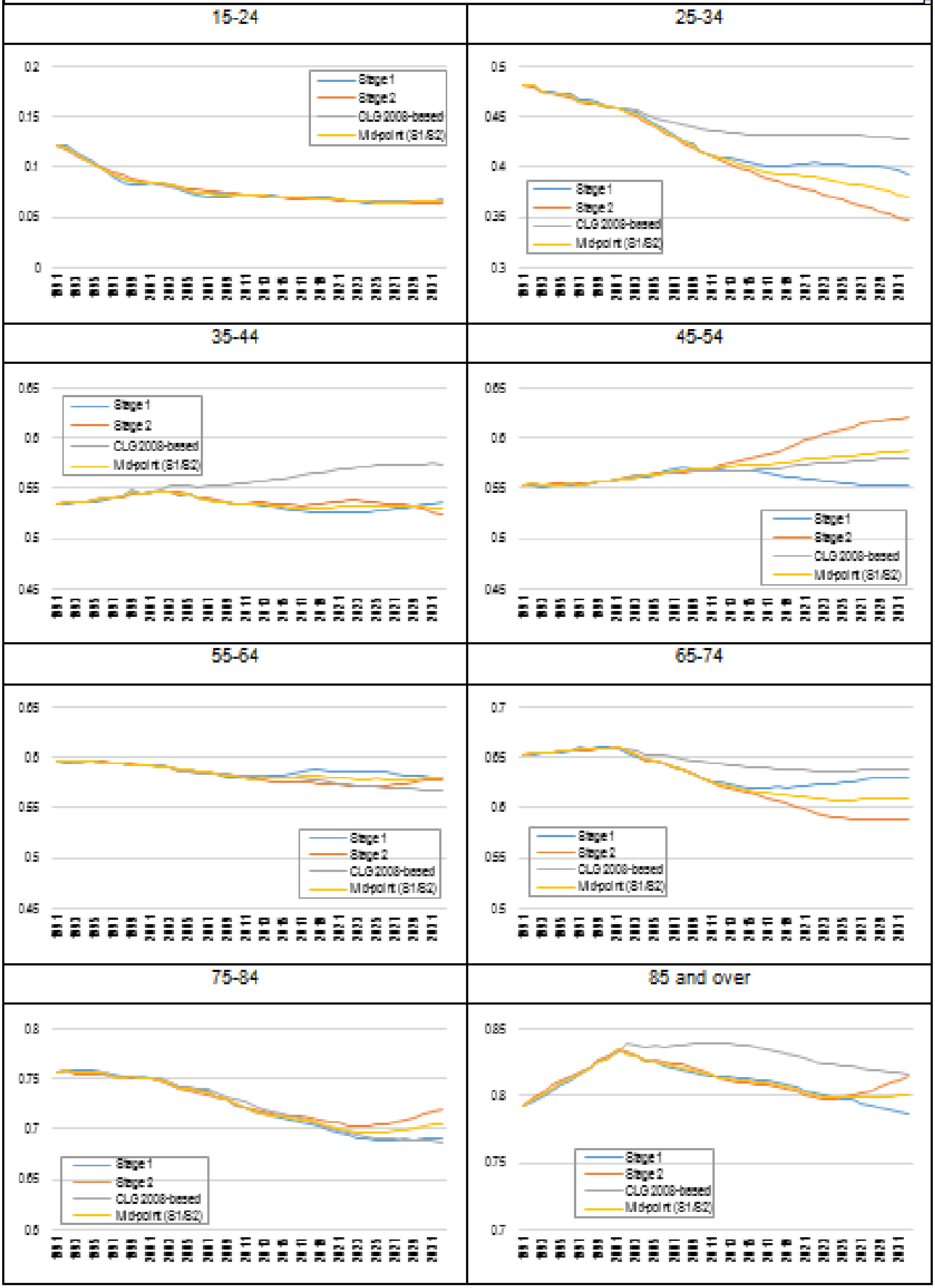
8.80 The evidence of falling household formation rates among the 25-34 age group in the HRSH area, reflects national trends. There is evidence nationally of significant growth in the number of young adults in this age bracket continuing to live in the family home with parents and other family members, and growth in the numbers that live in shared accommodation with other un-related individuals. There is little doubt that a significant factor in this trend is the affordability of housing in general, and specifically the difficulty of accessing home ownership; though these are not the only factors driving this trend.

8.81 In considering whether there has been suppression in household formation amongst the 25-34 age group it is also useful to look at the 35-44 age group, given that people aged 25-34 in 2011 will be aged 35-44 by 2021. Analysis shows that there has been little change in headship rates among the 35-44 age group in the past, nor is any significant change anticipated in the period up to 2032. On this basis, there is no significant evidence of past suppression of household formation in this 35-44 age group in the HRSH area, nor is this anticipated in the household projections in the future.

8.82 The CLG Household Projections therefore indicate that, to the extent there has been a suppression of household formation in the 25-34 age group, this could in time correct itself as people get older. Thus, all of the households which might be expected to form would do so, but some of this formation under the current projections will be delayed; that is a number of the households who, in past years, would have been expected to form when people are aged 25-34 are now expected to form when people are aged 35-44.

8.83 The CLG Household Projections therefore indicate for the HRSH area that there could be delayed household formation, rather than permanently suppressed household formation in the long run. It may still be deemed a desirable policy objective to enable those households that would wish to form in the 25-34 age group, but which cannot do so, to form households when they are in this age group. But it is probable that not all of the decline in household formation in the 25-34 age group is involuntary, and is attributable to factors other than affordability. This issue is explored further in this section in the discussion of alternative approaches to household projections (see paras 8.91-8.103).

Figure 8.22: Projected Household Formation Rates by Age of Head of Household - HRSH HMA



Source: Wessex Economics

Overall Housing Requirements Based on Demographic Projections

8.84 Figure 8.23 sets out expected household growth and housing need associated with the range of scenarios developed for HRSH for the 2014-32 period. The preferred demographic starting point is the 2012-based SNPPs; that is, the current official projections. Based on the SNPPs and the CLG 2012-based Household Projections, it is anticipated that the number of households in the HMA will increase by around 13,700 households over the period 2014 to 2032, an average annual increase of 759 households pa.

8.85 The 2014-based Household Projections were released in July 2016, after the completion of the demographic analysis for this SHMA. The latest Household Projections indicate that over the period 2014-32 the average increase in household numbers in the HRSH area will be 667 households pa, some 87 households fewer than anticipated in 2012-based Household projections. This is the product of both lower anticipated population growth and household formation.

8.86 The evidence from the most recent Household Projections has been taken into account in arriving at the overall conclusions on OAHN, rather than by re-running the entire demographic analysis. The demographic analysis is only the starting point in the overall assessment of housing need, and if anticipated household growth is lower than expected by the 2012 Household Projections other elements of the OAHN process might well need to be adjusted.

8.87 In terms of the population related sensitivity tests examined (see paras 8.51 to 8.71):

- Under the population scenario examined using long-term migration data, it is anticipated that the increase in the number of households in the HRSH area would be around 12,100 households by 2032 (671 households pa).
- The scenario based on incorporating an adjustment for UPC generates the largest anticipated growth in households, an increase of 15,500 households in the 2014-32 period (859 households pa).
- The final scenario combines adjustments for UPC and takes into account long-term migration trends, anticipates there would be household growth of 13,600 households (753 households pa) which is a similar order of magnitude to the 2012-based SNPP derived figure of household growth.

8.88 To convert households into a dwelling requirement, the data requires an uplift to take account of vacant homes. Vacancy rates derived from 2011 Census data on unoccupied household spaces have been used to determine the required level of vacant homes to permit movement within the local housing market. These figures include an allowance for second homes. The following vacancy rate figures have been used in analysis: Hart, 2.9%; Rushmoor, 3.8%; and Surrey Heath, 3.6%.

8.89 Figure 8.23 shows that the overall housing need is for provision of 785 dwellings per annum across the HRSH area when using the 2012-based SNPP as the underlying population projection. This figure is broadly similar to that linked to long-term migration and a UPC adjustment which is considered to be the most robust of the sensitivity tests undertaken. Other scenarios examined show either higher or lower growth than the SNPP.

Figure 8.23: Projected Housing Need: Alternative Demographic Based Scenarios and 2012-based Headship Rates – HRSH					
	Households 2014	Households 2032	Change in households	Change in households pa	Dwellings (per annum)
2012-based SNPP (as updated)	108,698	122,354	13,656	759	785
Long-term migration	108,698	120,782	12,084	671	693
UPC adjustment	108,698	124,164	15,466	859	890
Long-term migration/UPC	108,698	122,250	13,551	753	778

Source: Wessex Economics

Base: Midpoint Stage 1 and Stage 2 2012 SNPP

8.90 Figures 8:24, 8.25 and 8.26 show the same information for each of the individual local authorities in the HRSH area. On the basis of the analysis linked to the 2012-based SNPPs, the need for housing is 254 dwellings per annum in Hart, 280 dwellings in Rushmoor and 251 dwellings for Surrey Heath. The figures for each authority relate back to specific 2012-based CLG Household Projections for each individual authority. The HMA figures are simply the sum of the three local authorities that comprise the HMA.

Figure 8.24 Projected Housing Need: Alternative Demographic Based Scenarios and 2012-based Headship Rates – Hart					
	Households 2014	Households 2032	Change in households	Change in households pa	Dwellings (per annum)
2012-based SNPP (as updated)	36,603	41,045	4,442	247	254
Long-term migration	36,603	42,800	6,197	344	354
UPC adjustment	36,603	40,066	3,463	192	198
Long-term migration/UPC	36,603	42,008	5,405	300	309

Source: Wessex Economics

Figure 8.25: Projected Housing Need: Alternative Demographic Based Scenarios and 2012-based Headship Rates – Rushmoor					
	Households 2014	Households 2032	Change in households	Change in households pa	Dwellings (per annum)
2012-based SNPP (as updated)	37,658	42,516	4,859	270	280
Long-term migration	37,658	39,726	2,069	115	119
UPC adjustment	37,658	44,424	6,766	376	390
Long-term migration/UPC	37,658	41,280	3,622	201	209

Source: Wessex Economics

Figure 8.26: Projected Housing Need: Alternative Demographic Based Scenarios and 2012-based Headship Rates – Surrey Heath					
	Households 2014	Households 2032	Change in households	Change in households pa	Dwellings (per annum)
2012-based SNPP (as updated)	34,438	38,793	4,355	242	251
Long-term migration	34,438	38,256	3,818	212	220
UPC adjustment	34,438	39,675	5,237	291	301
Long-term migration/UPC	34,438	38,962	4,524	251	260

Source: Wessex Economics

Base: Midpoint Stage 1 and Stage 2 2012 SNPP

Alternative Approaches related to Headship Rates

8.91 Wessex Economics concludes that the 2012-based headship rates are a sound basis for establishing the start point for the demographic analysis. However, NPPG states (2a-015) that *'the household projection-based estimate of housing need may require adjustment to reflect factors affecting local demography and household formation rates which are not captured in past trends. For example, formation rates may have been suppressed historically by under-supply and worsening affordability of housing'*.

8.92 There is no official guidance as to how any adjustment process should be undertaken, so professional judgement based on evidence needs to be applied. The approaches used in SHMAs have varied, but many have made use of the headship rates from the 2008-based CLG Household Projection, modelling a return over a period of time to the headship rates forecasts in those household projections; or some blend of the 2012 and 2008-based headship rates.

8.93 Thus, for example, the Local Plans Expert Group recommends in their report that, in arriving at OAHN, and as part of the process of arriving at the demographic starting point, an adjustment should be made to the household formation rates of the 25-44 age cohort to make up half of the difference between the 2008-based household projections and the most recent household projections (currently the 2012-based household projections).

8.94 However, the PAS Technical Advice Note recommends that *'when starting on a new housing assessment or updating an earlier one plan-makers should set aside HRR's that pre-date the CLG 2012-based household projections'* (para 6.41). Specifically the PAS Technical Advice Note states that *'the 2008 HRRs are no longer helpful since they are based on very old evidence, and anyway may not reflect the true long-term trend.'*

8.95 A report by Dr Alan Holmans[29] notes that the 2008-based projections depended on long-term trends in household formation since 1971. Dr Holmans compared at the national level what the 2008-based projections anticipated in terms of total households for 2011 and the actual number recorded by the 2011 Census. The actual number of households in 2011 was 375,000 lower than the projection (after allowing for differences in population growth).

8.96 Dr Holman's identified that a major factor for the 2008-based projections accounting for 200,000 of the difference in projected households in 2011 and the actual number was the result of the much larger proportion of recent immigrants. These immigrants have much lower household formation rates than the population as a whole. The balance of the difference (175,000 households) he attributed to the state of the housing market and might be regarded as likely to be reversed as the economy and the housing market improved.

8.97 Two academics, Ludi Simpson, Professor of Population Studies at the University of Manchester, and Neil MacDonald, former head of the National Housing and Planning Advice Unit, also argue the case that the 2008-based household projections are outdated, and should not be used as evidence of underlying trends in household formation. They state that the 2008-based projections *'were produced at a time when*

[29] New Estimates of Demand and Need in England, 2001 to 2031, Holmans, TCPA & CCHPR, September 2013

household formation had already changed, starting before the economic downturn of the mid to late 2000s, and are in themselves only evidence of the optimism of that period."[30]

8.98 In the light of the research and commentary, there seems little justification for simply assuming that somehow a return to either the household formation rates identified in the 2008-based household projections; or that some blended rate of the 2012 and 2008 household formation rates is appropriate, unless this is supported by evidence of how much household formation has been suppressed by market conditions, and it is reasonable to assume that this will be reversed.

8.99 The conundrum is that, to some extent, to improve market conditions requires policy decisions to increase housing supply, over and above currently projected levels of household growth. The NPPG, in so far as it goes, encourages consideration of alternative scenarios of household growth based on rising headship rates that can be expected in a 'policy off' environment; for example an improving economy, rising household incomes, a more accommodating mortgage market etc.

8.100 However, an important factor in falling household formation rates noted in the 25-34 age group is almost certainly the decline in housing affordability, resulting from house prices rising at a faster rate than household incomes. Section 9, which presents evidence on market signals, considers the extent to which an uplift in housing provision to address affordability issues could reverse this decline; and then models two illustrative scenarios, involving an uplift of headship rates from the baseline 2012-based housing projections. These are calibrated by reference to both the 2012-based headship rates and the 2008-headship rates for the HRSH area, despite the caveats on the use of the 2008-headship rates discussed above.

8.101 These scenarios help to inform the discussion of what level of uplift over and above the 'demographic start point' (as set out in this section) should be made in response to market signals. By taking this approach, Wessex Economics aims to ensure that agreement of the demographic start point is not contentious because it can be well evidenced.

8.102 Subsequent adjustments to the demographic-based need for housing in response to market signals, the need for affordable housing and in the light of labour supply requirements are all likely to be more contentious issues, because guidance is less prescriptive, which means that a greater degree of professional judgement has to be applied.

8.103 Nevertheless, this SHMA takes the approach that these judgements should be evidenced by demographic-based analyses, showing what the implications of adjustments would be for migration and demographic change. This is based on the principle that a SHMA should identify the scale of housing that the local population is likely to need over a plan period which, amongst other things, meets household and population projections, taking account of migration and demographic change (paragraph 159, NPPF).

Conclusion

8.104 It is concluded that the demographic need for housing based on the most the 2012 ONS population projections (updated for 2013 and 2014 estimated population totals) is 785 dwellings per annum across the HMA. This figure represents the 'demographic start point' as defined in the NPPG. It is noted,

[30] Making sense of the new English household Projections, Ludi Simpson and Neil McDonald, Town and Country Planning 2015

however, that the 2014 SNPPs and Household Projections would give a somewhat lower demographic starting point. This needs to be taken into account in subsequent steps in the SHMA process.

9. OAHN Step 2: Market Signals

Summary

This section examines market signals. The section examines house prices, rents and affordability; the volume of house sales over time; overcrowding, patterns of homelessness, use of temporary accommodation; and housing completions. Specific attention is given to the ratio of workplace earnings to median house prices. The section makes recommendations on the uplift to be applied to the demographic starting point (785 dwellings).

Within the Hart, Rushmoor and Surrey Heath HMA, measures of house price and rental affordability, and to a lesser degree measures of homelessness, show that this is a housing market under pressure. Many households struggle to afford to rent or buy a home, and this indicates that there is an imbalance in the demand for and supply of housing within the area. It appears that there has been an insufficient supply of new homes to keep housing within more affordable limits.

Average prices in the housing market area are around £360,000 and have increased by 25% over the last 5 years despite the housing market downturn. There has been some variability in price change within the market area with 22% growth in Surrey Heath, 27% in Rushmoor, and 29% in Hart over the last 5 years. A key measure of affordability is the House Price Ratio which compares median house prices to median earnings. On this measure, house prices are over 7 times workplace earnings in Rushmoor but more than 11 times workplace earnings in Hart and Surrey Heath.

The Rental Affordability Ratio compares lower quartile rental costs as a percentage of lower quartile workplace earnings. On this measure, lower quartile rents in Rushmoor equate to 27% of lower quartile earnings, but in Hart and Surrey Heath the percentage is 40% and 43% respectively.

The most dramatic change in the housing market, following the credit crunch and financial crisis of 2008-09 and subsequent years, has been the fall in the number of transactions. Transactions fell by more than half during the market downturn as banks withdrew mortgage products and tightened lending criteria and households held off buying or selling homes due to uncertainty in the economy. Transactions have increased steadily in recent years but remain 19% below the level of 10 years ago in the market area despite recovery at the regional level.

One fifth of private and social rented dwellings in Rushmoor are overcrowded – that is lacking in one or more bedrooms. This means that as families grow, they often spend a long time waiting to be re-housed and many will never be re-housed because of the lack of larger social rented properties available.

Based on the evidence of market signals, Wessex Economics recommends a 15% uplift to the level of housing provision associated with the demographic starting point (785 dwellings pa) to 903 dwellings pa. This should have a significant impact on improving local housing affordability by allowing a significant increase in household formation, equivalent to returning household formation rates by 2032 to roughly half way between those projected in the 2008-based and the 2012-based Household Projections.

Introduction

9.1 This section presents an analysis of current house prices, rents and affordability and past trends in these market signals. NPPG 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 and supply of dwellings'*. In accordance with NPPG, this section considers if an uplift should be applied to the objectively-assessed housing requirement associated with the demographic starting point (see Section 8); and, if so, what the level of that uplift should be.

9.2 To help ground the decision of what level of uplift is appropriate for an objective assessment of housing need, reference is made to a number of alternative scenarios for household formation. These alternative household formation scenarios test the degree to which an uplift to the demographic-based starting point for housing need might accommodate improvements in housing affordability and therefore an improved balance between the demand for and supply of housing within the HMA.

9.3 The analysis of market signals also feeds into the assessment of the need for affordable housing, and are part of the overall assessment of what the OAHN is for the HRSH area.

House Prices, Rents and Affordability

9.4 House prices, rents and affordability are strongly influenced by the demand and supply for housing – evidence of which is presented earlier in this report. There are a number of reasons to analyse house prices:

- House prices and rents are strongly influenced by the interaction of the demand for and supply of homes in an area. They provide very clear signals about the balance of demand and supply. Often changes in house prices and rents are the first sign that there are changes to the underlying drivers of demand and supply.
- Residential land values also reflect demand pressures, with the value of residential land typically increasing where demand is high, and therefore house prices are increasing; and residential land prices stagnates where demand is weak and there is little growth in house prices. However, accurate data on the value of residential development land are hard to come by at the local level.
- Prices and rents highlight the relative cost of homes in different locations. House prices are, in part, a product of patterns of migration and commuting patterns which, in turn, are closely linked to availability of employment and wage and salary levels. But the cost of housing is also a factor that influences migration and commuting patterns.
- Prices and rents allow an assessment to be made of affordability and provide evidence of the extent to which households are priced out of the market and may need subsidised housing. Similarly evidence of increasing need for affordable housing is another sign that people are being priced out of the market sector – in particular the private rented sector.
- It is useful to consider the relative prices of different sized homes, since they are one of a number of factors that may indicate relative preferences or demand for homes of different sizes and can indicate where there is a relative shortage or excess of certain sizes of properties.
- The rate of house price change compared to other areas can provide evidence of excess demand pressures or under supply of housing.

Trends in House Prices

9.5 Average (mean) prices in the HRSH area are around £360,900 and have increased by 25% over the last 5 years, the period following the housing market downturn (see Figure 9.1). There has been some variability in price change within the HMA, with growth of 22% in Surrey Heath, 27% in Rushmoor, and 29% in Hart over the same period.

9.6 Average prices do not take into account the mix of properties traded. Increases in average prices over the last 5 years are based on a reduced number of sales compared to the years before the housing market downturn, of 2008-11 and there may have been changes in the mix of properties sold. The differences between Hart and the other two authorities can be explained in part by the higher number of detached properties sold in Hart than in Rushmoor or Surrey Heath (see Figure 9.2).

Figure 9.1: Current Average Prices (Q4 2015) and Change Over 10 Years (2005 – 2015)

	2015	2010	2005	Change last 5 years	Change last 10 years	% change last 5 years	% change last 10 years
Hart	£414,900	£333,700	£279,800	£81,200	£135,100	29%	48%
Rushmoor	£271,100	£221,900	£185,100	£49,200	£85,900	27%	46%
Surrey Heath	£398,100	£336,100	£281,400	£62,000	£116,700	22%	41%
HMA	£360,900	£297,700	£249,100	£63,200	£111,800	25%	45%
South East	£337,100	£279,200	£233,900	£57,900	£103,200	25%	44%
England & Wales	£274,900	£236,200	£194,300	£38,700	£80,600	20%	41%

Source: CLG Housing Statistics 2005-2010, Land Registry for 2015 (bespoke data request). Rounded to nearest 100

Figure 9.2: House Prices by Type, 2015

	Detached		Semi-detached		Terraced		Flat/maisonette	
	Average Price	Sales	Average Price	Sales	Average Price	Sales	Average Price	Sales
Hart	£581,184	665	£361,582	360	£316,632	405	£223,861	286
Rushmoor	£426,625	214	£300,162	433	£257,441	525	£178,305	512
Surrey Heath	£590,535	565	£368,323	294	£308,875	233	£226,597	397
HMA	£561,937	1,444	£338,939	1,087	£288,358	1,163	£205,251	1,195
South East	£516,533	57,879	£317,184	53,077	£264,117	62,306	£198,838	50,986
England & Wales	£367,915	223,326	£231,280	236,836	£225,978	263,104	£274,045	174,877

Source: Land Registry

9.7 The most dramatic change in the housing market following the credit crunch and financial crisis of 2008/09 was the fall in the number of transactions (see Figure 9.3). Transactions fell by more than half during the market downturn as banks withdrew mortgage products and tightened lending criteria and households held off buying or selling homes due to uncertainty in the economy.

9.8 Transactions in the market area have increased steadily in recent years but remain 19% below the level of 10 years ago (Figure 9.3). Interestingly, in the South East as a whole, transactions recovered to pre-downturn levels in 2013 and have increased further in the last 2 years. In 2015, transactions in the South East were 32% higher than in 2005 and only slightly below peak sales levels achieved in 2002 of around 232,000.

Figure 9.3: Number of Transactions and Change over Last 10 Years

Annual transactions	2005	2010	2015	Change last 5 years	Change last 10 years
Hart	2,281	1,300	1,716	32%	-25%
Rushmoor	1,952	1,262	1,684	33%	-14%
Surrey Heath	1,794	1,054	1,489	41%	-17%
HMA	6,027	3,616	4,889	35%	-19%
South East	170,279	120,492	224,248	86%	32%
England & Wales	1,021,353	656,436	898,143	37%	-12%

Source: CLG Housing Statistics 2003-2012; Land Registry 2013

9.9 Figure 9.4 sets out lower quartile house prices. Price change over the 5 year period 2010-2015 suggests that lower quartile prices have followed a similar path to average prices, with the exception of Rushmoor where LQ price growth has been more moderate (at 16%) compared to average price changes (27%). Lower quartile prices in the three authorities at the end of 2015 were between 36 and 49% higher than 10 years ago.

9.10 A comparison of lower quartile house prices in the three authorities with the South East and England as a whole show that, on the whole, LQ prices have risen more rapidly in the HRSH area in the last 5 years than in South East England. Similarly, over the 10-year period 2005-2015, LQ price rises in the three authorities have been above the growth in the South East as a whole. However, over the same period 2005-2015 LQ price rises at the national level are above those in the three authorities.

9.11 In absolute terms, lower quartile house prices in Rushmoor are close to the South East average, with prices in Hart and Surrey Heath around one third higher than the regional average and around double the national average.

Figure 9.4: Lower Quartile House Prices and Change

	2015	2010	2005	Change 2005-2010	Change 2010-2015	Change 2005-2015
Hart	£275,000	£214,750	£185,000	16%	28%	49%
Rushmoor	£197,000	£169,950	£145,000	17%	16%	36%
Surrey Heath	£259,950	£205,000	£183,000	12%	27%	42%
South East	£201,000	£165,000	£149,950	10%	22%	34%
England & Wales	£133,000	£117,000	£88,000	8%	14%	51%

Source: CLG Housing Statistics (to 2012), Land Registry for 2015 (LQ prices for South East and England no longer provided by Land Registry)

9.12 House prices and demand pressures are also reflected in residential land values. Average residential land values (post planning permission) in England in 2015 were £1,958,000 per hectare (excluding London)[31]. Residential land values were around £4,109,000 per hectare in Hart, £3,944,000 in Surrey Heath and £2,776,000 in Rushmoor[32].

9.13 Hart and Surrey Heath have amongst the highest land values in the South East. Of the 94 authorities in the South East region, only 18 have higher land values than Hart and 21 have higher land values than

[31] Department for Communities and Local Government (February 2015) Land Value Estimates for Policy Appraisal
[32] ibid

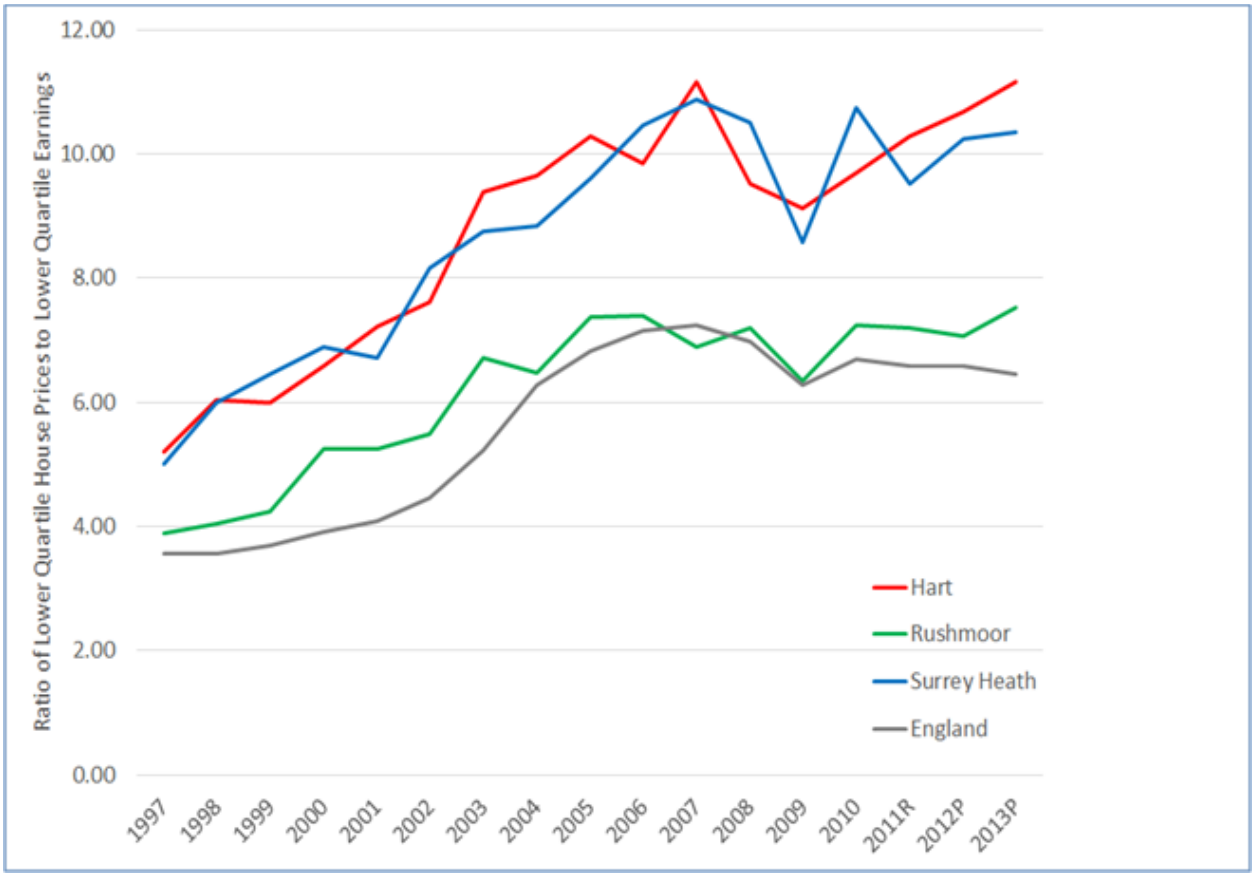
Surrey Heath. However, land values in Rushmoor are amongst the lowest in the South East and much more in line with the average for England (excluding London).

Affordability of Home Ownership

9.14 Figure 9.5 gives an indication of how affordability of home ownership has changed in the HRSH area over time, based on the ratio of lower quartile house prices to lower quartile earnings. Data is only available up to 2013, and regional data are no longer provided. Affordability appears to have stabilised in Rushmoor on this measure, reflecting more moderate lower quartile price rises in the Borough. Affordability is more of an issue in Hart and Surrey Heath and worse than the average for England.

9.15 It is important to keep in mind that this measure is not a true reflection of the affordability of home ownership since those on the lowest 25% of incomes are unlikely to be in the market for home ownership. Nevertheless, it is a useful measure of the change in affordability over time and how the three local authorities compare to England as a whole.

Figure 9.5: Ratio of Lowest Quartile House Prices to Lowest Quartile Earnings



Source: CLG Housing Statistics

Note: The Index on based on Workplace Earnings (those working in an area) as distinct from Resident Earnings (the earning of those living in the area regardless of where they work.

9.16 The LPEG report (2016)[33] recommends measuring the 'House Price Ratio' by comparing median house prices to median earnings and uplifting the OAHN figures where the ratio of prices to earnings is higher than 5.3. The official dataset on which this is based is published by CLG[34] and draws on median house

[33] Report to the Communities Secretary and to the Minister of Housing and Planning, Local Plans Expert Group, March 2016

[34] https://www.gov.uk/government/statistical-data-sets/live-tables-on-housing-market-and-house-prices

price statistics, with earnings related to the respondents' place of work rather than their place of residence. This measures the affordability of housing to those who work in the HRSH area and excludes those (eg commuters to London) who live in the area, but commute out of the HRSH area. Ideally if this approach were to be adopted, data should be analysed at the HMA level not the individual authority level; however, data is available only for individual authorities.

9.17 Figure 9.6 shows that on the basis of the published CLG data on this indicator, house prices are over 7 times earnings in Rushmoor but more than 11 times earnings in Hart and Surrey Heath. On this basis, the LPEG recommendations, if adopted, would require a 25% uplift on the demographic starting point in Surrey Heath and Hart, and a 20% uplift in Rushmoor. The LPEG report does not provide any evidence justifying the scale of this uplift; indeed it is extremely difficult to determine what scale of uplift would make a difference to affordability at the local level.

Figure 9.6: Median House Prices and Median Workplace Earnings in 2015

	2013	2014	2015	LPEG Recommended Uplift
Hart	9.39	11.44	11.05	25%
Rushmoor	6.41	6.78	7.85	20%
Surrey Heath	9.75	9.79	11.87	25%

Source: CLG Live Table 757, Ratio of median house prices to lower quartile annual earnings by Local Authority, 2013 to 2015

9.18 One issue with this form of analysis is that there is a substantial difference in many areas between workplace earnings and resident earnings. There is a case to be made that the relationship between *resident* earnings (as distinct from *workplace* earnings) should also be considered in the assessment of market signals. It is residents of the area that are directly affected by the cost of housing in the area, while those who travel into the area to work from other areas may not be directly affected by affordability issues in the HMA

9.19 However, though there will be those who work in the area, but cannot afford to do so, which is why they commute into the area from a lower cost location. Moreover, analysis of the relationship of house prices in the HRSH area and residents earnings could make the area look more affordable, because a significant proportion of the population commute to other locations, for example London, where they may command salaries higher than available in the HRSH area. It is therefore appropriate to examine what the pattern of affordability is in relation to resident earnings as well as in relation to workforce earnings.

9.20 Figure 9.7 shows that affordability in Hart and Surrey Heath is better based on resident earnings than workplace earnings. This will reflect the fact that significant numbers of residents work outside of the local authority area in which they work and earn well above the average of those working in the local authority are in which they live; while in Rushmoor resident earnings are well below workplace based earnings reflecting the fact that many of the jobs in Rushmoor are paid well, but filled by those who live outside the Borough (including residents of Hart and Surrey Heath). As a result, on this measure, affordability is worse in Rushmoor than on the workplace-based analysis. Were the LPEG analysis to be applied on the basis of this analysis, then the market signals uplift would be 25% across all three of the HRSH authorities.

Figure 9.7: Median House Prices and Median Resident Earnings in 2015

	Median House Prices	Median Gross Earnings pa in £	Earnings to House Price Ratio	Uplift Recommended by LPEG
Hart	£362,500	£36,821	9.84	25%
Rushmoor	£252,500	£26,936	9.37	25%
Surrey Heath	£362,500	£34,029	10.65	25%

Source: ONS House Price Statistics for Small Areas, 2015; Annual Survey of Hours and Earnings 2015 gross annual earnings for full time workers (resident based) 2015.

9.21 Figure 9.8 considers the income that households in the market area would need to afford one of the cheapest properties in each of the three authorities. This assumes that households have access to a 10% deposit since this is the minimum requirement to access most mortgage products available in the market. Households with an income of just under £42,000 would be able to access one of the cheapest properties in Rushmoor, assuming that they spend up to 30% of their gross income on mortgage payments. This implies the need to access mortgages at around 4.5 times household income. Whilst these mortgages are available, they are limited in number due to the restrictions placed on banks' lending at higher income multiples.

9.22 At this threshold, around 42% of current households would be able to afford to purchase, based on the price of lower quartile properties in Rushmoor. Households would need an income of £52,200 to afford one of the cheapest properties in Hart; again around 42% of current households could afford to buy. In Surrey Heath, 38% of households would be able to afford to buy, needing an income of £54,800 to purchase a lower quartile property in Surrey Heath. It should be noted that the housing mix in each of the authorities has a material bearing on LQ house prices, which is one reason why Rushmoor has lower LQ prices than Hart or Surrey Heath; it has more small dwellings.

Figure 9.8: Income Required to Purchase

	LQ prices in 2015	Deposit required (10% of purchase price)	Mortgage required (minus 10% deposit)	Income required* (30% gross income spent on mortgage)
Hart	£275,000	£27,500	£247,500	£52,200
Rushmoor	£197,000	£19,700	£177,300	£41,600
Surrey Heath	£259,950	£25,995	£233,955	£54,800
South East	£201,000	£20,100	£180,900	£38,160
England	£133,000	£13,000	£117,000	£24,700

Source: CLG Housing Statistics, Wessex Economics. *Income required based on monthly mortgage payment figures from Money Saving Expert's Online Mortgage calculator and assuming household spends max 30% of their gross income on mortgage payments. Assumptions inputted: 10% deposit, 25 year repayment period, 4% interest rate with fees included in interest rate.

9.23 It is important to remember that the majority of existing residents in the HMA are home owners (73%) so income thresholds are less important as many will have equity in their homes – meaning that they have access to a larger deposit and lower requirement for borrowing if they wish to move home. But the distribution of household incomes implies that few new households would be able to purchase, unless they can access funding from other sources such as *'the bank of mum and dad'*. The problem is obviously more acute for larger properties or family-sized homes.

Rents and Affordability

9.24 Households need an annual income of between £26,000 and £31,800 to afford one of the lowest priced private rented properties in the three authorities (Figure 9.10). Again, this is based on households spending up to 30% of their gross income on rent. This threshold is recommended by Wessex Economics following a review of the assumptions and evidence (see Figure 9.9). The impact of varying this threshold (25-40%) is considered in the estimate of affordable housing need (Section 10).

Figure 9.9: Affordability Threshold

There is no guidance in the NPPG on what percentage of income spent on rent is regarded as affordable. For the 2014 HRSH SHMA Wessex Economics used 35% of gross household incomes as the threshold for establishing whether households could afford private rented accommodation. This reflected common practice amongst consultants and researchers of using around one third of gross household incomes. 35% rather than 33% was chosen for consistency with the HCA's affordability calculator for shared ownership properties.[35]

The affordability threshold has been the subject of debate at Local Planning Inquiries. In many Local Plans, Inspectors have accepted levels between 30-40% of gross household incomes. But at the Eastleigh Local Plan Inquiry, the Inspector found the Local Plan unsound on the basis that affordable housing needs were not being addressed and insufficient overall housing was planned. The Inspector criticised the use of a 30% affordability threshold in Eastleigh and considered this to be the upper limit of affordability in the Borough.

However, evidence available from the English Housing Survey (2013/14) suggests households spend 31% of gross incomes on rent in the social rented sector and 43% in private rented sector in England as a whole. In practice therefore, households living in rented accommodation spend more than 30% of their gross incomes on rent.

A recent study by the JRF and NHF[36] considered the affordability threshold in detail in order to establish rent levels linked to household incomes – so called Living Rents. The study uses one third of gross incomes (33%) as the starting point for affordability but discounted this 28% to reflect the income and NI tax take from low income households.

It is important to stress that households accessing lower quartile private rented properties in the three authorities and solely reliant on benefits will need to spend more than 30% of their income on rent, given the benefit cap of £20,000 announced in the Autumn Statement 2015. To afford a lower quartile rent in the housing market area, households solely reliant on benefits are estimated to spend the following proportion of their incomes on their rent under the benefit cap:

- Hart (48%)
- Rushmoor (31%)
- Surrey Heath (55%)

Although Wessex Economics take the view that it might be desirable for households to spend less than 30% of their incomes on housing costs, given the market context and government policy, this is not a

[35] HCA 2011 Target Incomes Calculator
[36] JRF, NHF & Savills 2015 Living Rents – a new development framework for affordable housing

realistic option. The evidence strongly suggests that, at present, households in the rented sector spend more than 30% of their incomes on rent.

To adopt an affordability threshold that is lower than 30% would fail to recognise that on average households in the social rented sector spend more than 30% of their gross income on rent. Government regards this as an affordable tenure. Government policy also regards it as acceptable that households reliant on benefits have to spend more than 30% of their gross income to rent a property in private rented sector suitable to their needs.

In conclusion, Wessex Economics has recommended to the HRSH authorities that the SHMA adopts an affordability threshold of 30% of gross incomes. This takes a more cautious approach to affordability than in the 2014 SHMA and broadly reflects the reality of renting in the social rented sector based on the available evidence.

9.25 There is a large difference in affordability of the rental market in Rushmoor compared to Hart and Surrey Heath. Lower quartile rents within Rushmoor have also fallen in the last two years according to Valuation Office Agency data, though average rents for all sizes of property have increased so caution should apply in interpreting the figures for lower quartile rents. A survey of rents on Rightmove suggests that LQ monthly rents of £520 apply to shared rooms only and rents above £650 pcm are a more realistic reflection of lower quartile prices. Wessex Economics' professional judgement suggests that LQ rents in Rushmoor should be uplifted to £650 pcm. Even so, this means that those looking for affordable rental accommodation in the HMA are likely to move to Rushmoor to find accommodation and this will feed through into demand for social/affordable housing.

Figure 9.10: Annual Income Required to Rent a Lower Quartile Property

LQ Rent Sept 2015 - All Properties	Hart	Rushmoor	Surrey Heath
Monthly Rent	£795	£650	£760
Annual Rent	£9,540	£7,800	£9,120
Affordability threshold: 30% of gross income on rent			
Annual Income required to rent affordably	£31,800	£26,000	£30,400

Source: Valuation Office Agency Private Rental Market Statistics

9.26 The LPEG report (2016) recommends measuring the 'Rental Affordability Ratio' by comparing lower quartile rental costs as a percentage of lower quartile earnings. The Expert Group's proposal is that an uplift to housing requirements be limited to different levels of (in)affordability, as follows:

- Where the House Price Ratio (HPR) is less than 5.3 **and** Rental Affordability Ratio (RAR) is less than 25%, no uplift is required;
- Where the HPR is at or above 5.3 and less than 7.0, **AND/OR** the RAR is at or above 25% and less than 30%, a 10% uplift should be applied;
- Where the HPR is at or above 7.0 and less than 8.7, **AND/OR** the RAR is at or above 30% and less than 35%, a 20% uplift should be applied; and
- Where the HPR is at or above 8.7, **AND/OR** the RAR is at or above 35%, a 25% uplift should be applied.

9.27 Figure 9.11 shows that on the Rental Affordability Ratio (RAR) measure, lower quartile rents in Rushmoor equate to 34% of lower quartile earnings, but in Hart and Surrey Heath the percentage is 40% and 43% respectively. Based on the data in Figure 9.11, adoption of the LPEG report recommendations would entail an uplift of 20% in Rushmoor and 25% in Hart and Surrey Heath. The uplift recommended in the LPEG report takes account of both of the measures in Figures 9.6 and 9.11, so that if one of the measures indicates poor affordability the OAHN should be increased.

Figure 9.11: Lower Quartile Rental Costs as a Percentage of Lower Quartile Earnings (2015)

	Lower Quartile Annual Pay	Lower Quartile Rental Costs (annual)	Rental costs as % of earnings	Uplift LPEG
Hart	£22,409	£9,540	43%	25% uplift
Rushmoor	£23,180	£7,800	34%	20% uplift
Surrey Heath	£23,068	£9,120	40%	25% uplift

Source: Annual Survey of Hours and Earnings (gross, full time workplace based); Valuation Office Agency

9.28 Around 30% to 40% of newly forming households in the HMA have incomes lower than the threshold required to access market rented housing and on this basis would be unable to afford one of the cheapest private rented properties. Figure 9.12 sets out average rents by size of property and shows that rental prices for larger properties increase sharply with clear implications for the income required to rent family homes affordably. The HMA generally has higher rents than the average for the South East region – the exception being for studio flats and 4-bed houses. Rented property in Rushmoor is generally cheaper than property in Hart and Surrey Heath, the exception being for studio flats. This probably reflects the development in recent years of new studio flats.

Figure 9.12: Average Mean Private Rent (monthly) by Property Size, 12 months to September 2015

	Room	Studio	1 bed	2 bed	3 bed	4 bed +
Hart	£545	-	£720	£905	£1,185	£1,835
Rushmoor	£440	£580	£690	£890	£1,075	£1,440
Surrey Heath	£460	£465	£725	£915	£1,150	£2,080
HMA	£480	£520	£710	£900	£1,135	£1,785
South East	£415	£525	£655	£845	£1,035	£1,840
England	£370	£595	£655	£725	£830	£1,510

Source: Valuation Office Agency Private Rental Market Statistics. Note: HMA figure is a simple average of the three local authority rents and is not weighted according to the number of properties in each authority. Figures rounded to nearest £5

Occupancy and Overcrowding

9.29 Overcrowding does not appear to be a major problem in the stock as a whole – at 6% of all dwellings in the market area (Figure 9.13). This compares to 9% nationally. However, there are higher rates of overcrowding in Rushmoor at 10% of all dwellings and in the social and private rented sectors in all authorities. One fifth of private and social rented dwellings in Rushmoor are overcrowded – that is lacking in one or more bedrooms.

9.30 There are a number of reasons for the level and pattern of overcrowding:

- There is a shortage of social rented housing compared to the number of people who need it. This means that as families grow, they often spend a long time waiting to be re-housed, and many will never be re-housed because of the lack of larger social rented properties available.

- Many of those receiving housing benefit live in the private rented sector. The sector houses those on the lowest incomes. Some people in the PRS 'choose' to overcrowd to reduce their rents e.g. multiple individuals or households sharing a property and splitting the rent.
- 38% of those who receive housing benefit live in the PRS. Housing benefit is awarded on the basis of household size. In this way, housing is rationed in the same way as social rented housing. Households will fully occupy their properties because their housing benefit will only stretch to the size of property that meets their basic needs.
- Changes to housing benefit, which have included reducing the amount paid to cover the lowest 30% of rents (rather than median levels), and housing benefit levels increasing in line with CPI rather than RPI, have reduced the resources available to those on housing benefit and are likely to have had knock-on consequences for the ability to tenants to access suitably sized accommodation.

Figure 9.13: Overcrowding (Households Lacking 1 or more Bedroom) in Hart, Rushmoor and Surrey Heath, by Tenure

	All	Owned	Private Rented	Social Rented
Hart	1,380	440	530	410
Rushmoor	3,690	1,140	1,390	1,150
Surrey Heath	1,690	580	590	520
HMA	6,760	2,160	2,510	2,080
South East	265,970	67,100	114,760	84,110
England	1,928,600	460,110	808,960	659,530
Percentage %	**All**	**Owned**	**Private Rented**	**Social Rented**
Hart	4%	2%	11%	15%
Rushmoor	10%	5%	21%	19%
Surrey Heath	5%	2%	13%	17%
HMA	6%	3%	16%	18%
South East	7%	3%	18%	17%
England	9%	3%	20%	17%

Source: Census 2011. Occupancy rating calculated from bedroom standard which is generally regarded as outdated.

9.31 Overcrowding in the market area has increased since 2001 (Figure 9.14). The increase in the rate of overcrowding in the market area (an increase from 4% to 5% over the decade) appears broadly in line with the South East as a whole (6% to 7% over the decade) but below the rate in England (7% to 9% over the decade). This is a national phenomenon, reflecting the pressure on the housing stock in the country as a whole.

9.32 Rushmoor has experienced a greater rise in overcrowding than the other benchmark areas and this is likely to reflect the larger rented sector in the Borough, where higher rates of overcrowding are experienced. It may also reflect migration to the Borough over the period from the Nepalese community and where it is known that there are higher rates of overcrowding in HMOs amongst this population

Figure 9.14: Change in Overcrowding (Occupancy Rating -1) 2001 - 2011

	Households Overcrowded 2001	% Households Overcrowded 2001	Households Overcrowded 2011	% Households Overcrowded 2011	Change in number of overcrowded households 2001-2011	% Change 2001-2011
Hart	1,140	3%	1,380	4%	240	21%
Rushmoor	2,500	7%	3,690	10%	1,190	48%
Surrey Heath	1,230	4%	1,690	5%	460	37%
HMA	4,870	5%	6,760	6%	1,890	39%
South East	195,390	6%	265,970	7%	70,580	36%
England	1,457,510	7%	1,928,600	9%	471,080	32%

Source: Census 2001 & 2011

Housing Benefit Claimant Numbers

9.33 Figure 9.15 shows that there are larger numbers of households on housing benefit in Rushmoor compared to Hart and Surrey Heath. This is because of the nature of the housing stock which commands comparatively lower rents, and therefore, a larger proportion falls within housing benefit levels. There is also a larger social rented sector, where a significant proportion of tenants rely on housing benefit to afford housing. Overall, incomes in Rushmoor are lower than in Hart and Surrey Heath, so there is a greater number of households eligible for housing benefit.

Figure 9.15: Housing Benefit Claimants by Tenure, 2015

	Private Rented		**Social Rented**		**Total**
	Number	**%**	**Number**	**%**	**Number**
Hart	900	34%	1,770	66%	2,680
Rushmoor	2,810	42%	3,920	58%	6,730
Surrey Heath	970	32%	2,100	68%	3,070
HMA	4,690	38%	7,800	62%	12,480
South East	210,850	39%	336,070	61%	546,920
England	1,483,710	34%	2,823,900	66%	4,307,610

Source: DWP StatXplore

9.34 Given the relationship between rents and household incomes, it is unsurprising that 12,500 households in the market area receive housing benefit to enable them to access accommodation. The number of people claiming housing benefit has increased by almost 1,000 in 2015 compared to 2010 (an increase of 10%), although the overall number of claimants has reduced from peak levels in 2013.

9.35 The majority of the increase in claimants has arisen in Rushmoor, and the vast majority of additional claimants have been accommodated in the private rented sector. In fact, there has been a fall in the number of housing benefit claimants in the social rented sector in Rushmoor and Surrey Heath at the same time as an increase in the number in the private rented sector. This demonstrates the current role of the private rented sector in meeting some housing needs in the market area.

Figure 9.16: Change in Number and Percentage of Housing Benefit Claimants 2010-2015 (August)

	Private Rented		Social Rented		Total	
	Number	%	Number	%	Number	%
Hart	39	5%	128	8%	167	8%
Rushmoor	778	52%	-28	-1%	750	15%
Surrey Heath	85	14%	-12	-1%	73	3%
HMA	902	32%	88	1%	990	10%
South East	1,371	1%	5,893	2%	7,264	2%
England	38,995	3%	-21,061	-1%	17,934	0%

Source: DWP StatXplore

Homelessness and Temporary Accommodation

9.36 The number of households who are homeless and living in temporary accommodation has increased in recent years in the HMA. However, the rate of homelessness (see Figure 9.17), and the use of temporary accommodation (Figure 9.18), remains lower than 10 years ago. Local authorities have become more focused on homelessness prevention activities, and this goes some way to explain the lower rates of homelessness than in the past.

9.37 There are around 165 homeless households in the market area (2014/15), and 147 of these were living in temporary accommodation in 2014/15. Compared to other local authorities and to the rate in England as a whole, the three authorities make quite limited use of temporary accommodation. It is likely that the private rented sector is playing an important role in meeting these needs.

9.38 However, rates of homelessness and the use of temporary accommodation have increased in Rushmoor in the most recent year (2014/15), which suggests that pressure in the housing market area is acute, despite the authorities' prevention activities, and it is becoming increasingly difficult to address the needs of the most vulnerable households.

Figure 9.17: Homeless Households per 1,000 Households

	Hart	Rushmoor	Surrey Heath	HMA	England
2014/15	1.1	2.0	1.5	1.5	2.4
2013/14	0.6	1.4	2.1	1.4	2.3
2012/13	0.6	1.4	2.1	1.3	2.4
2011/12	0.3	0.8	1.7	0.9	2.3
2010/11	0.2	1.0	1.8	1.0	2.0
2009/10	0.1	1.1	1.5	0.9	1.9
2008/09	0	0.6	1.7	0.8	2.5
2007/08	0.1	0.7	1.5	0.8	3.0
2006/07	0.3	0.7	1.3	0.8	3.5
2005/06	~	0.7	2.3	1.5	4.5
2004/05	2.2	2.6	2.5	2.4	5.7

Source: DCLG Housing Statistics

Figure 9.18: Households Living in Temporary Accommodation per 1,000 Households

	Hart	Rushmoor	Surrey Heath	HMA	England
2014/15	0.6	2.0	1.5	1.4	2.9
2013/14	0.5	0.9	2.0	1.1	2.6
2012/13	0.2	0.8	1.7	0.9	2.5
2011/12	0.3	0.8	1.7	0.9	2.3
2010/11	0.1	0.4	1.5	0.7	2.2
2009/10	0	0.2	1.4	0.5	2.4

Source: DCLG Housing Statistics

9.39 Given the relationship between house prices, rents and incomes in this market area, it is unsurprising that a significant proportion of households are unable to meet their own needs in the market. It is important to emphasise that high prices and rents reflect a mismatch between the demand for and supply of housing. Actions to improve the supply of housing in relation to demand, especially if continued over a long time period and in neighbouring market areas across the wider South East, could potentially have an effect on prices and affordability. However, these actions are something that would be required on a geographic scale much larger than the HMA.

9.40 There have also been increases in the number of households reliant on housing benefit to access private rented housing – a symptom of high rents as well as difficult economic conditions. In the most recent years, homelessness and the use of temporary accommodation has increased in all three authority areas. Whilst rates of homelessness and temporary accommodation are lower than nationally, and to some extent reflect changes to the benefit system at the national level, these figures are unequivocal indicators of housing need and are symptomatic of housing market pressure.

Recent Housing Completions

9.41 The 2011 Census recorded almost 109,000 dwellings in the market area.[37] This is an increase of 6,760 since 2001, around a 680 net increase in dwellings each year over the decade. Net completions over the period have been significantly higher than the Census would suggest – around 9,270 dwellings according to local authority monitoring data (see Figure 9.19). Local authorities monitor planning permissions closely, so it seems more likely that the difference in the change in the stock of housing recorded by the Census is more likely due to under-recording by the Census than over-statement by local authorities.

9.42 In Hart, over the last 10 years, 76% of new dwellings have been houses. In Rushmoor, the majority (59%) have been built as flats. In terms of dwelling sizes, Figure 9.20 provides a breakdown for the last 5 years and distinguishes between private and registered providers completions. Comparable figures are not available for Surrey Heath.

[37] This compares to 105,400 households, implying that around 4,000 dwellings are unoccupied.

Figure 9.19: Net Completions since 2001

Year	Hart	Rushmoor	Surrey Heath	HMA
2001-2002	341	94	131	566
2002-2003	443	273	335	1051
2003-2004	567	165	201	933
2004-2005	642	527	143	1312
2005-2006	527	639	417	1583
2006-2007	396	825	337	1558
2007-2008	229	295	119	643
2008-2009	52	299	341	692
2009-2010	-17	549	34	566
2010-2011	70	251	44	365
2011-2012	326	171	179	676
2012-2013	197	255	217	669
2013-2014	264	194	127	585
2014-2015	338	299	187	824
2015-2016	**705**	**173**	**305**	**1,183**
Total 2001-16	**5,080**	**5,009**	**3,117**	**13,206**
Average dpa 2001/02 to 2014/15	**339**	**334**	**208**	**880**
Total 2001-11	**3,250**	**3,917**	**2,102**	**9,269**
Average dpa	**325**	**392**	**210**	**927**

Source: Hampshire County Council: * excludes data for 2015/16

9.43 In the market sector in Hart, the largest proportion of completions has been three bedroom houses, followed by four-bedroom houses and then equal proportions of two- and five-bed homes. In the affordable sector, the largest proportion of completions has been two bedroom flats, followed by one-bedroom flats and two-bedroom houses.

9.44 In Rushmoor the largest proportion of completions has been two-bedroom flats, closely followed by one-bedroom flats. The pattern of market and affordable development in Rushmoor has been very similar.

9.45 In 2012/13 in Surrey Heath, 60% of market sector completions have been three-bedroom or larger homes. In the social rented sector, all new completions were provided as one- or two-bedroom properties. A small number of thee bedroom intermediate affordable homes have also been completed. Data for previous years does not distinguish between market and affordable dwellings. However, since 2001/2 and 2010/11 the largest proportion, and in most years the majority, of new homes built have been one- or two-bedroom properties. This appears to have shifted in the most recent years with larger proportions of three- and four-bedroom homes being delivered.

Figure 9.20: Completions by Type and Size, Hart and Rushmoor

	Flats				Houses					
	1-Bed	2-Bed	3-Bed	4-Bed	1-Bed	2-Bed	3-Bed	4-Bed	5-Bed	Total
Hart										
Private	6.9%	2.6%	0.2%	0.0%	1.6%	14.8%	36.9%	22.7%	14.4%	100%
RSL	29.7%	40.2%	0.0%	0.0%	0.0%	20.3%	9.1%	0.7%	0.0%	100%
Rushmoor										
Private	32.4%	33.9%	0.3%	0.4%	0.4%	6.4%	17.9%	7.3%	1.0%	100%
RSL	27.8%	50.2%	0.8%	0.0%	0.0%	3.9%	13.4%	3.8%	0.2%	100%

Source: Hampshire County Council

Summary of Findings from the Analysis of Market Signals

9.46 Measures of house price and rental affordability, and, to a lesser degree, measures of homelessness, show that this is a housing market under pressure, though affordability is a greater issue in Hart and Surrey Heath than in Rushmoor. Many households struggle to be able to afford to rent or buy a home and this indicates that there is an imbalance in the demand for and supply of housing within the HMA. There appears to have been an insufficient supply of new homes to keep housing within more affordable limits. The poor affordability of housing is a common problem within the South East. However, prices have risen faster in the HRSH HMA than across the South East as a whole. In addition, affordability has been getting worse since 2009, which is not the case for England as a whole (see Figure 9.5).

9.47 These findings have implications in terms of determining the housing requirements for local plans in the HRSH HMA. With regard to determining the OAHN (i.e. without considering 'policy on' matters), the direct implication is that the DCLG household projections (the 'starting point' for housing need) would underestimate the need for housing to 2032 compared with scenarios associated with more favourable economic circumstances or a very different funding and delivery structure for housing. The implication is that an uplift to the demographic-based starting point would be reasonable to mitigate the risk of underestimating future housing needs. There is a substantial risk that, because the affordability of housing is currently very poor in the HMA, household formation rates are likely to have been suppressed. This issue is discussed in more detail below.

Assessing the Required Uplift to the Objectively-Assessed Housing Need

9.48 NPPG states that *'a worsening trend in any of these indicators will require upward adjustment to planned housing numbers compared to ones based solely on housing projections'*; and that *'where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable'*.[38] It is therefore important to consider how the starting point for housing need, estimated from projections of population and household growth (see Section 8) should be uplifted to take account of the market signals identified above. This section considers the implications only from an objective perspective; that is, without taking a view on whether increased in-migration to the HMA that might be associated with an uplifted supply is desirable or undesirable, in policy terms.

[38] NPPG ID 2a-020-201403061

9.49 NPPG is unspecific about how to evidence the level of uplift required, and unspecific about the scale of the uplift, other than to state that *'the more significant the affordability constraints … and the stronger other indicators of high demand, the larger the improvement in affordability needed, and therefore, the larger the additional supply response should be.* It is therefore a matter of judgement as to the scale of uplift to be applied. This guidance does, however, recognise that the information on market signals captures economic realities that affect the population and household projections (by way of affecting the data on, for example, household formation) but which are not taken into account in the projection methodologies.

9.50 The point is to ensure that the projections are not used in a way that assumes, for example, a continuation of adverse economic circumstances, when in reality circumstances may change over time. These changes in circumstance may affect the pattern of future housing demand in the same way. To give an example, the affordability of housing may improve, and this may encourage more people to form new households.

9.51 In taking an evidence based approach, any uplift in planned housing provision above the demographic starting point in the OAHN calculation should therefore be underpinned by an evidence base which shows, for example, how this could be the product of increased household formation in the HMA, rather than, say, simply stimulating higher levels of net in-migration, which could raise Duty to Co-operate issues.

9.52 By contrast with the NPPG, the LPEG in their recommendations to Government have set out a new mechanism (as described in para 9.26) for calculating the required uplift. On the basis of the evidence regarding affordability in the HMA, were the LPEG approach to be adopted, the required uplift on the basic demographic projections would entail a 20% uplift in Rushmoor and 25% in Hart and Surrey Heath to address these housing market pressures.

9.53 The starting point demographic projection set out in Section 7 of the SHMA is shown in Figure 9.21 along with the implications of the LPEG recommended uplifts applied to this demographic start point. At the SHMA level, the application of the LPEG recommendations would increase the housing requirement in the HRSH HMA from 785 homes to 967 homes, a 23% uplift in annual housing requirements.

Figure 9.21: LPEG Recommended Uplift Applied to Wessex Economics Demographic Start Point

	WEc Demographic Start Point	LPEG Recommended Uplift	Housing Requirement with LPEG Uplift
Hart	254	25%	318
Rushmoor	280	20%	336
Surrey Heath	251	25%	314
HRSH HMA	785		967

Source: Wessex Economics

9.54 At the point of preparing this SHMA, there are three issues of importance with the application of the LPEG approach to dealing with market signals (which applies equally to the approach taken to applying uplifts related to affordable housing need).

- The first is a matter of principle, that NPPG emphasises that SHMAs should be evidence based, and nowhere in the LPEG report do the authors explain the process by which they established what the uplift factors to be applied should be.

- The second issue for this SHMA is that Government has yet (as of end October 2016) to indicate if it endorses or rejects the LPEG recommendations in whole or in part. The LPEG proposals are not yet part of NPPG and might not be incorporated into NPPG.
- A number of commentators have criticised the LPEG approach in that, if applied across the country, it in effect leads to double counting; this is the case in terms of its treatment of migration trends, and by applying an uplift in housing provision to help meet affordable housing requirements.

9.55 It also has to be noted that the LPEG approach taken as a whole, differs from the approach set out in NPPG, not just by specifying uplifts linked to market signals and affordable housing need, but also because it removes from consideration the implications for housing of anticipated employment growth. It would therefore be unwise to pick and choose elements of the LPEG approach and seek to mesh it with the current approach as set out in NPPG.

9.56 Wessex Economics has therefore adopted an alternative approach that tests different levels of uplift applied to the required housing provision linked to the demographic starting point, as set out in Section 8 (785 dwellings pa for the HRSH area). This approach involves investigating how reasonable changes to the official household formation rates for different age groups would affect the projections of housing need. These outcomes can then be compared to the uplifts to the demographic starting point made in response to market signals.

9.57 Another way of expressing this approach is to examine scenarios of how improved affordability might increase the rate of household formation. This analysis helps to calibrate how an uplift to planned housing provision in response to market signals could be expected to improve local housing affordability and hence access of current and future residents to housing.

9.58 It should be noted that this alternative approach to dealing with market signals is not the only approach that can be taken, but it is a reasonable, evidence-based approach, which is appropriate given the current state of national planning guidance. Uplifting the housing requirement beyond the demographic-based starting point could also have implications for migration flows, which should be taken into account. This is discussed in Appendix I. There are also the questions of whether adjustments to the OAHN should also be made for projected affordable housing needs and job growth (see Sections 10 and 11 below).

9.59 This discussion highlights that there is no single ‘correct’ approach to uplifting the demographic starting point to reflect market signals. In the case of the HRSH SHMA, a rounded assessment taking account of all the different strands of evidence is required.

Considering a Proportional Uplift to Account for Market Signals

9.60 Figure 9.22 shows the objectively assessed housing need associated with a 5%, 10%, 15% and 20% uplift for market signals.

Figure 9.22: Housing Requirement in Dwellings pa for Different Levels of Percentage Uplift Linked to the Demographic Starting Point

	Demographic Start Point	Uplift on Demographic Starting Point			
	Dwellings pa	5%	10%	15%	20%
Hart	254	267	279	292	305
Rushmoor	280	294	308	322	336
Surrey Heath	251	264	276	289	301
HRSH HMA	785	824	864	903	942

Source: Wessex Economics

9.61 According to the NPPG, the scale of the uplift that it is appropriate to apply should be related to the evidence of poor and worsening affordability in the HRSH area as set out earlier in this section. However, the evidence of worsening affordability does not provide in itself any guidance as to the scale of the uplift that might be required to improve housing affordability. Wessex Economics has therefore sought to cross-check the uplifted scenarios for objectively-assessed housing needs against household projections for which household formation rates are no longer 'suppressed' due to the relatively unaffordable cost of housing in the HMA.

9.62 Consideration of alternative demographic scenarios is a helpful approach in thinking through the percentage uplift that should be applied as a response to market signals. Two scenarios for the HRSH area have been tested, which look at increasing household formation rates above those embedded in the 2012-based household projections (which have been used without amendment in the 'demographic start point' projections set out in Section 8). These two scenarios are predicated on an increase in the 2012-based household formation rates, calibrated by reference to the 2008-based household projections.

9.63 The two scenarios examined here are as follows:

- Scenario 1: Household formation rates based on Stage 1 figures for the 25-34 and 35-44 age groups are assumed to return to the midpoint between 2008- and 2012-based figures by 2032, being the end of the core projection period used in this report.
- Scenario 2: Household formation rates based on the average of Stage 1 and Stage 2 figures for each age cohort are assumed to return to the midpoint between 2008- and 2012-based figures by 2032, being the end of the core projection period used in this report.

9.64 The reason for considering two different scenarios arises from the observation that household formation rates for younger persons (in this case for 25 to34 year olds) have in particular reduced over time (see Figure 9.23 below). It is likely that declining affordability has disproportionately affected younger persons in terms of their ability to form new households, because they are likely to earn less and are less likely to have accrued substantial property equity than persons in older age groups. Nevertheless, the increasing disparity between earnings and house prices will have an effect on housing choices for all, and therefore it is also appropriate to consider a scenario in which increases in housing affordability would increase household formation rates for each age cohort.

9.65 As noted in Section 8 (paras 8.91 to 8.103) there are issues with using the 2008-based household formation rates, which is why they have not been taken directly as a means of testing any uplift for market signals. However, the 2008-based projections have value in that they predate, at least in part, the dramatic deterioration in the earnings to house price ratio recorded from around 1997 onwards.

9.66 The reason why, in both of these scenarios, a full return to the 2008-based projections is not modelled is that there are reasons why household formation or 'headship' rates are likely to have fallen since 2001 that are not directly related to housing affordability issues, or to any other issue that indicates an imbalance between the demand for and supply of housing.

9.67 These other factors can be discussed under the following three headings:

- Changes in headship rates associated with international migrants.
- Increased participation in higher education and rising student debts
- Changes in the lifestyles and expectations of young adults.

9.68 Using the above headings, Appendix J provides information on why Wessex Economics considers that Scenarios 1 & 2 are more appropriate than using the 2008-based household projections to test the proportional uplifts of Figure 9.22. In summary, the acknowledged imbalance in the demand for and supply of housing in the HRSH HMA is only one factor for declining household formation rates amongst others; and in the absence of quantified evidence to determine the relative effects of these different factors through time, the selection of a midpoint between the older and newer household formation rates is a reasonable simplifying assumption.

Testing the Proportional Uplifts Using Scenarios 1 & 2

9.69 Figure 9.23 shows how headship rates under Scenario 1 are projected to change for the 25-34 and 35-44 age groups, and Figure 9.24 shows the overall housing need associated with these new, assumed household formation rates. Under this scenario, 837 dwellings pa would be required in the HRSH area, based on the 2012-based SNPP as the underlying population projection. This is equivalent to a 7% uplift from the position shown when using 2012-based CLG headship rates (785 dpa). Figure 9.23 also shows the breakdown by authority.

9.70 Figure 9.25 shows how headship rates under Scenario 2 are projected to change for each age group and Figure 9.26 shows the overall housing need associated with these new, assumed household formation rates and by authority. Under this scenario, 893 dwellings pa would be required in the HRSH area, based on the 2012-based SNPP as the underlying population projection. This is equivalent to a 14% uplift from the position shown when using 2012-based CLG headship rates (785 dpa).

9.71 The proportional uplifts shown in Figure 9.22 range from 5% to 20% above the demographic-based starting point from Section 8. Based on Scenarios 1 and 2, it can now be appreciated that a 5% or 10% uplift would be at risk of underestimating an increase in housing demand that would follow from significant improvements in local housing affordability. This can be explained as follows.

9.72 A worsening trend in affordability has coincided with lower rates of household formation in the 25 to 34 year old age cohort in particular. It is reasonable to assume that the former has partly contributed to the latter. Therefore, an improvement in housing affordability would be likely to increase household formation rates within the HMA (other things being equal). Scenario 1 projects that improved housing

affordability might increase the future housing need by 7%. Scenario 2 suggests that there is potential for an increased housing need of 14% above the demographic-based assessment, on the basis that household formation might increase for all age groups in a situation of improved housing affordability.

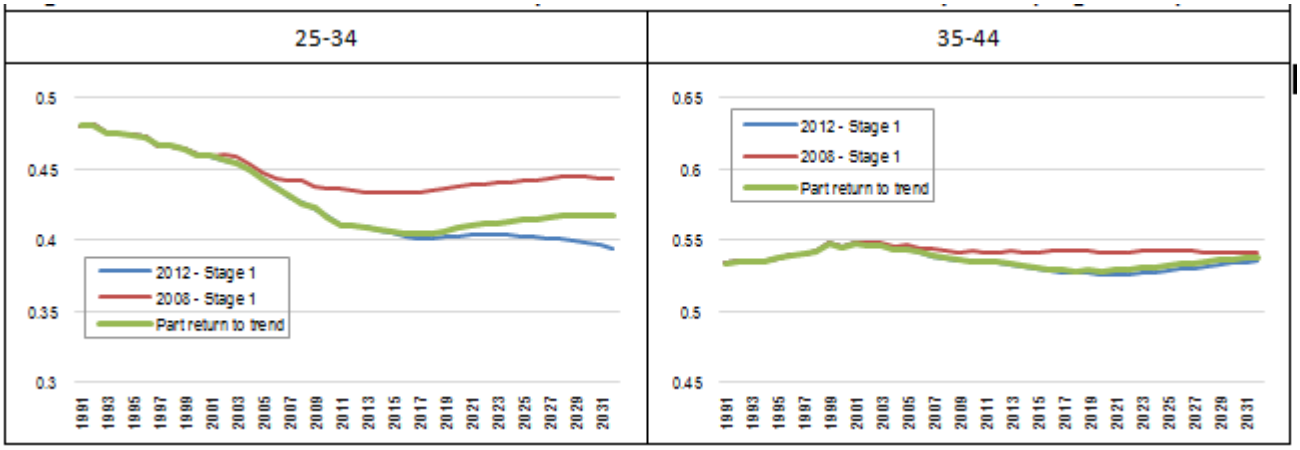
9.73 Therefore, an uplift to the estimate of future housing need that would require an increase in new housing supply by 7-14% above the demographic-based starting point would mitigate the risk of perpetuating the demand/supply imbalance suggested by market signals.

9.74 By contrast, an uplift of either 5% or 10% may underestimate the potential for improvements in household formation should the affordability of housing improve, which would risk continuing a market imbalance between the future demand for and supply of housing. Of course, there is no way of knowing in advance exactly how improvements in housing affordability would increase household formation rates (if at all); the point is that in the absence of this knowledge it would be prudent to uplift the demographic-based starting point by no less than between 7% and 14%; to do otherwise would increase the risk of constraining the market.

9.75 On balance, Wessex Economics believes that a 15% uplift to the housing requirement linked to the demographic starting point (785 dwellings pa) is an appropriate response. This would imply an uplift to the average annual requirement to 903 dwellings pa in the HRSH HMA (see Figure 9.22 for the uplifts at the local authority level). An uplift of this scale would meet the housing requirements associated with Scenario 2 examined in this section, which is based on household formation rates returning by 2032 to a midpoint calculated on a return to the mid-point of the 2008- and 2012-based household projections (also using the mid-point of the Stage 1 and Stage 2 Household Projections).

9.76 However, the correct response to market signals needs to be taken in the round with all the other evidence relating to the determination of OAHN, including the need for affordable housing, and the implications for labour supply and, hence, economic development and employment growth.

Figure 9.23: Households Formation Rates and Partial Return to 2008-based Headship Rates (Stage 1 data) – HRSH



Source: Wessex Economics, CLG

Base: Stage 1 CLG Household Projections; Midpoint of 2008-based and 2012-based HRP rates.

Figure 9.24: Scenario 1 - Projected Housing Need – Range of Demographic Based Scenarios and Partial Return to 2008-based Headship Rates (Stage 1 – 25-44 age group) – HRSH

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
HRSH HMA	108,698	123,271	14,573	810	837
Hart	36,601	41,338	4,737	263	271
Rushmoor	37,655	42,865	5,210	289	300
Surrey Heath	34,441	39,068	4,627	257	266

Source: Wessex Economics:

Base: 2012-based SNPPs as updated; Stage 1 CLG Household Projections; Midpoint of 2008-based and 2012-based HRP rates

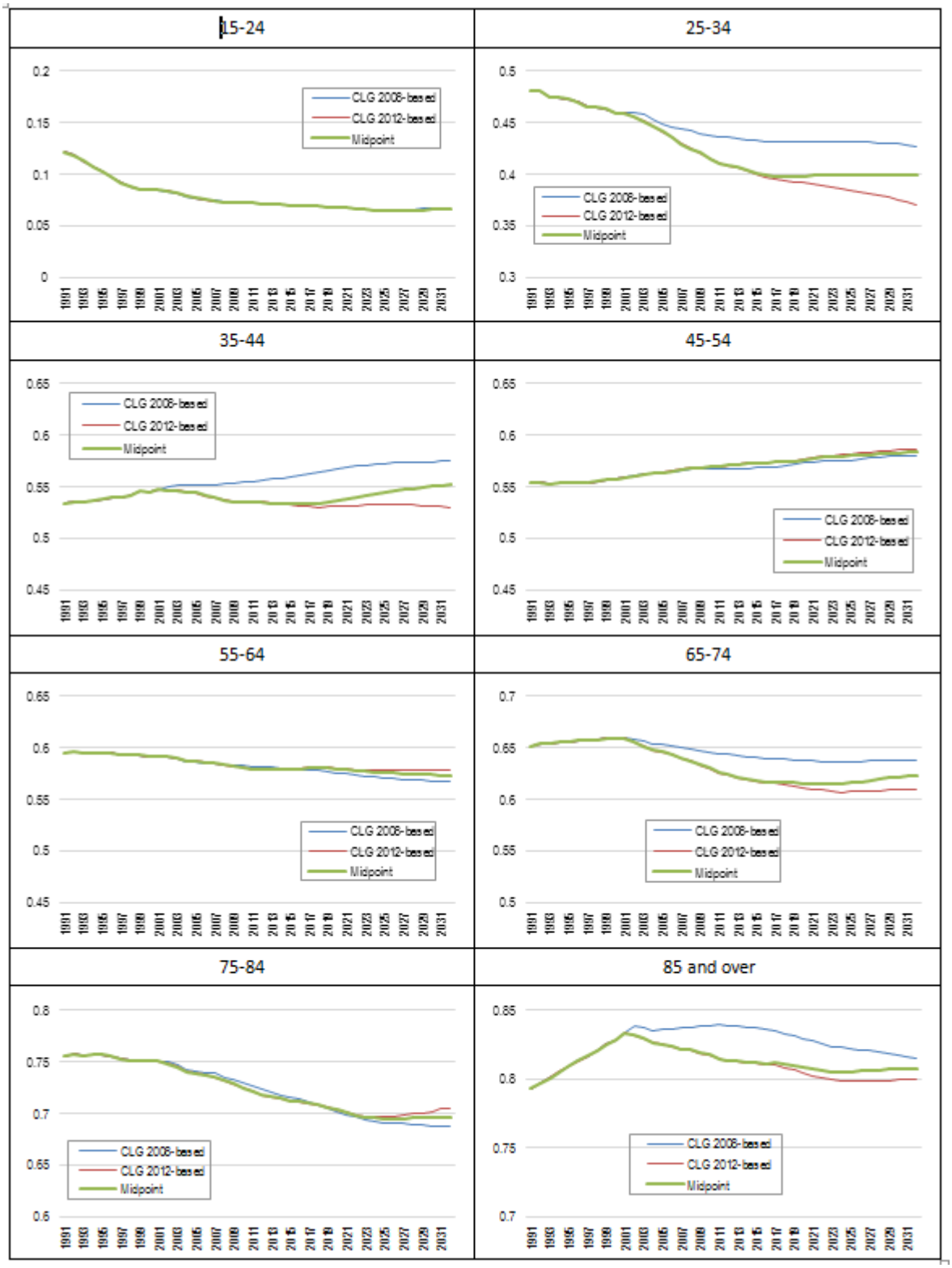
Figure 9.25: Scenario 2 - Projected Housing Need – Range of Demographic Based Scenarios and partial return to 2008-based Headship Rates – HRSH

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
HRSH HMA	108,697	124,245	15,548	864	893
Hart	36,603	41,625	5,022	279	287
Rushmoor	37,657	43,146	5,489	305	317
Surrey Heath	34,438	39,473	5,036	280	290

Source: Wessex Economics

Base: 2012-based SNPPs as updated; Mid-point of Stage 1 & 2 CLG Household Projections; and midpoint of 2008-based and 2012-based HRP rates

Figure 9.25: Scenario 2 - Households Formation Rates and partial return to 2008-based Headship Rates – HRSH



Source: Wessex Economics

Base: Mid-point of Stage 1 & 2 CLG Household Projections; and midpoint of 2008-based and 2012-based HRP rates

10. OAHN Step 3: Need for Affordable Housing

Summary

It is estimated that there is a need for 380 homes each year in the HRSH HMA over the 18-year period to meet the needs of households that are unable to afford to rent privately.

Within the HRSH area, it is estimated that there are 590 households in the HMA each year who are able to afford market rents but are unable to access home ownership. This is an annualised figure that takes account of both potential home owners currently living in the private rented sector and new households likely to form in the future. These households largely aspire to home ownership, in part to achieve greater tenure security, which is particularly important for families, but also because of the financial stability and ability to build up equity through home ownership.

Wessex Economics would stress that the need identified should be considered a collective shortfall for the HMA. Whilst Rushmoor appears to exhibit higher levels of need for affordable housing this is driven, in part, by the larger stock of affordable housing in the authority area and the larger existing rented sector. Both of these factors give rise to larger numbers of people assessed to be in need, but that need could be met anywhere in the HMA.

The PRS currently provides a significant role in meeting the needs of both those who cannot afford to rent (supported by housing benefit) and those who cannot afford to buy. This analysis estimates that around 450 private rented homes would be released each year if households were able to access affordable housing.

In Rushmoor, there is a fairly even pressure across different sized rented properties in the Borough with an average of 8 households waiting for every property that becomes available. In Hart and Surrey Heath, there is more pressure on the larger social rented homes. In Hart, there are 15 households waiting for each four-bedroom property that becomes available compared to 8 households waiting for each home on average. In Surrey Heath, there are 11 households waiting for each four-bedroom property, compared to 4 households waiting for each home on average.

There are large numbers of potential home owners living in the private rented sector in the HMA. Wessex Economics estimate that over 2,000 households across the market area are currently in need of subsidised home ownership. Around half of these households are under the age of 40 and may be eligible for the new Starter Homes product. However, whether they are able to afford these homes will depend on how Starter Homes are priced.

Data from local housing associations who maintain registers of households interested in low cost home ownership indicate that the largest numbers of households interested in intermediate housing are families with children – accounting for 38% of all households who are actively interested in products such as shared ownership in the market area at present. These households account for the largest proportion of household interested in two bedroom properties. Most of these households are currently living in the private rented sector.

Introduction

10.1 An important aspect of the HRSH SHMA is to assess the need for affordable housing. The scale of need for affordable housing identified through this assessment is a key component in determining local authorities' policies to provide affordable housing. It will also be considered in developing the figure for Objectively Assessed Housing Need and is a factor to be taken into account by the local authorities, in determining their overall local housing requirements. The relevant section of the National Planning Policy Guidance is set out in Figure 10.1.

Figure 10.1: NPPG on Affordable Housing Need

How should affordable housing need be calculated?

Plan makers working with relevant colleagues within their local authority (eg housing, health and social care departments) will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.

This calculation involves adding together the current unmet housing need and the projected future housing need and then subtracting this from the current supply of affordable housing stock.

Paragraph: 022 Reference ID: 2a-022-20140306

10.2 As set out above, the NPPG identifies those in need of affordable housing as those existing and projected households '*who lack their own housing or live in unsuitable housing and* ***who cannot afford to meet their housing needs in the market.****'* (ID: 2a-022-20140306, Wessex Economics emphasis). This definition of those who need affordable housing is open to different interpretations, because of the phrase highlighted. In Wessex Economics' view, the NPPG does not specify clearly whether households who are able to meet their needs in the private rented sector, but are unable to buy, are considered to be in need of affordable housing.

10.3 Thus, it is possible to interpret those who are in need of affordable housing in two ways. The first interpretation of the NPPG is that households that, in principle, can afford market rented property without subsidy should not automatically be considered to be in need of affordable housing. This does not mean that all those who are paying market rents without claiming Housing Benefit/Universal Credit are not in housing need, since they may, for example, be living in overcrowded conditions. But fundamentally this interpretation of NPPG identifies those who rent property at market rents and do not receive subsidy as not being in need of affordable housing.

10.4 The alternative approach is to take a broader definition of those who are in housing need, once factors such as the need for security of tenure or the affordability of the rent which they pay is taken into account. For example the Private Rented Sector does not offer the same security of tenure as properties rented by Registered Providers or Local Authorities; this may not be a huge issue for single persons in work, but it is much more of an issue for families with school-age children, where the need to move home arising out of insecure tenure could seriously disrupt children's education. Others might argue that, if people are having to pay more than a certain proportion of their income in rent, then their property is 'unaffordable' and they should be regarded as being in affordable housing need, since the level of their housing costs undermines basic financial security.

10.5 Aspects of the Housing and Planning Act 2016 would indicate that government policy is moving in the direction of a broader definition of affordable housing need than that implied by past interpretations of NPPG, which were based on the 2007 SHMA Practice Guidance. Currently NPPG largely reflects the approach set out in the 2007 SHMA Practice Guidance with respect to the assessment of housing need.

10.6 However, the current Government's strategy for affordable housing will prioritise Starter Homes over affordable rented products in the planning system; the Government is also seeking to boost provision of shared ownership. Starter Homes are to be defined as 'affordable housing' and linked to this the Government proposes changes to the definition of affordable housing so that there is no longer a requirement for affordable housing to be provided in perpetuity (which Starter Homes will not do).

10.7 SHMAs are intended not only to arrive at an assessment of Objectively Assessed Housing Need, but more broadly, to inform the development of planning and housing policy. It therefore makes sense in this assessment to examine both the requirement for subsidised rented housing (a narrow interpretation of the NPPG definition of households in housing need), and to examine the broader need of those who may be able to afford private rented accommodation, but cannot afford home ownership.

10.8 A strict definition of affordable housing need would only matter if the affordable housing need estimates are used to uplift the OAHN in a mechanistic way. This is not required by the NPPF, as has been clarified by recent planning decisions (see Appendix K). However, it should be noted that by using this broader definition of affordable housing, the analysis contained in this section departs from the approach used in many 'traditional' affordable housing need assessments because it identifies households who can rent but cannot afford to buy as well as those who cannot rent in the market.

Approach

10.9 This section provides an assessment of the need for affordable housing in the HRSH HMA and in each of the three authorities. It draws on information from each local authority's waiting list, CORE lettings data, data on prices and rents set out in Section 9 of this report; household incomes as set out in Section 4; and the demographic projections contained in Section 8 of this report.

10.10 The rest of this section deals with the inputs and assumptions at each stage in estimating the need for affordable housing. As with the 2014 HRSH SHMA, a separate estimate is provided for a) households who cannot afford to rent in the market; and b) households who can afford to rent but are unable to afford to buy. Both groups have been eligible for some form of affordable housing for many years, but the Starter Home initiative and additional support for Shared Ownership will increase the number of new homes targeted at the 'can rent – can't buy' households.

10.11 It is important to emphasise that this analysis presents estimates of the need for affordable housing based on the available data and evidence-based assumptions. This is not a precise science; rather it is about identifying the broad scale and nature of needs. This section does not discuss policy implications or make judgements about how affordable housing needs should be met, since this is a matter for each of the authorities in the HRSH to determine.

(A) Households In Need Of Subsidised Rented Housing

10.12 This sub-section estimates the need for affordable housing amongst those unable to rent in the market. This might be described as the 'traditional' approach to estimating affordable housing needs since, in the past, these assessments have focused on the need for affordable housing for rent in order to inform the setting of an appropriate quota for affordable housing as part of planning policy.

The Need for Subsidised Rented Housing in the Market Area

10.13 Wessex Economics estimate that there is a need for around 6,900 new subsidised rented homes in the market area over the next 18 years. This would entail the provision of 380 new affordable homes each year over the 18-year plan period. This should be regarded as a collective requirement for the HMA as a whole.

10.14 Whilst subsequent analysis would appear to show that Rushmoor exhibits higher levels of need for affordable rented housing, this is driven, in part, by the larger stock of rented housing in the authority area. The majority of housing need is generated by households in rented accommodation, so areas with a larger stock of affordable and privately rented housing, such as Rushmoor, tend to generate higher numbers of households in need. It would be an acceptable solution to provide for some of this housing need in other parts of the HMA.

Figure 10.2: Estimate of the Need for Subsidised Rented Housing in the Market Area

Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current occupiers of affordable housing in need	632
1.2 plus households from other tenures in housing need	1128
1.3 plus Households without self-contained accommodation	1335
1.4 plus additional overcrowded and concealed households	3,454
1.5 equals Total current housing need (gross) (1.1 + 1.2 + 1.3 + 1.4)	6,549
1.6 equals annual requirement over plan period	**364**
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (gross per year)	2,050
2.2 times proportion of new households unable to rent in the market	35%
2.3 plus existing households falling into need	84
2.4 equals Total newly arising need per year (2.1 x 2.2) + 2.3	**802**
STAGE 3 : SUPPLY OF AFFORDABLE HOUSING	
3.1 Supply of social re-lets (including transfers)	782
3.2 plus surplus stock	0
3.3 minus units to be taken out of management	0
3.4 equals annual supply of affordable units (3.1 + 3.2 + 3.3)	**782**
NET SHORTFALL (OR SURPLUS) OF RENTED UNITS PER ANNUM	
Overall shortfall (or surplus) (1.5 + 2.4 – 3.4) per annum	**384**

Note: Numbers provided in Figure 10.2 are unrounded but are rounded to nearest 10 in the rest of this section for ease of reading.

10.15 Figure 10.1 summarises the estimated need for subsidised rented housing for the market area as a whole and shows each step in the calculation of the estimate need for affordable rented housing. Every effort has been taken to avoid double counting of households. The summary shows the need for the number of affordable homes required each year provided at subsidised rents.

10.16 The estimates exclude supply from the delivery of new affordable housing in the future since this is uncertain and the assessment is designed to inform how much new affordable housing might be required. The estimates also exclude the supply of private rented properties that will be released when these households are housed in affordable housing. At present, these PRS properties play a significant role in meeting some housing needs.

10.17 For the avoidance of doubt, the need for homes for those who are able to pay market rents but are unable to access home ownership is considered separately in this section.

Local Authority Summaries

10.18 Figures 10.3–10.5 summarises the estimated requirement for subsidised rented housing for each authority.

Figure 10.3: Estimate of the Need for Subsidised Rented Housing in Hart

Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current occupiers of affordable housing in need	178
1.2 plus households from other tenures in housing need	485
1.3 plus Households without self-contained accommodation	697
1.4 plus additional overcrowded and concealed households	661
1.5 equals Total current housing need (gross) (1.1 + 1.2 + 1.3 + 1.4)	2021
1.6 equals annual requirement over plan period	**112**
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (gross per year)	661
2.2 times proportion of new households unable to buy or rent in the market	34%
2.3 plus existing households falling into need	28
2.4 equals Total newly arising need per year (2.1 x 2.2) + 2.3	**255**
STAGE 3: SUPPLY OF AFFORDABLE HOUSING	
3.1 Supply of social re-lets (including transfers)	242
3.2 plus surplus stock	0
3.3 minus units to be taken out of management	0
3.4 equals annual supply of affordable units (3.1 + 3.2 + 3.3)	**242**
NET SHORTFALL (OR SURPLUS) OF RENTED UNITS PER ANNUM	
Overall shortfall (or surplus) (1.5 + 2.4 – 3.4) per annum	**126**

Note: Numbers provided in Figure 10.3 are unrounded but are rounded to nearest 10 in the rest of this section

10.19 Figure 10.3 shows that Hart needs an estimated 130 subsidised rented homes each year (rounded to the nearest 10 homes) to meet current and future needs over the next 18 years. This estimate is for subsidised rental accommodation because the households considered in this assessment have insufficient incomes to afford open market rents. The need for subsidised home ownership is considered separately.

Figure 10.4: Estimate of the Need for Subsidised Rented Housing in Rushmoor

Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	230
1.2 plus households from other tenures in housing need	410
1.3 plus Households without self-contained accommodation	472
1.4 plus additional concealed and overcrowded households	1970
1.5 equals Total current housing need (gross) (1.1 + 1.2 + 1.3 + 1.4)	3082
1.6 equals annual requirement over plan period	**171**
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (gross per year)	786
2.2 times proportion of new households unable to buy or rent in the market	36%
2.3 plus existing households falling into need	28
2.4 equals Total newly arising need per year (2.1 x 2.2) + 2.3	**310**
STAGE 3 : FUTURE SUPPLY OF AFFORDABLE HOUSING	
3.1 Supply of social re-lets	318
3.2 plus surplus stock	0
3.3 minus units to be taken out of management	0
3.4 equals annual supply of affordable units (3.1 + 3.2 + 3.3)	**318**
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	**163**

Note: Numbers provided in Figure 10.4 are rounded to nearest 10 in the rest of this section

10.20 Figure 10.4 shows that Rushmoor needs an estimated 160 subsidised rented homes each year (rounded to the nearest 10 homes) to meet current and future needs over the next 18 years. This estimate is for subsidised rental accommodation because the households considered in the assessment have insufficient incomes to afford open market rents. The need for affordable home ownership is considered separately in this section.

10.21 Figure 10.5 shows that Surrey Heath needs an estimated 100 subsidised rented homes each year (rounded to the nearest 10 homes) to meet current and future needs over the next 18 years. This estimate is for subsidised rental accommodation because the households considered in this assessment have insufficient incomes to afford open market rents. The need for affordable home ownership is considered separately in this section.

10.22 The rest of this section provides more detailed analysis on the inputs used in this housing need assessment before considering the additional demand for subsidised home ownership.

Figure 10.5: Estimate of the Need for Subsidised Rented Housing in Surrey Heath

Stage and Step in Calculation	Estimate
STAGE 1: CURRENT NEED	
1.1 Current Occupiers of affordable housing in need	224
1.2 plus households from other tenures in housing need	233
1.3 plus Households without self-contained accommodation	166
1.4 plus additional concealed and overcrowded households not on waiting list	823
1.5 equals Total current housing need (gross) (1.1 + 1.2 + 1.3)	1446
1.7 equals annual requirement over plan period	**80**
STAGE 2: NEWLY ARISING NEED	
2.1 New household formation (gross per year)	603
2.2 times proportion of new households unable to buy or rent in the market	35%
2.3 plus existing households falling into need	28
2.4 equals Total newly arising need per year (2.1 x 2.2) + 2.3	**237**
STAGE 3 : FUTURE SUPPLY OF AFFORDABLE HOUSING	
3.1 Supply of social re-lets	222
3.2 plus surplus stock	0
3.3 minus units to be taken out of management	0
3.4 equals annual supply of affordable units (3.1 + 3.2 + 3.3)	**222**
NET SHORTFALL (OR SURPLUS) OF AFFORDABLE UNITS PER ANNUM	
Overall shortfall (or surplus) (1.6 + 2.4 – 3.7) per annum	**95**

Note: Numbers provided in Figure 10.5 are rounded to nearest 10 in the rest of this section

(A1) Stage 1: The Current Need for Subsidised Rented Homes

10.22 Stage 1 of the assessment considers the number of existing and hidden households who are currently in housing need.

10.23 The inputs to this assessment are based on a variety of data sources which, in most cases, represent actual numbers and the real circumstances of individual households who have approached each Council for assistance regarding their housing situation.[39] Wessex Economics has also used projections based on recent trends. This approach reflects the recommendation in NPPG that this assessment is undertaken using secondary data.

[39] As at January 2016

10.24 The estimates set out in Figures 10.1 to 10.4 include only those applicant households whose circumstances fall within the housing need criteria set out in the NPPG; that is, households who are:

- Homeless or have insecurity of tenure
- Live in overcrowded housing
- Living in accommodation where they lack/share facilities such as a kitchen and/or bathroom
- Living in unsuitable dwellings without the means to repair or adapt – particularly those with physical or social impairments who have specific needs.
- In social need due to harassment or threats of harassment which cannot be resolved except through a move.

10.25 Each local authority maintains a housing waiting list which makes it possible to identify applicants with these needs. Figure 10.6 shows that there are just over 3,000 households currently on waiting lists within the three authorities.

Figure 10.6: Current Households in Need

	Number on waiting list	Applicants unable to afford private rent	Applicants able to afford private rent
Hart	1,360	1,200	170
Rushmoor	1,270	1,260	10
Surrey Heath	640	610	30
HMA	3,270	3,070	210

Source: Local authority waiting lists (Figures rounded to nearest 10)

10.26 Each of the authorities collects applicants' income data as part of the application process. The information is patchy but suggests that very few applicants have sufficient resources to access market housing without assistance. There are some applicants (around 200 across the three authorities) that have sufficient incomes to rent a lower quartile property according to the threshold identified in Section 9.[40] However, some of these households may need larger properties with rents significantly higher than lower quartile rents so, in practice, they may be unable to access market rented property suited to their need. For this reason, they are included in the estimate of current need to avoid underestimating the need for affordable housing.

10.27 Local authority waiting lists are the primary source of data used to estimate the number of current households in need. However, since 2011 and the Localism Act, local authorities have been granted more freedom over their allocations policies and eligibility criteria for households joining their waiting lists. In general, the three local authorities have reviewed their waiting lists to ensure that applicants have a local connection and meet financial eligibility criteria.

10.28 Overall, this has resulted in a reduction in the number of households on each of the local authority's waiting lists over the period January 2014 to January 2016 (see Figure 10.7). Across the three authorities,

[40] Wessex Economics have checked whether there are cheaper alternatives to private renting in the shared ownership market; and, if so, whether the affordability of shared ownership should be used instead of the affordability of private renting to identify households who could meet their own needs. A cross checking exercise using the HCA's target incomes calculator 2011 to establish the cost of shared ownership in each authority area confirmed that the monthly cost of a private rented property is *lower* than the monthly cost of the cheapest shared ownership properties within Hart and Surrey Heath. In Rushmoor, the theoretical cost (mortgage plus rent) of a 25% share in a shared ownership property is lower than a lower quartile private rent. However, Wessex Economics could not find any examples of shared ownership properties for sale in the local area which offered the option of purchasing the minimum share (25%). For this reason, Wessex Economics has used the cost of private renting as the benchmark for affording market housing in all three authorities.

the number of households on waiting lists has fallen by 790 households over this two-year period – a 19% decline.

Figure 10.7: Households on Waiting Lists in 2014 HRSH SHMA and 2016 SHMA

	January 2014	January 2016	Difference	% change
Hart	1,880	1,360	520	-28%
Rushmoor	1,420	1,270	150	-10%
Surrey Heath	750	640	120	-15%
HMA area	4,060	3,270	790	-19%

Source: Comparison of local authority waiting lists (figures rounded to nearest 10) analysed for the 2014 HRSH SHMA and 2016 SHMA.

10.29 Discussions with officers of the HRSH authorities indicate that the decline in the number of households on the authorities' waiting lists is primarily the result of application criteria being tightened and applicants being discouraged from registering if they do not have priority needs or meet eligibility criteria. The implication of this is that there may be households in need who are not registered with the three local authorities.

10.30 NPPG indicates that data on overcrowding and concealed households can also be used to cross-check demand on waiting lists and to ensure that all those households currently in need are identified. Figure 10.7 provides data on the number of concealed families (families living with other families) in 2011. It also provides Census data on the number of overcrowded households.

10.31 Whilst the data in Figure 10.8 relates to 2011, evidence in the English Housing Survey (2013/14) at the national and regional level indicates that levels of overcrowding have been broadly stable since 2011. It is reasonable to expect that the levels of concealed and overcrowded households have not improved since 2011 and that data from the 2011 Census remains a reasonable indicator of concealed households and overcrowding in the three authorities in 2016.

10.32 This data can be compared to the number of applicants on the waiting lists in the three authority areas. All three waiting lists identify households who are currently living with friends and family, and this data can be used to demonstrate the level of concealed households. Hart and Surrey Heath's waiting lists also identify applicants who are overcrowded, so these figures can be compared directly to the Census 2011.

10.33 In Hart, Census 2011 figures suggest that there are slightly more concealed families in the authority area than are registered on the waiting list. These additional 75 families should be added to the number of households in current need. There are also an additional 661 overcrowded households which should also be added to the number of households in current need.

Figure 10.8: Evidence of Concealed Families and Overcrowded Households

	Concealed Families			Overcrowded Households			Estimate of households in need and **not** on waiting list
	Census 2011	Waiting list 2016	Difference	Census 2011	Waiting list 2016	Difference	Highest of the number of overcrowded and concealed households (minus the number on the waiting list)
Hart	383	308	75	721	60	661	661
Rushmoor	601	475	126	2,189	219*	1,970*	1,970
Surrey Heath	443	164	279	938	115	823	823
HMA area	1,427	947	480	3,848	394	3,454	3,454

Source: Census 2011, Local authority waiting lists as at 1st January 2016 *Rushmoor's figures estimated at 10% of waiting list, based on the proportion of Hart's and Surrey Heath's waiting list applicants who are over crowded

10.34 In Rushmoor, 2011 Census figures indicate that there are more concealed families in the authority area than are registered on the waiting list. These additional 126 families should be added to the number of households in current need.

10.35 Although the Rushmoor waiting list data does not specify the number of overcrowded households (indeed, most applicants have multiple needs), Wessex Economics has estimated that the same proportion of applicants are overcrowded as those on Hart and Surrey Heath's waiting list (an average of 10%). This suggests that there are an additional 1,970 overcrowded households in Rushmoor who should be added to the number of households in current need.

10.36 In Surrey Heath, 2011 Census figures indicate that there are more concealed families in the authority area than are registered on the waiting list. These additional 279 families should be added to the number of households in current need. The waiting list also identifies overcrowded households but the level of overcrowding is substantially lower than that identified by the Census. These additional 823 households should be added to the number of households in current need.

10.37 There is likely to be significant (if not complete) overlap between concealed and overcrowded households. To avoid double-counting households, it is sensible to use the higher of the two figures, minus those who are registered on the waiting list (see final column in Figure 10.8). These households have been added to those identified on the waiting list to estimate the level of current need in each of the authorities.

(A2) Stage 2: Newly Arising Need for Subsidised Rented Housing

10.38 Stage 2 of the assessment considers the number of new and existing households who are likely to fall into housing need in the future. This stage of the assessment is based upon:

- Projected gross household formation and the proportion of these newly forming households unable to rent in the market
- Existing households falling into need.

10.39 The projected level of gross household formation is based on the same source as the net CLG household projections used in Section 8. Crucially, gross household projections only count new households and do not take account of the dissolution of existing households. When existing households dissolve (e.g. through death, divorce or when single households join to form couples) they release a property, even if they go on to form a new household. The reason that these properties are excluded is because there is no guarantee that they would be of suitable tenure or cost for those in need. Nevertheless, it is likely that some of these homes could be used to meet the overall need for new homes (the OAHN).

10.40 The assessment then estimates the number of these households unable to afford a private rent. Figure 10.9 sets out the income required to rent a lower quartile property affordably. It has been assumed that households can spend up to 30% of their gross household income on rent. The justification for adopting this threshold is discussed in Section 9. Later in this section the impact of varying this threshold on the need for affordable housing is considered (see Figure 10.26).

Figure 10.9: Affordability Threshold

LQ Rent Sept 2015 - All Properties	Hart	Rushmoor	Surrey Heath
Monthly Rent	£795	£650	£760
Annual Rent	£9,540	£7,800	£9,120
Affordability threshold: 30% of gross income on rent			
Income required to rent affordably	£31,800	£26,000	£30,400

Source: Analysis by Wessex Economics based on Valuation Office Agency Rents and assumption that households can spend up to 30% of their gross income on rent

10.41 Figure 10.10 estimates the proportion and number of newly forming households who are unable to afford market housing without subsidy, based on the income required to rent set out in Figure 10.8. Figure 10.9 indicates that there are likely to be around 720 households falling into need in the housing market area each year based on gross household formation rates and the proportion of households unable to afford to rent in the market.

Figure 10.10: New Households in Need

	Number of new households (gross) per annum	% unable to afford to rent in the market	Number in need
Hart	660	34%	230
Rushmoor	790	36%	280
Surrey Heath	600	35%	210
HMA	**2,050**	**35%**	**720**

Source: CLG Household projections (gross figures used); Income distribution data modelled by Justin Gardner Consulting. Figures rounded to nearest 10 and may not sum in table due to rounding.

10.42 The second component of the estimate of newly arising need is the number of existing households falling into need. NPPG does not provide any guidance on how to calculate this element. In previous assessments, Wessex Economics has calculated the net average number of households joining housing registers each year and has used this as a proxy for existing households falling into need.

10.43 However, given recent changes to the housing waiting lists in all three authorities such analysis would provide a misleading picture. The total number of applicants on each list has fallen on average over the last 5 years but this is as a result of changes in the way that lists are managed, including the tightening of eligibility criteria. However, it is possible to be fairly certain that existing households have fallen into need over the same period because of the increase in the number of people claiming housing benefit.

10.44 Figure 10.11 therefore estimates the number of existing households falling into need by considering the growth in the number of housing benefit claimants in recent years. Around 200 new housing benefit claimants have been added each year in the housing market area since 2010 (Column E). Some of these will have been new households rather than existing ones, so the number of new households in need has been subtracted (Column F). It should be noted that the figure for new households is based on net household formation rates in the past (average 2001-2011) and so differs from the estimate of newly arising need in the future.

10.45 This analysis produces an estimate in Column G of the number of additional housing benefit claimants likely to have been existing households falling into need. This suggests that there has been a fall in the number of existing households reliant on housing benefit in Hart and Surrey Heath, which implies an overall fall in existing households falling into need in the market area. However, given the rise experienced in Rushmoor, Wessex Economics considers it appropriate to take account of these additional households in need.

10.46 The Rushmoor figure has been reduced by assuming that the profile of these households will be similar to those on the local authority waiting lists – not all applicants will meet the eligibility criteria. Overall, it is estimated that an additional 84 existing households fall into need each year in Rushmoor. These households are attributed to Rushmoor, but this is reflective of the larger rented sector in Rushmoor and the fact that this is often the first port of call for households in need from neighbouring authorities. In practice, some of these households might originate from Hart or Surrey Heath but are better able to secure affordable accommodation in Rushmoor.

10.47 It has been assumed that all households in housing need in the HMA give rise to a requirement for affordable housing in the HRSH HMA, and this need is shared equally between the three authorities. This is a practical response to the fact that households falling into need cannot be readily attributed to one authority, but only to the housing market area as a whole. It also reflects the fact that the location of the affordable housing is not material in terms of meeting the needs of households in need at the HMA level. It is also important to stress that estimates of newly arising need are uncertain since they rely on projections based on past trends.

Figure 10.11: Change in Number of Housing Benefit Claimants and Estimate of Existing Households Falling into Need

	A	B	C	D	E	F	G	H	I
	2015	2010	Change	% change	Per annum	New house-holds	E-F	in need	Input for HNA
Hart	2,576	2,409	167	7%	33	118	-85		28
Rushmoor	6,527	5,777	750	13%	150	50	100	84	28
Surrey Heath	2,864	2,791	73	3%	15	78	-63		28
HMA	13,982	12,987	995	8%	199	246	-47		

Source: Wessex Economics analysis of DWP housing benefit data

(A3) Stage 3: Subsidised Rented Housing Supply to Offset Need

10.48 Stage 3 in the assessment establishes the supply of affordable housing that can be used to offset need and takes into account:

- Re-lets within the existing stock, including the number of units that will become available when existing tenants are re-housed
- Any surplus social rented units e.g. long-term vacant property (which could be brought into use to improve supply)
- Any units that will be taken out of management, for example demolitions, disposals (which would reduce supply).

10.49 The annual supply of social rented re-lets is based on past trends. These data have been sourced from CORE[41] to ensure a consistent approach across the three local authorities and include lettings to transfer and new tenants. Figure 10.12 sets out the average number of lettings in each authority in the last three years, including lettings to transfer tenants and lettings of supported housing.

10.50 It is important to state that these figures are 're-lets', since they exclude first-time lettings of new affordable housing properties that have been added to the stock in each of the past five years. Overall, 780 homes were re-let in the market area on average in the last five years; it is assumed that this supply can be used to offset the needs identified in Stages 1 and 2 of the assessment.

Figure 10.12: Net Re-lets (Average Last 5 Years)

	Net Re-Lets
Hart	240
Rushmoor	320
Surrey Heath	200
HMA	780

Source: CORE lettings data for 2014/15, 2013/14, 2012/13, 2011/12 and 2010/11. Includes lets to transfers and supported lettings. Excludes lettings to new build properties (first lets).

10.51 Figure 10.12 includes lettings of supported housing units, which includes lettings of sheltered housing and those which provide support for vulnerable people. Across the three authorities, almost 300 lettings each year are accounted for by re-lets of supported housing which meet high priority needs on the three local

[41] CORE is the Continuous Recording of Lettings and Sales in Social Housing in England. Social landlords including Registered Providers and local authorities submit data on their lettings and sales to CORE.

authorities' waiting lists. Whilst not all households on the waiting list are eligible for supported housing, it is included in the supply of affordable housing because households in need of this accommodation are included in the assessment of affordable housing need.

10.52 The NPPG does not give any detail on how vacant properties should be treated. The previous SHMA guidance stated that *'a certain level of voids is normal and allows for transfers and works on properties. However, if the rate is in excess of approximately 3 per cent and properties are vacant for considerable periods of time, these should be counted as surplus stock.'*[42] As vacant properties within each of the authorities account for less than 1% of the social rented stock, they are not considered as part of the available supply.

10.53 In Rushmoor, there are 124 units in North Town that are in the process of being demolished as part of the area's regeneration plans. However, as they are being replaced within 5 years, these have not been treated as a reduction in supply. The estimates in Figures 10.1 to 10.4 do not include new affordable housing supply, since a key purpose of this SHMA is to consider how much affordable housing might be required.

10.54 The estimates in Figures 10.2 to 10.5 exclude any supply of 'intermediate' products such as shared ownership and shared equity. It has been established that these products are, by and large, more expensive than accessing lower quartile private rents. As such, they are unaffordable to the households identified in this part of the affordable housing needs assessment. These households are likely to need some form of subsidised rented accommodation.

10.55 Finally, this estimate excludes the supply of private rented properties. Figure 10.12 estimates the supply of private rented properties that might be released as households in housing need are provided with affordable housing. This estimate takes into account supply released by households in need of subsidised rented housing, as well as those who need subsidised home ownership.

10.56 Key statistics on the role of the private rented sector in housing those in need, as assessed by the local authorities, are as follows:

- Over 1,000 of those households identified as being in current need within the market area and on the waiting list live in private rented accommodation.
- A further 900 households that live in overcrowded accommodation, but are not on the waiting list, are likely to release a private rented property if they are able to access affordable housing.
- There are further private rented properties that would be released as new households form. Wessex Economics estimate this as the difference between gross and net household formation. This difference reflects the number of households dissolving.
- When households dissolve they release a property (even if they go on to form another household). It is assumed that a proportion of households that dissolve release private rented properties; this proportion is assumed to be the same percentage as the percentage representation of private rented homes in the overall stock of housing.
- If households aspiring to home ownership and living in the PRS are able to access affordable housing, this will release a further 2,100 PRS homes.

[42] Step 3.2, Chapter 5, CLG (March 2007) Strategic Housing Market Assessments – Practice Guidance

10.57 In total, Wessex Economics estimate that 450 private rented homes could be released each year if households unable to buy or rent in the market are able to access affordable housing (Figure 10.13). Unlike the re-lets within the social/affordable rented sector, these private rented dwellings are not used to offset identified need. Whether the PRS should play an active role in meeting housing needs, either by addressing the need for subsidised rental accommodation or by deeming it as a suitable alternative for those who aspire to home ownership or both, is a policy decision for the HRSH Councils.

Figure 10.13: Private Rented Sector Supply Released as Households in Need Access Affordable Housing (Per Annum)

Private Rented Properties Released by:	Hart	Rushmoor	Surrey Heath	HMA
Households on waiting list living in PRS (total)	490	410	230	1,130
Overcrowded household living in the PRS (total included in assessment)	180	590	130	900
PRS properties released through new household formation (per annum)	70	100	60	220
PRS properties released by 'would be home owners' (total)	580	940	590	2,100
Total Per Annum (total figures annualised by dividing over 18 year period)	140	210	110	450

Source: Stages 1.4 and 1.5 in the assessment of need for subsidised rented housing; Gross and net household formation; Census 2011 for % of properties in PRS; estimate of potential home owners in Figure 10.18. Figures rounded to nearest 10 and may not sum due to rounding.

Current Size Requirements for Affordable Rented Housing

10.58 Analysis of the characteristics of applicant households on the waiting list and the profile of lettings provides evidence of the pressures on different sized properties in each local authority area. Figures 10.14 to 10.16 show the proportion of households in need in each authority by the size of property that they require, the size of homes re-let over the last three years and the number of households waiting for each size of property.

10.59 It is important to remember that the size of property that each household requires is determined by the local authority's allocation policy. In reality, even those households judged to 'need' a one-bed property may prefer a larger home, but given the shortage of affordable housing, local authority allocation policies will generally only provide households with their minimum requirements. This means that households identified on waiting lists as needing a one-bed property include couples as well as single people. Many of these couples may go on to start a family and would then need re-housing in the short term.

10.60 Similarly, households containing two young children may be allocated a home with just two bedrooms, with the expectation that the children can share a bedroom. The size requirements of households accessing the social rented sector are therefore fundamentally different to the market sector because households are only allocated a property that meets their basic minimum requirements. In contrast, in the market sector households may be able to choose more space to allow for the expansion of their household or to provide space for other activities, visitors etc.

10.61 In examining the size requirements of those identified as in housing need, it is important to keep this rationing process in mind. Furthermore, small properties become available for re-let most frequently in each authority, both because they are more numerous and because households living in these properties are more likely to move for the reasons discussed above. Similarly, there are fewer larger properties and

households living in larger homes are less likely to move. The stock of larger properties has been depleted, particularly in rural areas, since many have been sold through Right to Buy.

10.62 The spare room subsidy (sometimes referred to as the 'bedroom tax') may have an effect on the release of larger social rented homes as households reliant on housing benefit have their payments reduced where they are under-occupying a property. However, this reduction in housing benefit and disincentive to under-occupy only applies to working-age households, so will not encourage downsizing amongst older households who are much more likely to be under-occupying their homes.

10.63 In Rushmoor, there is a fairly even pressure across the social rented stock in the Borough with an average of 8 households waiting for every property that becomes available. In Hart and Surrey Heath the greatest pressure is on the largest properties – four-bedroom homes – based on the number of households needing a particular sized property compared to the number of re-lets of that property size. In Hart, there are 15 households waiting for every four-bedroom property that becomes available compared to 8 households waiting for every home on average. In Surrey Heath, there are 11 households waiting for every four-bedroom property, compared to 4 households waiting for every home on average.

Figure 10.14: Size Requirements of Households in Need, Hart

Size	Needed by those in need	Re-lets	Ratio of need: re-lets
1 bedroom	50%	41%	10
2 bedroom	34%	44%	6
3 bedrooms	12%	13%	7
4 bedrooms	4%	2%	15
Total	100%	100%	8

Source: Wessex Economics, Hart District Council

Figure 10.15: Size Requirements of Households in Need, Rushmoor

	Needed by those in need	Re-lets	Ratio of need: re-lets
1 bedroom	46%	44%	8
2 bedrooms	35%	37%	7
3 bedrooms	18%	17%	8
4 bedrooms	1%	1%	6
Total	100%	0%	8

Source: Wessex Economics, Rushmoor Borough Council

Figure 10.16: Size Requirements of Households in Need, Surrey Heath

	Needed by those in need	Re-lets	Ratio of need: re-lets
1 bedroom	49%	46%	4
2 bedrooms	32%	34%	4
3 bedrooms	15%	19%	3
4 bedrooms	3%	1%	11
Total	100%	100%	4

Source: Wessex Economics, Surrey Heath Borough Council

(B) Households in Need of Subsidised Home Ownership

10.64 This section of the Affordable Housing Needs Assessment assesses the need from those who cannot afford to buy but can afford to rent (and do not need subsidy to do so). There is no guidance in the NPPG on how to assess the needs of those who cannot afford home ownership but there is strong emphasis from the current Government on expanding homeownership.

10.65 The Housing and Planning Act 2016 includes provisions to require development sites to include a proportion of Starter Homes, which are homes discounted by at least 20% of their market value and aimed at first-time buyers aged between 23 and 39. There are also proposals to expand the definition of affordable housing in NPPF to include 'Starter Homes' alongside other low cost home ownership products and social/affordable rent.

10.66 This section estimates the need for subsidised housing for those who cannot afford to buy, but *can* afford to rent in the market. The approach first estimates current need by identifying those who are renting in the PRS but cannot afford to buy. It then estimates the number of households that will form each year who can afford to rent but cannot afford to buy. Whilst these stages mirror the assessment of need for affordable rent, this estimate of current need relies on Census data rather than waiting lists so is not directly comparable.

10.67 Figure 10.17 summarises the estimate of households unable to buy and in need of affordable home ownership. In the market area as a whole, there is a need for around 590 dwellings each year to address the need for subsidised home ownership.

Figure 10.17: Need for Subsidised Home Ownership

	Hart	Rushmoor	Surrey Heath	**HMA**
1.1: Current need	576	937	589	2,177
1.2: per annum	32	52	33	121
2.1: Gross household formation	661	786	603	2,050
2.2: % unable to buy (but able to rent)	24%	22%	28%	24%
2.3: Newly arising need per annum	157	176	168	500
3.1: Supply - intermediate resales (per annum)	10	10	10	30
Shortfall (per annum)	179	218	190	591
Rounded	180	220	190	590

Note: Raw figures presented here are rounded to nearest 10 in rest of section

10.68 It is important to state that most of those households identified as unable to afford to buy are living in the private rented sector. As with the estimate of households unable to rent, any PRS properties released as these households access affordable housing are not counted as supply which can be offset to meet need (see Figure 10.13 earlier in this section).

10.69 The HRSH Councils may make policy decisions to use these properties to meet needs – either for those who cannot afford to rent or those unable to buy. It is important to note that these PRS properties may provide suitable housing for other groups (those that rent out of choice) or may be sold on the open market in future and so become available for home buyers. This supply from the PRS should be taken into account in setting the housing requirements for the HRSH local plans.

10.70 The rest of this section sets out how the estimate of the need for subsidised home ownership products is calculated.

(B1) Current Households Who Cannot Afford To Buy

10.71 This first step (1.1 in Figure 10.16) identifies the level of 'current need' in a similar way to how the assessment in Figure 10.1 identifies current need for subsidised rented homes. This step recognises that levels of home ownership have fallen in recent years as affordability has declined, particularly amongst younger households, and that there is a significant backlog of households who have been priced out of home ownership.

10.72 The approach taken here to estimate this backlog is to identify the growth in the number of households in the private rented sector between 2001 and 2011. Many of these additional PRS households are aspiring home owners but have been unable to access affordable home ownership in recent years. This can be considered as a backlog of demand for homeownership, since much of the growth in the PRS over this period has been at the expense of owner occupation as affordability of home ownership declined. These households might have been able to buy a home in a more 'normal' market.[43]

10.73 There are a number of caveats with this analysis:

- Not all of the growth in the scale of the PRS since 2001 is due to households being unable to afford to buy a home. Some households choose the flexibility of renting for a variety of reasons, including young professionals who want to maintain mobility to maximise their employment opportunities and in-migrants from overseas which have increased in number since 2004 who use the PRS as their first base.

- It may be reasonable to assume that significant overseas in-migration particularly from the European Union (EU) is linked to the growth of the PRS; and that the PRS may be the tenure of choice since EU migrants may wish to return home or work elsewhere in the EU. However, it seems likely that the increasing proportion of younger households in the PRS, particularly those in their late 20s and 30s, is not a reflection of preference for renting over ownership.

- There is a long-standing debate about the desirability of expanding the PRS and reducing the reliance on owner occupation; the current Government's focus is on expanding home ownership, arguing that the majority aspire to home ownership. Ipsos Mori research shows that the aspiration to own remains high and consistent between all generations and over time. According to Ipsos Mori, given a free choice, over 80% of each generation would choose home ownership over renting.

10.74 Figure 10.18 shows that in the HRSH area the proportion of households living in private rented housing increased substantially between 2001 and 2011 (columns B and C). Column E estimates how many private rented households in 2011 are additional to what would have been expected in 2001 had the proportion of households in the PRS remained stable. Across the market area, there were 4,450 additional households in the private rented sector which cannot be explained by the growth in the

[43] The Rugg Review of the Private Rented Sector (2008) noted 'The SEH [Survey of English Housing] indicated that 1988/89 was the lowest point that the PRS reached as a proportion of the total stock, but from the early 1990s the sector began to expand. Steady growth took place over the five years to 1995/96. Some of that growth was reversed over the following five years but from 2001 the sector returned to an upward trend.'

household population. These households are additional households who have either chosen to live in the PRS or found they have no choice but to live in the PRS.

Figure 10.18: Estimate of Current Households Unable to Buy (Additional Renters)

	A	B	C	D	E
	Households in PRS in 2011	% in Private Renters in 2011	% of Private Renters in 2001	Households in PRS in 2011 if same share of tenure as 2001	Additional Private Renters in 2011 (Difference (A – D)
Hart	4,640	13%	10%	3,630	1,010
Rushmoor	6,680	18%	12%	4,300	2,390
Surrey Heath	4,420	13%	10%	3,350	1,070
HMA	15,740	15%	11%	11,290	4,450
South East	624,190	18%	12%	429,430	194,760
England	4,011,030	18%	12%	2,650,200	1,360,830

Source: Census 2001 and 2011. Figures rounded to nearest 10.

10.75 It would be inappropriate to assume all of the additional PRS households identified in Figure 10.17 (Column E) are frustrated potential home owners. There may have been some expansion in households renting out of choice. It is worth considering the factors that have changed over the period 2001 – 2011, which might explain the shift in tenure from home ownership to private renting and the extent to which these are likely to have been a factor in the market area.

10.76 Factors that may account for the increasing number of households living in private rented accommodation include:

- Rising prices and declining affordability forcing younger households to rent rather than buy is likely to be a significant factor in the trends shown in Figure 10.17. Section 9 of this report presents data on how the affordability of home ownership has deteriorated since 2001. This is likely to have been the key factor in reducing the number and proportion of home owners in the market area over the period 2001-2011. Restrictions on mortgage lending since the financial crisis also reduced accessibility to home ownership, as the criteria for lending, including the size of deposits, was tightened. Lenders were also required to limit the number of loans for income multiples above 4.5.
- Increased immigration to the UK, particularly since the A8 Accession Countries joined the EU in 2004 has contributed to overall demand but appears to have had an impact on tenure choices. Data at the national level shows that there has been a step change in the volume of international in-migration to the UK since 2001 and following the expansion of the EU in 2004. In addition, Rushmoor has experienced significant in-migration from Nepal; the majority of Nepalis are housed in the PRS.
- Census data shows that over 60% of in-migrants who arrived after 2001 live in the private rented sector. They account for almost one-quarter of all private renters in 2011. To a large extent, recent in-migrant households rent out of choice because of the flexibility it provides in relation to employment opportunities. Those migrants that decide to settle long-term in the UK may change their tenure preferences to reflect those of long-term residents as a whole but they are likely to be replaced by the inflow of other new migrants.
- There has been an expansion in university admissions over the decade 2001-2011. Increasing numbers of students probably rent property from private landlords. There is some evidence that experience of living in shared accommodation as a student translates into a positive preference to live in shared accommodation following graduation and during the early stage of their careers.

- However, this may not be a significant factor in the HRSH, since the area does not host a major Higher Education Institution; this alone may make the HRSH area a less desirable location to live in compared to London and other university cities for recent graduates. The data for the three HRSH authorities suggests that the proportion of young private rented households, as a percentage of all private rented households, has remained broadly stable over 2001-2011, which suggests that student/graduate impacts on the PRS in the HRSH area are not significant.
- Over the period 2001-2011 and since 2011, there has been an increased use of the PRS to accommodate those reliant on housing benefit. There are a number of factors that have contributed to this, including a decline in the size of the social rented stock; an increase in the number of households eligible for housing benefit; and the ability of local authorities to discharge their duty to house homeless households by offering accommodation in the private rented sector. In 2011, in the market area, around one-quarter of all private rented households received housing benefit. It can be assumed that, of the additional households in the PRS in 2011, at least one quarter were supported by housing benefit.

10.77 When households on housing benefit and recent in-migrants are subtracted from the additional private rented households, this leaves a large group of households who are most likely to be living in the PRS because they have been priced out of home ownership in recent years. This equates to over 2,000 households in the market area. These households are identified as in 'current need' for subsidised home ownership.

10.78 Analysis of the age of all households in the private rented sector in 2011 suggests that more than half (55% in the HRSH area) are aged 40 and under. This is relevant to the consideration of whether these households will be eligible for the Government's new Starter Homes product. The 2011 Census shows that, of the 15,800 private rented households in the market area in 2011, 8,400 were aged 40 and under. If it is assumed that the households identified in Figure 10.18 have the same age profile of households in the PRS as a whole, around 1,200 will be aged 40 and under and eligible for Starter Homes. Of these, around 500 are based in Rushmoor, 300 in Hart and 300 in Surrey Heath. The cost and affordability of Starter Homes is discussed further on in this section (paragraph 10.94).

10.79 This analysis provides a broad estimate for the scale of need for subsidised home ownership arising from the declining affordability of home ownership in recent years. It is useful to compare the figures in Figure 10.19 with data on the demand for intermediate products on HomeBuy Agent's waiting lists.

Figure 10.19: Identifying Potential Home Owners (no. of households)

	Additional Renters in 2011	*Of which: Households on Housing Benefit (% on HB in 2011)*	*Of which: Recent immigrants (25%)*	Net households that are potential home owners
Hart	1,010	*180 (18%)*	*250*	580
Rushmoor	2,390	*850 (36%)*	*600*	940
Surrey Heath	1,070	*220 (20%)*	*270*	590
HMA	4,450	*1,160 (26%)*	*1,110*	2,180
South East	194,760	*62,560 (32%)*	*48,690*	83,510
England	1,360,830	*474,130 (35%)*	*340,210*	546,490

Source: Census 2011 for % renting in PRS and tenure of those born outside of the UK; DWP StatXplor for housing benefit data. Figures rounded to nearest 10.

10.80 Figure 10.20 sets out the number of households who have applied for intermediate products within the market area and the type of households who have applied, which is another indication of the scale of demand for subsidised home ownership. By and large, these households have applied because they are interested in shared ownership, so the figures are reflective of demand for this product. This indicates there are over 1,500 households actively looking to access intermediate products within the market area in 2016 and is broadly comparable in scale to the number of potential homeowners identified using Census data as set out in Figure 10.19. Because not all of the households that would be interested in subsidised housing are likely to have registered their interest with providers, the higher estimate of 2,180 households (Figure 10.19) is taken as the estimate of current households who cannot afford to buy, but who would be seeking home ownership options within the HMA.

Figure 10.20: Intermediate Households by Household Type Registered with Local Home Buy Agent, January 2016

	Single	Couple	Family	Total
Hart	190	130	250	570
Rushmoor	240	220	250	720
Surrey Heath	60	80	100	240
HMA	490	430	600	1,520

Source: HomesinHants, Catalyst (Help to Buy Agents)

10.81 The waiting lists held by HomeBuy agents provide more detailed information about the type of households seeking affordable home ownership. Families with children are the largest group of households seeking low-cost home ownership or intermediate rent housing. Such households account for 39% of all households who are actively interested in intermediate products in the market area at present. The largest proportion of households are interested in two-bedroom properties, but the range of households interested in two-bedroom properties includes single people, couples and families.

Figure 10.21: Intermediate Households by Size of Property Required, January 2016

	Number of Bedrooms				
	1	2	3	4+	Total
Hart	149	295	118	5	567
Rushmoor	201	368	141	6	716
Surrey Heath*	180	38	15	6	239
HMA	530	701	274	17	1522

Source: HomesinHants, Catalyst *Surrey Heath data relates to minimum sized required. In practice, households may prefer a larger home.

Newly Forming Households Unable to Afford to Buy

10.82 The next step in the estimate of households who can afford to rent but are unable to buy considers households who will form in the future. Figure 10.21 presents data on the number of new households expected to form each year and the number who are likely to be unable to afford to buy, based on their household incomes. This estimate is based on gross household formation data.

10.83 These households include some who already occupy housing whose properties would be released for re-let or resale as these households are accommodated in affordable home ownership. This supply is not used to offset any of the need identified in this assessment or in the assessment of the need for subsidised rent housing. However, this supply of properties should be taken into account in setting the housing requirements of the area's local plans, since it reduces the overall need for new housing.

10.84 A range of assumptions have been used to estimate the number of new households unable to afford home ownership in the market area, as follows:

- Lower quartile property prices in 2015 have been used to calculate the monthly and annual cost of a mortgage.
- Wessex Economics assume that households have a 10% deposit and need to borrow 90% of the purchase price.
- An online mortgage calculator (Money Saving Expert) has been used to calculate the annual and monthly cost, assuming a 4% interest rate and including fees.
- Wessex Economics has then calculated the household income required if it is assumed that the mortgage payment accounts for a maximum of 30% of gross income.
- Wessex Economics has also tested the implication of households spending a lesser or greater proportion of their gross income on mortgage costs. The impact this has on the overall level of need is considered at the end of this section.

10.85 Wessex Economics has used modelled household income data (provided by Justin Gardner Consulting) to establish the number and proportion of new households who are likely to form each year and are unable to afford to buy.

10.86 Figure 10.22 shows the findings of the analysis. It is estimated that there are 500 households per annum forming each year in the HRSH area who are unable to afford to buy a home. It is important to make clear that this estimate excludes households who are unable to afford to rent, as these households have been included in the estimate of the need for subsidised rented housing.

Figure 10.22: New Households Unable to Buy

	Gross household formation per annum	Can Rent; Can't Buy %	Can Rent; Can't Buy (number)
Hart	660	24%	157
Rushmoor	790	22%	176
Surrey Heath	600	28%	168
HMA	2,050	24%	500

Source: CLG household projections (based on same source as net household projections in Section 8); Purchase income thresholds (Section 9) based on LQ house prices; Justin Gardner Consulting modelled income data to calculate % who cannot afford purchase price.

Supply of Subsidised Home Ownership Properties

10.87 The products available to households who *'can rent; can't buy'*, often known as *'intermediate households'* have historically been provided for through the development of shared ownership, shared equity and, to a more limited extent, rent-to-buy products. These products are currently branded as 'Help to Buy'. The range of products available includes Help to Buy Equity Loans that enable households to access home ownership with a 5% deposit and a mortgage for 75% of the value of the property, though this product is being withdrawn from the end of 2016.

10.88 Government has set out provisions to introduce Starter Homes on all major developments in the Housing and Planning Act. These homes will be aimed at households unable to buy in the market and Government has indicated their intent to deliver 200,000 of such Starter Homes by 2020, though recent

announcements seem to suggest that the time frame for delivery has been extended to the 'next five years'.

The Role of Shared Ownership

10.89 There is a limited supply of low-cost home ownership homes each year within the HRSH area as they become available for re-sale or re-let. Local Home Buy Agents have estimated that around 10 re-sales are made each year in each authority area. This excludes new sales of low cost home ownership because, as with the assessment of the need for affordable rent, Wessex Economics has excluded the future supply of affordable housing.

10.90 There were 16 shared ownership properties on the market within the HMA in April 2016. All but one of these is a 1- or 2-bedroom property. The income required to access shared ownership properties (1 and 2 bedrooms) is around £32,000 to £38,000. This income range is below that required to access lower quartile properties in the market area (£42,000 - £55,000) set out in Section 9, Figure 9.8. This comparison illustrates how shared ownership properties are targeted at households currently unable to buy in the open market.

Figure 10.23: Average Price of Shared Ownership Properties and Income Required to Purchase (based on Households Spending 30% of their Gross Income on Mortgage/Rent)

	1 bed	2 bed	3 bed
Number of properties	9	7	1
Average Price (June 2016)	£184,000	£223,000	£330,000
Monthly cost of mortgage + rent + service charge	£807	£957	£1,381
Annual Income Required (if households spend 30% of income on housing costs)	£32,280	£38,280	£55,240

Source: Properties advertised by Help to Buy in the housing market area. Monthly cost of mortgage/rent provided by Help to Buy shared ownership mortgage calculator (assumes mortgage interest rate of 6%)

The Role of Starter Homes

10.91 Starter Homes are to be provided for first time buyers aged 23-39 though there will be some exceptions that allows those aged 40 or over to buy Starter Homes. The homes are to be offered at a 20% discount on the open market value of the property.

10.92 The Government has consulted on the detail of the programme, but the final regulations for the scheme had not been published as of end October 2016, and aspects of the scheme design are still being worked on. A key provision of the Starter Home proposal is that on sites of more than 0.5 ha or involving development of 10 or more units 20% of the total number of homes being built should be Starter Homes. The requirement to build Starter Homes would take precedence over the provision of other forms of affordable housing if a fixed percentage is required by the regulations which support the Housing and Planning Act 2016.

10.93 The consultation on the technical regulations state that *'the Government's starting point is that the starter homes requirement should apply to most residential developments. It is common practice to secure mixed tenure housing through section 106 agreements and the Government intends that starter homes will form part of that mix.'* (Section 3 of the Starter Homes Regulations Technical Consultation). It goes on to state that *'the Government's intention is that the regulations for the starter homes requirement would set a clear percentage for the number of starter homes required on relevant residential developments.'*

10.94 It remains to be seen how much this might reduce the output of subsidised rented housing and how much flexibility (if any) local authorities will have to vary the percentage of Starter Homes on sites in order to ensure it is possible to provide other forms of affordable.

10.95 The Government is also consulting on changes to NPPG, so that Starter Homes are defined as being affordable housing; linked to this is the provision that affordable homes do not have to be affordable in perpetuity. A key aspect of the Starter Homes programme is that owners can in due course sell the property at full market value.

10.96 As of end October 2016, these homes will be sold at a maximum discounted value (price cap) of £250,000 outside of London. A property discounted by 20% to £250,000 would have an open market value of £312,500, so this product would give a substantial discount to households seeking home ownership.

10.97 The initial proposal was that buyers would be able to sell their property after 5 years at full market value. However, the Government is considering whether, rather than let owners sell at 100% of market value after a set number of years, there should be a taper during which the owners would be allowed to realise an increasing proportion of the market value.

10.98 For example, owners might be only able to sell the property at 80% of market value after the first 5 years of ownership. At the start of year six, they might be permitted to sell at 84% of market value, in year 7 at 88% of market value; and in year 8 at 92% of market value etc, so that at Year 10 owners can sell at full market value. Options regarding the length of the initial period where owners have to sell at 80% of market value and the length of the taper are under consideration.

10.99 The lower quartile price of properties in the three authorities ranges from £197,000 in Rushmoor to £275,000 in Hart (at the end of 2015). Starter Homes priced at or close to the £250,000 cap in the three authorities will overlap and compete with lower quartile properties on the open market. At this price, they are unlikely to extend home ownership options for households priced out of the market.

10.100 Figure 10.23 illustrates the income required to afford a home in the three authorities under the Starter Home scheme were properties to be priced at the £250,000 cap. Figure 10.23 assumes households are able to access a 10% deposit (£25,000) and that they need to secure a mortgage on the remaining £225,000. It may be possible to reduce the requirement for a deposit to 5% by accessing Help to Buy equity loans, but it is not clear whether mortgage lenders will be prepared to mesh lending on a Starter Home and use of Help to Buy.

10.101 Households may be able to borrow a maximum of 4.5 times their incomes from mortgage providers. This implies that households will need a combined incomes of around £50,000 if they are to be able to afford a Starter Home in the market area, unless these Starter Homes are priced below that of other lower quartile properties; or purchasers receive assistance with buying from others – such as the 'bank of mum and dad'.

10.102 It is important to emphasise that the £50,000 annual household income is likely to be the minimum income a household will need in order to access a Starter Home if they are priced near the cap. A range of lenders offer mortgages to first-time buyers at up to 4.5 times income.[44] But all mortgage providers are

[44] Report in the Telegraph in February 2015 lists 7 lenders with income multiples of up to five times household income: Santander (4.5x), Barclays (4.5x), Nationwide (4.75x), RBS/Natwest (4.99x), YBS (5x), Virgin Money (4.5x) and Clydesdale (4.35x)

now obliged to undertake an affordability assessment which includes households' outgoings eg childcare costs, debt repayments etc.

10.103 Mortgage lenders are also constrained in selling mortgages at high income multiples. The Bank of England introduced a new rule in October 2014 to prevent banks from lending more than 15% of their loans at 4.5 times incomes or higher. As a result, many banks reduced the number of loans available at higher multiples. In practice, most households will secure approval for a mortgage that is between 3.0 and 3.5 times their household income, which implies the need for incomes above £64,000 (or some form of capital sum that can be used) if Starter Homes are priced close to the £250,000 cap.

10.104 The Government has proposed that Help to Buy Equity Loans would be available for those purchasing Starter Homes. This would allow purchasers to buy with a 5% deposit and would only need a mortgage for 75% of the purchase price. This would mean households with incomes of around £41,700 could afford a Starter Home priced at £250,000 if they are able to borrow 4.5 times their income. However, lenders are currently resistant to arrangements that add complications to the lending process, which suggests that not all banks will be willing to provide loans on this basis.

10.105 The lending market has also responded to worsening affordability and increased longevity. Most mortgage lenders will now lend for periods longer than the traditional 25-year term, up to 35 years, with some offering a 40-year term. Longer repayment terms bring down the monthly cost to the household but the additional interest that builds up over time is substantial.

10.106 Figure 10.24 shows the monthly cost of a £225,000 mortgage under different interest rate and repayment term scenarios. In the current market, borrowers can secure discounted mortgages with initial interest rates below 3%. Monthly mortgage payments of around £1,065 pcm at this rate over a 25-year period would equate to around one-quarter of household income (assuming household income of £50,000).

10.107 Figure 10.25 shows the likely impact of a gradual rise to a 5% interest rate. Under this scenario, households would spend 31% of their income, but this could be reduced by extending the repayment period. However, most lenders require mortgages to end by the time the borrowers are 65 years old, though this is gradually extending to 70 years old for some lenders to reflect changing retirement ages.

10.108 Longer mortgage terms of 35-40 years are only likely to be available to those under the age of 30-35. This is relevant to the Starter Home programme, since there will be many buyers in their mid to late thirties who are eligible but unable to access mortgages with longer terms and lower monthly payments.

Figure 10.24: Income Required for Starter Homes (At the Capped Priced)

	Assumption	Value (£)
Overall price of Starter Home (before discount)	Starter Homes outside of London can be a maximum of £250k (discounted)	£312,500
Price of home after 20% discount	20% discount on market value	£250,000
Deposit	10% required	£25,000
Mortgage required	Minus 20% discount and 10% deposit	£225,000
Income required to afford home	Assuming a mortgage up to 3.5x income	£64,300
	Assuming a mortgage up to 4.5x income	£50,000
	Assuming a mortgage up to 4.5x income with Help to Buy Loan	£41,700

Source: Wessex Economics

Figure 10.25: Monthly Mortgage Payments Compared for £225,000 Repayment Mortgage

Interest Rate	25 year	30 year	35 year	40 year
3%	£1,065	£950	£865	£805
4%	£1,185	£1,075	£995	£940
5%	£1,315	£1,210	£1,135	£1,085

Source: Money Saving Expert online calculator (not including lenders' arrangement fees)

10.109 There is a great deal of uncertainty about how Starter Homes will be priced and valued. Developers are unlikely to want these homes to compete directly with their open market homes, since this might impact negatively on their profits. It is more likely that developers will substitute Starter Homes for other affordable forms of affordable housing – particularly affordable rent homes; Starter Homes may boost development values if they replace affordable rented housing.

10.110 Thus early indications on the likely cost of Starter Homes in the HRSH suggest that these may not extend the opportunity to home ownership beyond existing lower-quartile properties. Local authorities will need to have a role in determining the price point for these homes if they are to ensure that they are affordable to households unable to buy in the open market. It is not yet clear what powers will be given to local authorities to negotiate the size and type of Starter Homes to be provided and, hence, to influence the asking price for such properties.

The Role of the Private Rented Sector

10.111 Wessex Economics has excluded supply from any private rented properties that would be released by households identified in this assessment. Overall, Figure 10.12 estimates there are around 450 private rented homes that could be available for re-let (or re-sale) each year as households in need are housed in affordable housing. The three Councils may decide that it is appropriate to use this supply to offset need for subsidised rent or subsidised home ownership.

10.112 A substantial proportion of households in housing need as defined above are accommodated in the private rented sector (PRS). Around 40% of households claiming housing benefit live within the private rented sector in the market area, with the majority of these households living in Rushmoor.

10.113 A key reason why those living in the PRS are in housing need, even if they are in receipt of Housing Benefit, is that their existing accommodation is not suited to their requirements. This may be because it is too small or is in unsatisfactory condition. In addition, while local authorities can discharge their duty to those in priority need for housing by offering private rented accommodation, where the applicant will receive Housing Benefit, there is a widespread view among practitioners and applicants that private rented accommodation is unsatisfactory because of the insecurity of tenure.

10.114 Although the Government in effect takes the view that private rented accommodation is an acceptable alternative to affordable housing by allowing local authorities to discharge their housing duties by housing people in the PRS with housing benefit, for the purposes of this assessment it has been assumed that all those identified by the local authorities as being in priority housing need should be housed in affordable housing. However, this approach could release PRS properties for use by other market tenants who are not deemed to be in need of affordable housing.

10.115 For the avoidance of doubt, the homes occupied in the PRS by households identified as in need are <u>not</u> included as affordable housing supply to offset need. The analysis undertaken by Wessex Economics indicated that around 450 private rented homes could be released by households identified as in need

to offset need for all tenures. The extent to which the PRS continues to play an important role in addressing needs is a policy choice that the three Councils will need to consider.

Overall Need for Affordable Housing

10.116 It is estimated that there is a need for 380 homes each year in the HRSH area over the 18-year period to meet the needs of households that are unable to afford to rent privately (Figure 10.26).

10.117 Within the HRSH area, it is estimated that there are 590 households in the market area each year who are able to afford market rents but are unable to access home ownership. This is an annualised figure which takes account of potential home owners currently living in the private rented sector and new households likely to form in the future. These households largely aspire to home ownership, in part, to achieve greater tenure security, particularly for families; but also because of the financial stability and ability to build up equity through home ownership.

Figure 10.26: Overall Need for Affordable Housing Per Annum (Assuming Households Spend 30% of their Gross Income on Rent/Mortgage)

	Subsidised Rent	Subsidised Home Ownership
Hart	130	180
Rushmoor	160	220
Surrey Heath	100	190
Housing Market Area	380	590

Note: Figures rounded to nearest 10

Scenarios

10.118 Both estimates of the need for subsidised rented housing and subsidised home ownership assume that households can spend up to 30% of their gross incomes on their rent or mortgage payments. Figure 10.26 sets out the impact of varying this assumption on the shortfall of affordable housing. If households are limited to spending up to 25% of their gross income on rent/mortgage, the need for subsidised rented housing rises to 550 across the market area. Similarly, if households increase the proportion of their income spent on rent/mortgage to 35%, the need for subsidised rented housing falls to 240 per annum.

10.119 Figure 10.27 shows that varying the affordability threshold has little impact on the number of households unable to afford to buy. This is because the number of households unable to rent also increases or decreases as the threshold is varied, with the result that the number of households in the 'can rent; can't buy' group remains broadly the same.

Figure 10.27: Impact of Varying Affordability Thresholds (Gross Income Spent on Rent or Mortgage)

HMA	Subsidised Rent	Subsidised Home Ownership
25%	550	510
30%	**380**	**590**
35%	240	590
40%	120	560
Hart	Subsidised Rent	Subsidised Home Ownership
25%	180	180
30%	**130**	**180**
35%	80	170
40%	40	170
Rushmoor	Subsidised Rent	Subsidised Home Ownership
25%	230	220
30%	**160**	**220**
35%	110	220
40%	60	210
Surrey Heath	Subsidised Rent	Subsidised Home Ownership
25%	140	200
30%	**100**	**190**
35%	50	190
40%	20	190

Note: Bold highlighting shows the assumption made in the assessments in this section

Affordable Housing Need and the OAHN

10.120 A key consideration from this analysis is how the estimate of the need for affordable housing should affect the OAHN, if at all. It is important to make clear that the NPPF and NPPG do not require the OAHN to be uplifted in a mechanistic way in order to meet all affordable housing needs. The HRSH Councils will also need to take the estimates of affordable housing need into account in determining their local housing requirements, alongside other considerations.

10.121 This matter is discussed further in Appendix K but the role of affordable housing in the *OAHN* is summarised concisely in the report of preliminary findings at Cornwall's Local Plan Inquiry (June 2015) from the Planning Inspector appointed to conduct the Inquiry: *'National guidance requires consideration of an uplift; it does not automatically require a mechanistic increase in the overall housing requirement to achieve all affordable housing needs based on the proportions required from market sites. The realism of achieving the intended benefit of additional affordable housing from any such uplift is relevant at this stage, otherwise any increase may not achieve its purpose' (paragraph 3.20).*

10.122 The assessment of the need for affordable housing in this section has identified needs which appear to be in excess of those identified by the demographic projections which cover all households. Although the two methods are very different and cannot be compared directly, it is relevant to consider why this might be the case.

10.123 On the one hand, there may be households identified in the affordable housing need assessment who are not included in the demographic projections. These are concealed households. The affordable housing need assessment identifies these households and includes them as part of the 'backlog' of need which should be addressed over the plan period. Concealed households are not explicitly included in the demographic projections, although some of these households will form independent households in the

future and are therefore counted as new households. There were 1,427 concealed households in the housing market area (2011).

10.124 Conversely, there are a number of areas in the affordable housing need assessment where there is a risk of double-counting households. One area of risk is around the estimate of newly forming households where it is possible that some new households might already be counted as current households (concealed households in particular). Another area of risk is where households might be registered on more than one local authority waiting list in the housing market area. This is likely to be limited, however, because of restrictions around eligibility in relation to local connections.

10.125 Third, the assessment of need for affordable housing uses gross household projections because it cannot assume that the properties released by households that dissolve will be suitable to meet affordable housing needs.

10.126 In contrast, the demographic projections use net household projections and thus the supply of properties released by households that dissolve is in effect assumed to offset the overall need for housing. This assumption seems more plausible than its converse, which reflects the use of gross household projections: that no property vacated by a household upon (e.g.) a death or divorce would be suitable for occupation by new households.

10.127 On balance, given the uncertainty around how far concealed households are taken into account by the demographic projections, Wessex Economics recommends that an uplift is made to the OAHN to ensure that concealed households are included in the overall assessment of need. Taking into account the foregoing limitations of the affordable housing needs assessment, this should be considered as a precautionary approach.

10.128 There were 1,427 concealed families in the 2011 Census. There may have been some growth in the number of concealed families since 2011. However, as the English Housing Survey 2014 shows that levels of overcrowding have remained stable since 2011 at the regional level, Wessex Economics assume that the number of concealed families in the HMA has remained relatively stable. If these concealed households (1,427) are added to the demographic projections over the plan period, this would imply the need to uplift the demographically driven OAHN by 79 households per annum. This would take the OAHN from 785 (demographically driven OAHN) to 864.

10.129 It is also relevant to note the recent proposals by the Local Plans Expert Group in dealing with this issue are unclear but appear to suggest that if the number of homes required to meet affordable housing need is greater than that calculated from demographic need and upwards adjustment for market signals, then upward adjustment should be made to cover the additional requirement for affordable homes, up to a cap of 10% uplift in new homes. However the recommendations of LPEG have to be taken in the round, and the Government has not responded to the LPEG as of end October 2016. It is not appropriate to apply the LPEG approach to one element of this assessment.

11 OAHN Step 4: Housing Requirements Arising from Employment Growth

Summary

It is important to assess the implications of different levels of employment growth in terms of the required growth in the working population of the HMA, and whether this might require additional housing to accommodate the anticipated growth in the work force, assuming no change in net commuting. This analysis has been undertaken for the five scenarios of possible employment growth based on the analysis set out in Section 5, comprising respectively of annual average job growth of 900, 1,050, 1,200, 1,350, and 1,500 jobs per annum.

To ensure that there is a sufficient labour to enable job growth of between 900 and 1,500 jobs (assuming net commuting and double-jobbing ratios are held constant), the working age population of the HMA needs to increase by between 930 and 1,550 economically active persons, these being the lowest figure associated with job growth scenario of 900 jobs pa and the highest figure associated with the 1,500 job pa growth scenario.

Resident workforce estimates have been linked to the demographic 'starting point' projections that anticipate population growth of around 1,200 persons pa between 2014 and 2032. The analysis indicates that the increase in the economically active population associated with the demographic starting point projections would be around 655 persons per annum.

This is lower than the growth in the resident workforce required by the lowest employment growth scenarios, indicating that job growth could be constrained by labour shortages unless the net-commuting balance changed through reduced out-commuting or increased in-commuting, more people working full-time and fewer working part-time, or increased double-jobbing.

The analysis based on the demographic start point shows that to deliver the required growth in working population linked to the job growth scenarios the following number of new homes would need to be delivered in the HRSH area – given the assumptions that there is no change in the net commuting balance and no change increase in the number of working hours each worker works on average.

- Scenario A: Job growth of 900 jobs pa: 950 homes
- Scenario B: Job growth of 1,050 jobs pa: 1,043 homes
- Scenario C: Job growth of 1,200 jobs pa: 1,135 homes
- Scenario D: Job growth of 1,350 jobs pa: 1,228 homes
- Scenario E: Job growth of 1,500 jobs pa: 1,321 homes

Based on the alternative household formation rate scenarios examined in Section 9 Market Trends, the required uplifts in housing consistent with the need for a larger workforce are higher than those based on the demographic start point population, because these scenarios imply falling average household size. The corresponding figures for the number of homes consistent with these two scenarios are presented below.

- Scenario A: Job growth of 900 jobs pa: Scenario 2: 1,006 homes: Scenario 3: 1,063 homes
- Scenario B: Job growth of 1,050 jobs pa: Scenario 2: 1,101 homes: Scenario 3: 1,159 homes
- Scenario C: Job growth of 1,200 jobs pa: Scenario 2: 1,195homes: Scenario 3: 1,254 homes
- Scenario D: Job growth of 1,350 jobs pa: Scenario 2: 1,290 homes: Scenario 3: 1,349 homes
- Scenario E: Job growth of 1,500 jobs pa: Scenario 2: 1,385 homes: Scenario 3: 1,445 homes

Throughout this analysis it should be remembered that productivity growth is a key driver of economic growth allowing output to grow without an increase in labour; and that the labour market is flexible with increased demand for labour quite likely to call forth labour supply. In addition the market does work to some degree to encourage relocation of business activity from areas of high cost and limited labour supply to lower cost areas with more plentiful labour – though skills availability is a key issue determining the degree to which this happens

Introduction

11.1 The analysis of both historic trends of employment growth and the range of forecasts provided by the three forecasting houses indicate that employment growth in the period 2014-32 can be expected to be in the range of 910 jobs pa to 1,480 jobs pa (see Figure 5.24). But this is a very wide spectrum which would generate very different estimates in terms of the number of new homes that might be required to accommodate the additional workforce required to fill these jobs.

11.2 This section of the SHMA sets out how Wessex Economics has assessed the housing implications of different levels of employment growth. Rather than focus on analysing the housing implications of the forecasts by the three forecasting houses, or some of the different historic trends, Wessex Economics has taken the view that it is more sensible to develop scenarios that span the range of possible future employment growth scenarios; and to test the housing implications for these scenarios.

11.3 This section therefore analyses what would be the housing implications of the 5 scenarios set out at the end of Section 10. These five scenarios are based on average annual job growth over the period 2014-2032 as follows:

- Scenario 1 – 900 jobs pa
- Scenario 2 – 1,050 jobs pa
- Scenario 3 – 1,200 jobs pa
- Scenario 4 – 1,350 jobs pa
- Scenario 5 – 1,500 jobs pa

11.4 More specifically this section of the report examines what increase in the resident workforce would be consistent with these additional jobs with no change in net commuting or double-jobbing in the HRSH area. Having established the resident workforce that meets the demand for labour arising from employers, this can be worked through to estimates for population, households and ultimately the number of homes associated with that level of growth in the resident workforce.

Linking Job Growth and Changes to Resident Labour Force

11.5 The approach taken to working through the potential implications of employment growth for provision of new homes starts with estimating the number of people resident in the HRSH who are economically active. The economically active population of the HRSH can be reasonably referred to as the local resident workforce. They are the pool of local residents available for work in the HRSH area though some will work outside the area, and people who live outside the area will work in the area.

11.6 It is important to understand the current relationship between the number of jobs in the HRSH and the resident workforce. Put another way, it is important to understand the labour force requirements associated with different scenarios for job growth. The number of resident workers required to support any anticipated level of employment in the HMA will depend in part on two factors: commuting patterns and the level of double-jobbing.

11.7 Where an area experiences net-out commuting, as is the case in the HRSH area, a greater increase in the economically active population needs to be assumed to ensure an adequate supply of labour for a particular level of job growth, than would be the case in an area where in- and out-commuting are in

balance. This is because some of the additional economically active people drawn to an area by job growth are likely to work outside the area.

11.8 The converse is also true. Where an area is characterised by net in-commuting, the increase in the economically active population to achieve a particular level of job growth is likely to be lower than in areas with net out-commuting, because some of those jobs are likely to be filled by additional in-commuters. Of course, in practice commuting patterns change over time as the spatial distribution of jobs changes and in response to changes in transport infrastructure.

11.9 Double-jobbing reflects the fact that some people have more than one job; therefore, the number of workers required to fill all the jobs in an area should always be slightly lower than the number of jobs (after consideration is given to commuting patterns).

11.10 For the purposes of this assessment, it is assumed that current patterns of commuting to and from the HRSH area are held constant. OAHN is essentially to be determined within a 'policy off' framework; that is, the situation as it currently is and any evolution of that in the absence of a Local Plan or other needs assessment-related intervention by a planning or housing authority.

11.11 In all the analysis set out in this section, it should be borne in mind that the labour market is flexible, and adapts much more readily to shifts in demand and supply than the housing market.

Commuting Patterns

11.12 Figure 11.1 presents information of the pattern of commuting to and from the HRSH area and the individual local authorities in the HRSH area. As one would expect in a Housing Market Area, the HRSH area has a relatively high level of labour market self-containment. However, proximity to London and other major centres of employment on the west and south of London means that there are quite high levels of both in- and out-commuting. The ratio of those living in the HRSH area (and in work) to those working in the area[45] (regardless of where they live), often referred to as the commuting ratio, is 1.075, which means that about 8% more people live in the area (and are working) than work in the HMA.

11.13 It should be noted that the figures in the final column of Figure 11.1 are not the product of summing the individual local authority figures. This reflects the fact that within the HRSH area there are significant numbers of people who live in one District/Borough in the HMA and work in another District/Borough in the HMA. Thus, someone living in Hart but working in Rushmoor would be an out-commuter in the Hart data but living and working in the same area when the analysis is considering at the HMA.

11.14 It should also be noted that jobs and workforce are in much closer balance in Rushmoor and Surrey Heath than in Hart. The commuting ratio in Rushmoor and Surrey Heath is 1.02, while that in Hart is 1.20[46], which means that, overall, a higher proportion of the residents of Hart commute out of the District to work than is the case in Rushmoor and Surrey Heath. Part of the explanation of this is that Rushmoor and Surrey Heath have larger concentrations of employment (business parks and major town centres) in their respective areas than Hart, which is more rural in character. Detailed analysis of commuting patterns, including the major destination and origin flows are set out in Appendix C. Overall, the number of working residents in the HRSH area outnumbers those who work in the area by around 10,100 persons.

[45] The 2011 Census is the most recent source of data for commuting patterns, and now some years out of date, and likely to have changed significantly because of significant job growth in the SHMA.

[46] The commuting ratio is calculated by the (Total Living in LA or HMA and working/Total working in the LA or HMA)

Figure 11.1: Commuting Patterns in the Study Area and Local Authorities (2011)

	Hart	Rushmoor	Surrey Heath	HRSH
Live and work in LA/HMA	11,051	16,367	10,888	*57,935*
Home workers	7,053	4,565	6,317	*17,935*
No fixed workplace	3,732	4,131	3,758	*11,621*
Out-commute	26,477	26,208	24,340	*57,396*
In-commute	18,556	25,058	23,295	*47,280*
Total working in LA/HMA	40,392	50,121	44,258	134,771
Total living in LA/HMA (and working)	48,313	51,271	45,303	144,887
Commuting ratio	1.20	1.02	1.02	1.08

Source: 2011 Census of Population

11.15 When using the commuting data in the calculation of the projected growth in the labour-force for the HMA as a whole, it is assumed that the commuting ratio remains unchanged compared to that reported in the 2011 Census; that is, to ensure adequate labour supply to fill 1,000 jobs, other things being equal, there will be a need for an additional 1,080 economically active residents of the HRSH to allow for the fact that 80 of these economically active residents are expected to commute out of the area. The Census Population remains the only source of intelligence on commuting patterns, though it is now 5 years old, and there has been significant job growth in the HRSH in recent years.

Double-Jobbing

11.16 As well as commuting patterns, it is necessary to consider the impact on labour force requirements associated with the fact that a number of people have more than one job (double-jobbing). This can be calculated as the number of people working in each local authority divided by the number of jobs. Data from the Annual Population Survey suggests that around 3.7% of workers have a second job.[47] This gives a double-jobbing ratio of 0.963, which means that the number of jobs can be discounted by 3.7% to estimate the required change in the workforce associated with a particular anticipated increase in jobs. There is little difference between the three authorities in the HMA in terms of estimates of double-jobbing so the 3.7% figure has been applied across the HMA.

Labour Force Growth

11.17 Figure 11.2 shows the level of growth in the resident workforce associated with each of the five employment scenarios being tested for the HRSH area, for each year during the period 2014-2032, assuming that the net commuting balance and double-jobbing ratio remain unchanged. The change in resident workforce is calculated as follows: (additional jobs)*(commuting ratio of 1.08)*(double-jobbing ratio of 0.963). Overall, the employment scenarios being examined anticipate an increase of between 900 and 1,500 jobs per annum across the HMA.

11.18 If commuting patterns and levels of double-jobbing are held constant, the range of job growth covered by the scenarios would entail growth in the resident workforce in the range of 930 -1,555 people per annum. The figure is larger than the number of jobs, because of the assumption that the net commuting balance is held constant. This assumption outweighs the fact that, other things being equal, the double-jobbing assumption *reduces* the workforce size needed for a given level of employment growth.

[47] Calculated based on data averaged for the period 2004-14. Averaging over a 10-year period is used in recognition that the data from the APS is based on a sample survey with relatively high error margins associated with data for individual years.

Figure 11.2: Jobs Growth and Change in Resident Workforce (per annum)

Additional jobs (pa)	Change in resident workforce (pa)
900	932
1,050	1,087
1,200	1,242
1,350	1,397
1,500	1,553

Source: Wessex Economics, NOMIS and 2011 Census of Population

Linking Resident Workforce Change to Demographic Projections

11.19 Having estimated the change to the workforce under a range of scenarios the next stage is to estimate how much growth this implies in the resident population, to ensure a sufficient workforce is available to fill the forecast number of jobs. There is no guidance on the best approach to do this, and consultants have used a range of different approaches.

11.20 The difficulties associated with forecasting economic activity rates at the local level have, at times, led planning inspectors to criticise such approaches, particularly where modelling attempts to look at individual age and sex groups. Sometimes assumptions about future employment rates are embedded in forecasting models that anticipate that population will change in accordance with anticipated job growth, but assumptions about economic activity rates, double-jobbing or even commuting patterns are often not explicit. The problems of accurate assessment are multiplied the smaller the area under consideration.

11.21 On balance Wessex Economics' judgement is that, given the level of uncertainty entailed in reliably forecasting economic activity or employment rates, it is better to avoid making multiple assumptions about activity rates, double-jobbing etc when analysing the link between jobs and housing.

11.22 However, it is important to remember that the labour market in the UK is flexible; that is, increases in the demand for labour can be expected to call forth additional supply, particularly when additional demand leads to higher wages. The additional supply can arise from increases in the number of hours people work, the number of jobs they have, reduced unemployment or drawing the economically inactive back into the labour market. All of these can happen within in a sub-regional labour market, quite apart from the possibility of shifts in net commuting.

11.23 The approach taken in this SHMA is therefore to base estimates of changes to economic activity rates on data for which there is reasonable certainty and to be explicit about the additional assumptions required, so that the process used is transparent rather than obscure. This approach is based on making reasonable assumptions about what is likely to happen over a 20-year period, using evidence that can be tested and questioned, bearing in mind that workforce patterns change over time, as does the nature of working life, and that the past is always an imperfect guide to the future.

11.24 This approach focuses on the two key groups in the population relevant in estimating the future size of the workforce: the number of people of working age who are economically active; and the number of people who have reached retirement age and who are economically active. The analysis set out below sets out how the numbers in the HRSH area currently in each of these two groups have been estimated, and how estimates of how the number of economically active people in each group is projected to change over the time frame of the SHMA.

11.25 An important assumption when modelling the labour force is that any increase in the number of residents in employment in an area would need to be matched in proportion by the increase in the number of people who are economically active in the area.

Working-Age Population

11.26 The first part of the analysis examines the working-age population. No particular assumptions need to be used in estimating the working-age population, since these are a product of the number of people in different age brackets, with working age defined by central government through the setting of pensionable age. The Pensions Act of 2014 is the most recent definition of the upper limit of working age, though it is acknowledged that people over working age are economically active. The numbers of such people are assessed separately later in this section.

11.27 Planning Policy Guidance encourages the use of working age as basis for analysis. Thus NPPG states that: *'plan makers should make an assessment of the likely change in job numbers based on past trends and/or economic forecasts as appropriate and also having regard to growth of the working-age population in the housing market area'* (NPPG section 2a-018, Wessex Economics emphasis).

11.28 However, estimating the working-age population, and how this will change over time, is not as straightforward as it has been in the past when the working-age population was conventionally defined as the population aged 16-64 (and previously 16-64 for males and 16-59 for females). The position is now that incremental increases are being introduced to pensionable age for both sexes, which means people in future will be drawing the state pension later in life.

11.29 Figures 11.3 and 11.4 present information from the 2014-based national population projections from ONS. These Figures show separately for men and women the proportion of an age group who are considered to be of pensionable age. The Government is phasing in increases in the age at which men and women can start to receive the State Pension. This means, for example, that there are a couple of years in which men born in that year who reach the age of 65 will be able to start to draw the State Pension and there will be some who have to wait until they are 66 to receive the State Pension. The data is only available up to 2027 and age 66 because there are no future proposals at this point in time for further changes to pensionable age until 2044, which is some way beyond the date of projections typically developed for SHMAs.

Figure 11.3: Proportion of Males of Pensionable Age by Age and Date

	Age group						
	60	61	62	63	64	65	66
2011	0	0	0	0	0	1	1
2012	0	0	0	0	0	1	1
2013	0	0	0	0	0	1	1
2014	0	0	0	0	0	1	1
2015	0	0	0	0	0	1	1
2016	0	0	0	0	0	1	1
2017	0	0	0	0	0	1	1
2018	0	0	0	0	0	1	1
2019	0	0	0	0	0	0.60274	1
2020	0	0	0	0	0	0.09863	1
2021	0	0	0	0	0	0	1
2022	0	0	0	0	0	0	1
2023	0	0	0	0	0	0	1
2024	0	0	0	0	0	0	1
2025	0	0	0	0	0	0	1
2026	0	0	0	0	0	0	0.84700
2027	0	0	0	0	0	0	0.35069

Source: ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls

Figure 11.4: Proportion of Females of Pensionable Age by Age and Date

	Age group						
	60	61	62	63	64	65	66
2011	0.35069	1	1	1	1	1	1
2012	0	0.84658	1	1	1	1	1
2013	0	0.34973	1	1	1	1	1
2014	0	0	0.84700	1	1	1	1
2015	0	0	0.35069	1	1	1	1
2016	0	0	0	0.76438	1	1	1
2017	0	0	0	0.01370	1	1	1
2018	0	0	0	0	0.26575	1	1
2019	0	0	0	0	0	0.60274	1
2020	0	0	0	0	0	0.09863	1
2021	0	0	0	0	0	0	1
2022	0	0	0	0	0	0	1
2023	0	0	0	0	0	0	1
2024	0	0	0	0	0	0	1
2025	0	0	0	0	0	0	1
2026	0	0	0	0	0	0	0.84700
2027	0	0	0	0	0	0	0.35069

Source: ONS – table: pensioncalcsfor2014npps_tcm77-421363.xls

11.30 These data on the changes to the age at which people become eligible to claim the State Pension can be meshed with the population projections to estimate the overall change in the working-age population. Figure 11.5 shows the results of this analysis when linked to the SNPP projection presented in Section 8. Over the 2014-32 period the working-age population of the HRSH area is projected to increase by about 8,200 people (about 453 per annum), roughly a 5% increase with similar percentage increases anticipated across each of the HRSH authorities.

Figure 11.5: Projected Change in Working-Age Population

	Working-age population (2014)	Working-age population (2032)	Change in working-age population	% change
Hart	55,831	58,549	2,719	4.9%
Rushmoor	62,216	65,200	2,983	4.8%
Surrey Heath	53,034	55,491	2,456	4.6%
HRSH	171,082	179,240	8,158	4.8%

Source: Wessex Economics, Derived from Demographic Projections

11.31 However, the working-age population is not the same as the number of people who are economically active and, hence, in work or seeking work. Some people of working age may be unable to work or choose not to work. To estimate the proportion of the working-age population who are economically active, data has been drawn from the 2011 Census of Population. The analysis is undertaken for men aged 16-64 and women aged 16-59. The difference in the age range for men and women reflects the fact that at the time of the 2011 Census, the programme of changes to pensionable age were only just starting and, therefore, the vast majority of females in the 60-64 age band would have reached pensionable age.

11.32 Figure 11.6 shows the number of people who were economically active in 2011 in the HRSH area, and the proportion of the working-age population who were economically active. Across the whole of the HMA, 85% of those of working age were economically active, with little variation within the HMA area in terms of the three constituent local authorities. This proportion (85%) can be applied to the forecast change in the working-age population derived from the population projections to estimate the change in the number of economically active residents in the HMA area over the period 2014-32.

Figure 11.6: Proportion of Working-Age Population who are Economically Active

	Working-age population (2011)	Economically active working-age population (2011)	% economically active
Hart	54,611	46,749	85.6%
Rushmoor	61,131	51,935	85.0%
Surrey Heath	52,207	44,122	84.5%
HRSH	167,949	142,806	85.0%

Source: 2011 Census of Population

11.33 However, before assuming simply that the economic activity rates derived from the 2011 Census should be applied to the working-age population, it is worth reviewing evidence that throws light on whether these economic activity rates may change over time. The approach used to provide insight into this question has been to analyse the pattern of change in economic activity rates between 2004 and 2014 using the Annual Population Survey (APS). Since data from the APS are not robust at local authority level, the analysis has been conducted for the whole United Kingdom.

11.34 The focus of the analysis of the APS data is on the 16-64 age group. This age group does not exactly match the definition of working-age population developed above, due to the changes in pensionable age that have been, and continue to be, introduced by Government, but is the closest match available to the age groups being examined. The analysis shows that the proportion of the working-age population who are economically active has increased by around 1 percentage point over the past decade, with economic activity rates dropping in the years of recession and bouncing back strongly from 2011 and subsequently exceeding previous levels.

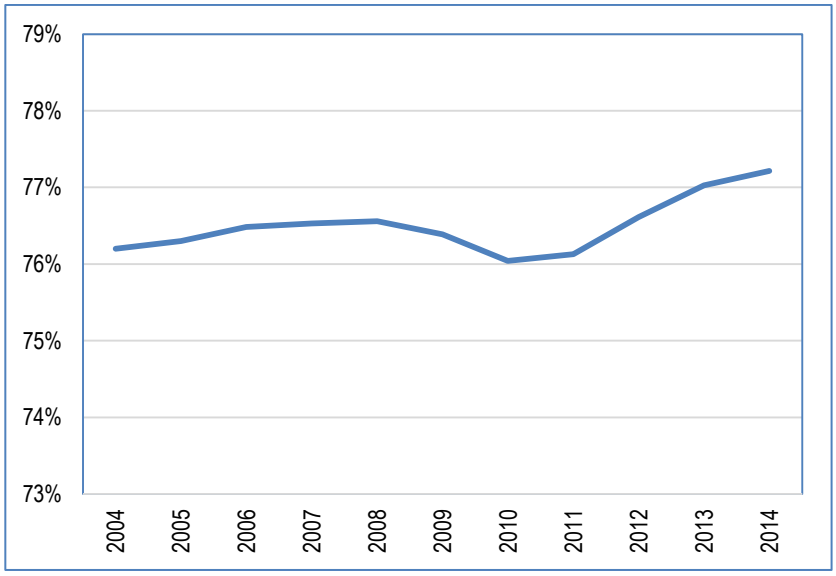
11.35 However, the overall changes in economic activity rates amongst the working age population over the course of the past decade are relatively modest. The sharp increase in economic activity rates since 2011 can be attributed to job growth in the labour market, which has drawn increasing numbers of those who were economically inactive back into the labour market. It can also be linked to the start of pension reform, and weak earnings growth, which may have encouraged other household members, who have not traditionally needed to work, to do so.

11.36 In Wessex Economics' view, the trend growth in economic activity rates since 2011 is unlikely to be sustained, and this is likely to mean that the growth in employment rates will slow. The likelihood is that economic activity rates will stabilise at a somewhat higher rate than in the decade 2000-2010. However, it is worth noting that where there is strong demand for labour, it can encourage enhanced participation in the labour market, since employers will offer greater incentives in terms of wages, or flexibility of working hours and conditions.

11.37 It would be unwise for the purposes of the assessment of OAHN to assume that economic activity rates among the working-age population will increase significantly from their current levels; but there is no reason to expect that they will decline. In Wessex Economics' opinion, this conclusion holds valid even in the light of the uncertainty caused by the outcome of the EU Referendum. This is because those who wish to work are likely to continue to want to do so. The greater uncertainty relates to anticipated levels of job growth and the availability of labour from outside the UK.

11.38 However, the labour market is flexible and, to some degree, strong demand in a particular locality calls forth additional labour supply. Similarly, a relative shortage of jobs may cause people who would otherwise have continued to work to retire and cease looking for work. For the purposes of determining OAHN it is best to assume that the levels of economic activity as recorded in the 2011 Census will apply in the future, while bearing in mind that in reality where there is significant demand for labour, some uplift in economic activity rates could be expected.

Figure 11:7: Change in Economic Activity Rate (United Kingdom) – Population aged 16-64



Source: Annual Population Survey (from Nomis)

Economically Active Population of Pensionable Age

11.39 The analysis above has analysed the characteristics of the working age population and specifically the proportion of the working-age population who will be economically active in the period 2014-32. To complete the analysis of how the economically active population might change it is also necessary to consider people who have reached pensionable age who are still working or seeking work.

11.40 The approach taken to assessing the number of people in the HMA who are over pensionable age who work is similar to that used for the population of working age. Figure 11.8 shows that the number of people of pensionable age is projected to increase by around 13,800 over the 2014-32 period (linked to the SNPP) with an increase of 4,200 to 4,900 persons being projected in each local authority.

Figure 11.8: Projected Change in Pensionable-Age Population

	Pensionable-age population (2014)	Pensionable-age population (2032)	Change in pensionable-age population	% change
Hart	18,793	*23,664*	*4,871*	25.9%
Rushmoor	14,158	18,892	4,734	33.4%
Surrey Heath	17,509	21,709	4,201	24.0%
HRSH	50,459	64,265	13,805	27.4%

Source: Wessex Economics Derived from Demographic Projections

11.41 As with those of working age, the change in the number of people of pensionable age is only the first step in estimating how many of these people are economically active. 2011 Census of Population data provides the information required to determine the proportion of men aged over 65 and women aged over 60 who are economically active. Figure 11.9 shows that around 18-19% of this population group in the HMA were economically active in 2011.

Figure 11.9: Proportion of Pensionable-Age Population who are Economically Active

	Pensionable-age population (2011)	Economically active pensionable-age population (2011)	% economically active
Hart	18,070	3,395	18.8%
Rushmoor	13,723	2,401	17.5%
Surrey Heath	17,095	3,232	18.9%
HRSH	48,888	9,028	18.5%

Source: 2011 Census of Population

11.42 It could simply be assumed that 18.5% of the population of pensionable age will continue to be economically active. However, it is worth assessing if this figure is likely to increase (or decrease) over time. Again, analysis has been carried out using Annual Population Survey data focusing on the over-65 age group. This age group does not exactly match 'pensionable-age' but is the closest match available to the age groups that are the subject of this study. The core analysis again examines how economic activity rates have changed across the whole United Kingdom because of the high error factors associated with the data when analysed at a lower spatial level. The time period covered is from 2004 to 2014, which is the longest consistent time series available from this source.

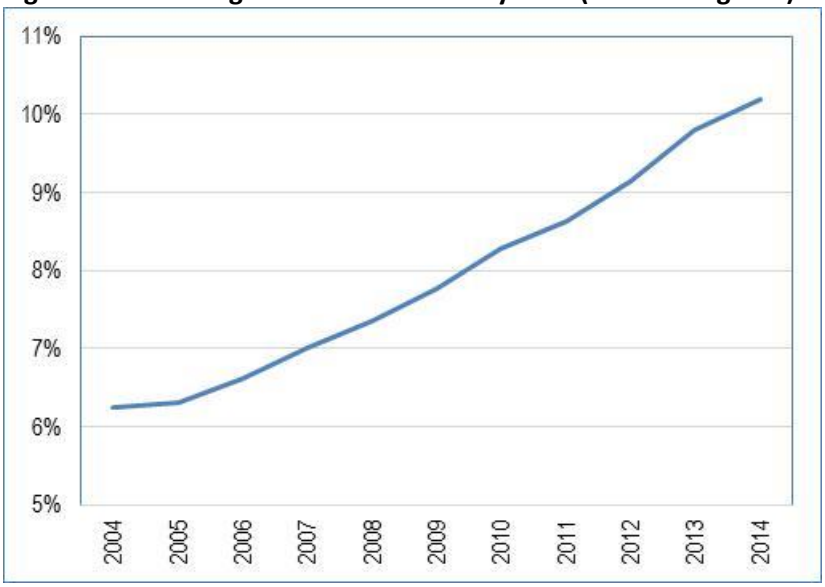
11.43 Figure 11.10 shows that the proportion of the pensionable-age population who are economically active has increased notably over the past decade (increasing from about 6% in 2004 to 10% in 2014). This would indicate that further increases in activity rates of the older population might reasonably be expected, given the improving health of the older population, and perhaps driven by greater need and opportunity to work with growing uncertainty about the amount that private pensions, and even State Pensions, may provide in terms of income. But it is difficult to know how much the economic activity rate of this cohort of the population might change in the future.

11.44 For the purposes of this analysis, it has been assumed that the increase in activity rates among this age group will slow down. The analysis has been run on the basis that the rate of increase is half the rate reported in the 2004-14 decade, an increase of 0.2% per annum. The rationale for this is that most economic and social trends follow an 'S' shaped pattern. Some change in the economic or social context leads to changes in behaviour, typically with initially limited response, which then accelerates, and then slows and returns to a near constant or only slow growth until the next disruptive event occurs to shake existing patterns. Forward projection of an upwards trend taken in the phase where growth is greatest leads typically leads to inaccurate forecasts.

11.45 There is no precedent for the use of 50% of the average annual increase reported over the period 2004-14, but this is a reasonable assumption for modelling given that the data clearly shows an upward trend with no evidence of any slowdown. However, in view of the prevalence of the 'S' shaped curve in social and economic trends, it is sensible to assume that this trend will not continue indefinitely on a linear pattern and, as with most social trends, will stabilise at a new level; and might decline if the underlying drivers that are bringing about this pattern of rising activity rates go into reverse.

11.46 Due account needs to be taken of the fact that a significant part of the growing population of people of pensionable age is accounted for by people aged over 80 where activity rates are likely to be very low; though this will already be reflected in the APS data. As with the discussion of future trends in economic activity rates among those of working age, Wessex Economics would not anticipate that the outcome of the EU Referendum will change people's desire to work. The uncertainties surround the scale of future job growth and labour supply from outside the UK.

Figure 11.10: Change in Economic Activity Rate (United Kingdom) – Population Aged 65+



Source: Annual Population Survey (from Nomis)

11.47 Figure 11.11 shows the estimated activity rates among the older population in 2014 and 2032, based on the commentary and assumptions set out above. For the purposes of modelling, no increase has been included for the 2011-14 period. This makes no difference to the scale of the anticipated growth in the numbers of economically active people aged over 65 in the period 2014-32.

Figure 11.11: Estimated Economic Activity Rates 2014 and 2032 – Population Aged 65+

	% economically active (2014)	% economically active (2032)
Hart	18.8%	22.4%
Rushmoor	17.5%	21.1%
Surrey Heath	18.9%	22.5%
HRSH	18.5%	22.1%

Source: 2011 Census of Population

What is the Change to the Economically-active Population?

11.48 Having set out the analysis of the two population groups from which economically active people are drawn (those of working age and those who have reached pensionable age) it is possible to estimate the overall change in the number of economically active people in the HMA. This is set out in the Figure 11.12 and uses the proportions of each group who are economically active (and changes as appropriate) applied to the relevant population.

11.49 The analysis shows that when these changes are linked to the 2012-based SNPPs, there would be an increase in the economically active population of about 11,800 people (655 per annum). This figure is lower than the growth in the resident workforce estimated as being required by even the lowest of the economic forecasts (932 jobs per annum).

Figure 11.12: Estimated Change to the Economically Active Population (2014-32)

	Change in working-age economically active	Change in pensionable age economically active	Total change in economically active	Per annum change
Hart	2,327	1,767	4,094	227
Rushmoor	2,535	1,508	4,043	225
Surrey Heath	2,076	1,576	3,652	203
HRSH	6,938	4,851	11,789	655

Source: Wessex Economics, Derived from Demographic Projections

Housing Need linked to Job-Growth Forecasts

11.50 Given that the level of growth in the economically active population is lower than required to meet job growth forecasts it is necessary to consider how this shortfall in potential labour supply should be met. NPPG does not in-itself require an uplift in housing provision to be considered; it speaks only of how plan-makers need to consider how the location of new housing or infrastructure development could address the potential adverse impacts, rather than considering how to avoid a disparity between the labour force and the projected job growth in-itself (see NPPG paragraph 018).

11.51 Within the range of possible responses to a potential 'shortage' of labour, one response is to boost housing supply to seek to ensure that the need for additional labour supply arising can be met in full or in part. But in so doing consideration has to be given to the certainty of employment growth – since developing additional housing to meet anticipated labour demand could lead to increased out-commuting if the anticipated increase in labour demand does not materialise; and this increase in out-commuting might place existing infrastructure under stress. Planning for balanced growth is inherently a complex task.

11.52 On the evidence presented above, there is a risk in the HRSH area that job growth would be constrained as a consequence of a relative shortage of resident labour force. Therefore consideration needs to be given as to what scale of uplift in planned housing provision would be needed to facilitate anticipated levels of employment growth. For the purposes of considering an uplift within the demographic model used for the SHMA, migration assumptions have been changed so that across the HMA the increase in the economically active population matches the increase in the resident workforce required.

11.53 The need to make this assumption arises from rooting the analysis in the official demographic projections; and, critically, holding constant commuting flows and generally constraining other factors that might contribute to labour supply if there is real pressure of demand; that is, adjustment factors such as the increase in double-jobbing or the scope to increase the number of hours worked on average by the existing labour force, for example by people working part time who start to work full time.

11.54 This assumption also precludes the likelihood that if wage and property costs rise in one area, this may encourages employers who do not particularly derive competitive advantage from their current location to consider moving to areas with cheaper property and labour costs. This is how a market economy is expected to work and can assist areas with surplus labour (probably reflected in lower economic activity rates) and lower property costs to grow at a faster rate than they would otherwise have done. This behaviour of the market generally supports sustainable development, directing growth to areas with surplus resources.

11.55 It is also worth re-iterating that economic growth and prosperity can be delivered through increasing investment and labour productivity. Indeed, in areas where labour supply is relatively constrained and housing costs are high, this is the most sustainable way to secure economic growth because rising productivity is likely to be associated with rising salaries and wages, which will help to improve affordability. It is unfortunate that the NPPG does not recognise this, despite the Government's agenda which aims to boost business investment and raise productivity.

11.56 It should also be noted that if housing provision is to be increased to avoid a potential shortage of labour in the HMA, this essentially has to be delivered by increasing net in-migration of working age adults, which could create issues in other HMA areas. This is because, if one works within the overall constraints of national population projections, increasing net in-migration to the HRSH area, necessarily implies a reduction in some other HMA relative to what their economically active population would have been.

11.57 Such adjustments may raise duty to co-operate issues; this is recognised in part in NPPG which states in the section on employment trends (ID 1a-2-18-20140306) that 'any cross-boundary migration assumptions, particularly where one area decides to assume a lower internal migration figure than the housing market area figures suggest, will need to be agreed with the other relevant planning authority under the Duty to Cooperate.'

11.58 The converse must also be true – that if an area is assuming that it needs a significant uplift in net in-migration to meet the requirement for labour, then it would need to consult with adjacent authorities since this would imply their workforce projections are over-stated. This issue is examined in more depth in Appendix I. The analysis presented indicates that additional in-migration is, on past evidence, likely to be drawn from quite a wide area. For the estimated OAHN, Appendix I demonstrates that on the basis of migration patterns and future demographic projections, there is unlikely to be a major impact on authorities bordering the HRSH HMA.

11.59 The approach taken in this SHMA to addressing the adequacy of workforce supply is to examine various scenarios developed in terms of the possible magnitude of employment growth, the impact on labour market requirements and the resultant housing requirements. The aim of this is to consider the appropriateness of some further uplift in planned housing provision to ensure that business growth is not constrained by labour shortages.

11.60 For this illustrative analysis, the changes to assumed migration levels required to meet the work force requirements under the five employment growth scenarios have been applied (on a proportionate basis) to each of the individual local authorities. The methodology assumes that the age/sex profile of both in- and out-migrants is the same as underpins the SNPP with adjustments being consistently applied to both internal (domestic) and international migration.

11.61 Adjustments are made to both in- and out-migration (e.g. if in-migration is increased by 1% then out-migration is reduced by 1%). Once the level of economically active population matches the job growth forecast, the population (and its age structure) is modelled against CLG 2012-based headship rates to determine the level of housing that is needed to accommodate this increase in population and household.

11.62 Figures 11.13 to 11.16 show the estimates of housing need set against each of the job growth scenarios set out in Section 6 for the HMA and individual local authorities. The analysis shows that for job growth of

900 per annum there would be a need for some 950 dwellings to be provided each year; this increases to 1,320 when modelling against the forecast anticipating 1,500 jobs per annum.

Figure 11.13: Projected Housing Need – Range of Job-led Scenarios and 2012-based Headship Rates – HRSH

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
900 jobs pa	108,697	125,231	16,534	919	950
1,050 jobs pa	108,697	126,841	18,144	1,008	1,043
1,200 jobs pa	108,697	128,448	19,751	1,097	1,135
1,350 jobs pa	108,697	130,058	21,361	1,187	1,228
1,500 jobs pa	108,697	131,676	22,979	1,277	1,321

Source: Demographic Projections

Figure 11.14: Projected Housing Need – Range of Job-led Scenarios and 2012-based Headship Rates – Hart

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
900 jobs pa	36,603	41,932	5,330	296	305
1,050 jobs pa	36,603	42,429	5,826	324	333
1,200 jobs pa	36,603	42,925	6,322	351	361
1,350 jobs pa	36,603	43,421	6,819	379	390
1,500 jobs pa	36,603	43,920	7,317	407	418

Source: Demographic projections

Figure 11.15: Projected Housing Need – Range of Job-led Scenarios and 2012-based Headship Rates – Rushmoor

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
900 jobs pa	37,657	43,593	5,935	330	342
1,050 jobs pa	37,657	44,195	6,538	363	377
1,200 jobs pa	37,657	44,796	7,139	397	412
1,350 jobs pa	37,657	45,398	7,741	430	446
1,500 jobs pa	37,657	46,003	8,346	464	481

Source: Demographic projections

Figure 11.16: Projected Housing Need – Range of Job-led Scenarios and 2012-based Headship Rates – Surrey Heath

	Households 2014	Households 2032	Change in households	Per annum	Dwellings (per annum)
900 jobs pa	34,438	39,706	5,269	293	303
1,050 jobs pa	34,438	40,217	5,780	321	333
1,200 jobs pa	34,438	40,728	6,290	349	362
1,350 jobs pa	34,438	41,239	6,801	378	391
1,500 jobs pa	34,438	41,752	7,315	406	421

Source: Demographic projections

11.63 To illustrate the number of homes that would be associated with the different job growth scenarios considered in this report, Wessex Economics also present in Figure 11.17 figures for housing requirements associated with three demographic scenarios examined in Sections 8 and 9. The three scenarios are:

- The Baseline Demographic Scenario being the 2012-based demographic 'starting point' scenario as set out in Section 8
- Scenario 1: As set out in Section 9 on market signals, this demographic scenario is based on the Stage 1 household formation rates with an uplift to household formation rates for 25-34 and 35-44 age groups based on a return to the midpoint between 2008- and 2012-based figures by 2032.
- Scenario 2: This is the alternative demographic scenario, as set out in Section 9 on Market Signals, based on the average of Stage 1 and Stage 2 2012-based projection figures for each age cohort and the assumption that these return to the midpoint between 2008- and 2012-based figures by 2032.

11.64 Figure 11.17 shows that:

- The Baseline Scenario requires an estimated 1,135 homes pa to ensure sufficient growth in the labour force to support creation of 1,200 jobs on average, given the assumption of holding the commuting balance constant.
- With Scenario 1 there would be a requirement for 1,195 additional homes pa were job growth to average 1,200 jobs pa over the period 2014-32, on the basis of the assumptions made about net commuting balance.
- Scenario 2 would require provision of an average of 1,254 homes pa were job growth to average 1,200 jobs pa over the period 2014-32.

11.65 The reason why more homes are required for Scenarios 1 and 2 than for the Baseline Demographic Scenario is because these scenarios are associated with increased household formation rates, which imply falling average household size. Therefore to secure the same uplift economically active population, more households are required under these scenarios compared to the Baseline Demographic Scenario.

Figure 11.17: Projected Housing Need in the HRSH Area Linked to Employment Growth Scenarios under Different Demographic Scenarios

Dwellings pa required	Base Demographic Scenario	Alternative Market Trends Scenario 1	Alternative Market Trends Scenario 2
Scenario A - 900 jobs pa	950	1,006	1,063
Scenario B - 1,050 jobs pa	1,043	1,101	1,159
Scenario C - 1,200 jobs pa	1,135	1,195	1,254
Scenario D - 1,350 jobs pa	1,228	1,290	1,349
Scenario E - 1,500 jobs pa	1,321	1,385	1,445

Source: Wessex Economics

11.66 As noted previously in this section, a significant proportion of the growth in the economically active population is anticipated to come from people who have reached retirement age. The analysis shows that there are a significant number of such people living in the HRSH area. The national evidence points to the

probability of the number of such people increasing as a result of both the numbers in this age group increasing, and of increasing economic activity rates among this age group.

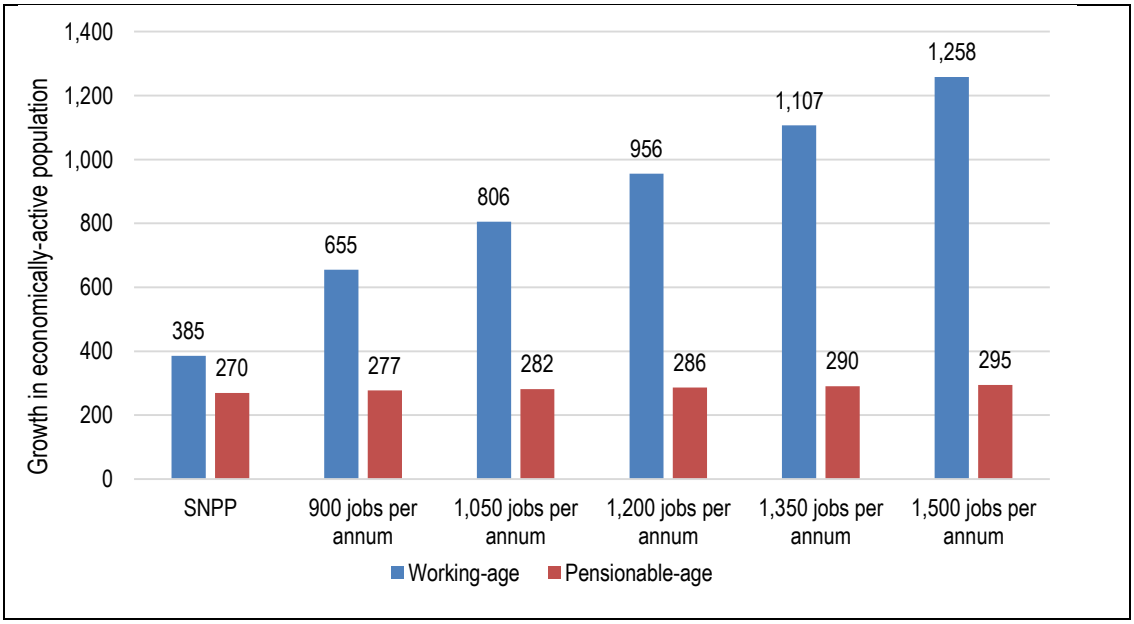
11.67 It is worth drawing attention to the fact that the modelling indicates that as the number of jobs increases under the different scenarios modelled, so does the proportion of the additional workforce that has to be found from outside the HMA area; that is, the greater the level of job growth, the more the workforce has to grow through in-migration; in-migration is anticipated to be dominated by people of working age rather than those of pensionable age.

11.68 This pattern is illustrated in Figure 11.18 which shows the growth in the economically active population split by those of working age and those of pensionable age for the SNPP demographic start point and each of the projections linked to the employment scenarios examined in this section. Under the SNPP-based projections, over 40% of the expected increase in the economically active population comes from people who have reached retirement age; when under the scenario involving job growth of 1,500 jobs per annum, this proportion falls to below 20%.

11.69 Therefore, a higher level of population growth in order to meet job growth can be expected to lead to a younger age structure. However, when considering the higher growth scenarios, it should be borne in mind that these imply an increase in-migration. This migration would come from other areas which in turn would see lower than anticipated population growth. Hence there are clearly cross boundary issues related to the higher (jobs-led) scenarios which will need to be considered as part of duty-to-cooperate discussions. These issues become more significant the greater the anticipated job growth.

11.70 The implication of a different level of house-building in the HRSH area for migration and hence population growth in the surrounding areas has been examined, and the results of the analysis are set out in Appendix I. The broad conclusion is that, for Scenario C, the direct impact on labour supply in adjacent areas of increased housing provision in the HRSH HMA, is not so large as to create duty-to-cooperate issues, because in-migrants would expected to be drawn from quite a wide geographic area. The impacts on neighbouring areas would however increase as the assumed level of job growth increases.

Figure 11.18: Projected Annual Average Change to Economically Active Population by Broad Population Cohort and Scenario



Source: Wessex Economics Demographic Projections

Conclusions on the Implications of Employment Growth for Housing Provision

11.71 The analysis presented in this section has considered the implications of different employment growth scenarios would have on the housing requirements, on the assumption that any shortfall in labour supply has to be met by an increase in in-migration or a fall in net out-migration. The interaction with the scenarios developed in relation to market signals is a particularly important consideration.

11.72 Put simply, if household formation rates increase, then the population for any given increase in the number of homes, will, on average, fall. Thus for whatever level of employment growth is expected, the number of additional homes required to ensure an adequate resident labour force is higher. There is an important interaction therefore between the market signals element (Step 2) of the OAHN process and this Step in the OAHN process, Step 4.

11.73 OAHN should be based on the expectation of some increase in household formation rates over the next 18 years in line with the scenarios set out in Section 9. Thus the range of housing requirement linked to different levels of job growth can expect to be in the following ranges:

- Scenario A: Growth of 900 jobs pa: Housing requirement 1,006 - 1,063 homes pa
- Scenario B: Growth of 1,050 jobs pa: Housing requirement 1,101 - 1,159 homes pa
- Scenario C: Growth of 1,200 jobs pa: Housing requirement 1,195 - 1,254 homes pa
- Scenario D: Growth of 1,350 jobs pa: Housing requirement 1,290 - 1,349 homes pa
- Scenario E: Growth of 1,500 jobs pa: Housing requirement 1,385 - 1,445 homes pa

11.74 There is genuine uncertainty about the scale of job growth that can be expected in the HRSH HMA over the next two decades, given the divergence of forecasts, and the wide spread of trend analysis based on different data sources over the course of past business cycles.

11.75 In the light of such uncertainty Wessex Economics takes the view that it would be wise not to base key planning decisions on either the extremes of the likely range of employment growth; but there should be an expectation of some increase in household formation rates, over and above those embedded in the current CLG Household Projections.

11.76 These considerations lead Wessex Economics to conclude that the most appropriate figure to take into the OAHN process is to anticipate potential job growth of around 1,200 jobs pa. Delivery of 1,200 homes pa would be consistent with this level of job growth in terms of labour supply, without reliance on significant increases in net in-commuting, or reduced out-commuting.

12. OAHN Step 5: Objectively Assessed Housing Need

Summary

A 5-step approach has been used to establish the figure for Objectively Assessed Housing Need

- Step 1: The Starting Point: the most recent Government Household Projections
- Step 2: Assessment of Market Signals and Uplift to Housing Requirements
- Step 3: Affordable Housing Requirements and Adjustment to Housing Requirements
- Step 4: Housing Requirements Arising from Anticipated Employment Growth
- Step 5: Bringing the Evidence Together to establish OAHN

Wessex Economics concludes that the Objectively Assessed Housing Need for the HMA area is for 1,200 homes pa, which equates to 21,600 homes over the 18 year period 2014/15 to 2031/32. This is a significant uplift (53%) over and above the demographically assessed starting point for housing of 785 dwellings for the same period based on the 2012-based household projections.

This level of planned provision allows for a significant uplift in response to market signals designed to make housing more affordable and which can be expected to be associated with higher levels of household formation, and could help to ensure sufficient growth in the working population to meet the anticipated level of employment growth.

The combination of the market signals uplift to required levels of housing provision, an uplift to take account of the number of concealed households, and an uplift to address the demands of employers from within the HMA means that the OAHN figure will contribute significantly more than the demographic starting point to meeting the need for all kinds of affordable housing in the area.

The OAHN figure of 1,200 homes pa is consistent with an average annual job growth of 1,200 jobs. This figure of average annual job growth of 1,200 jobs is the mid-point of the wide range of forecasts of job growth and of trend analyses conducted using different data sets assembled by forecasters from official statistics, analysed over the course of the business cycle. Delivery of this level of housing will ensure that the need for an uplift over and above that indicated by the market signals uplift to take account of concealed households. More generally delivery of new homes at this level will enable enhanced delivery of affordable housing.

The dynamic and flexible nature of the business and labour market provides confidence that if there were pressure of demand for labour in excess of this level, then normal processes of market adjustment would ensure appropriate balance between demand and supply, be that through investment to increase productivity, rising wages calling forth additional labour supply, or relocation of lower value activities to lower cost locations.

In an urban area and highly accessible rural area as integrated as the HRSH HMA, the key figure is the overall assessed need for the HMA area, since in both housing and labour market terms the area is very well integrated. The provision of jobs and homes in one local authority area will contribute as effectively to the overall requirement as provision in any one of the other of the authorities.

The three authorities in the HMA should plan jointly to determine the distribution of the required level of new homes. However, the split of the 1,200 dwelling figure for OAHN between the three authorities is as follows.

- Hart – 382 dwellings pa
- Rushmoor – 436 dwellings pa
- Surrey Heath – 382 dwellings pa

Introduction

12.1 This section brings together the evidence presented in Sections 8 to 11 to provide the overall figure for Objectively Assessed Housing Need in the HRSH area. The section summarises the conclusions of each step in the process of determining OAHN as set out in Section 7, Figure 7.1, and discusses the judgements made, and the fit with NPPG and other guidance and best practice.

The Demographic Starting Point

12.2 Section 8 develops a baseline Population Projection for the HRSH area, updating the 2012-based SNPPs with data for 2013 and 2014. The section considers three other population variants as follows:

- a 2012-based projection based on analysis of a longer-term migration trend 2001/02 to 2013/14
- a 2012-based projection making allowance for Unattributable Population Change (UPC); and,
- a 2012-based projection which is a blended scenario based on incorporating both the longer term migration trend and UPC.

12.3 Wessex Economics concludes that the ONS 2012-based SNPPs are the most robust of these population projections to use in determining OAHN.

12.4 The 2012-based CLG Household Projections have been applied to the ONS 2012-based SNPPs. The CLG Household Projections appear to be robust, in the sense that they are a true reflection of what can be expected to happen if past trends continue. There is no strong evidence that, without deliberate action to improve affordability, that headship rates will diverge from the projections.

12.5 Therefore, the 'demographic starting point' of the OAHN process is the 2012-based ONS population projection, as updated with actual population figures for 2013 and 2014 (MYE), linked to the 2012-based CLG Household Projections. **The housing requirement emerging from this projection is for 785 dwellings pa across the HMA for the period 2014-32.**

12.6 ONS 2014-based population projections were released in May 2016 and CLG 2014-based Household Projections were released in July 2016 after all the modelling for this report was completed. The more recent population and household projections show that anticipated population growth by 2032 will be 1,900 persons less than estimated in the ONS 2012-based population projections; and that the number of household in 2032 would be 1,570 less than estimated in the CLG 2012 based household projections.

12.7 This difference between the 2012 and 2014 projections is deemed not to be material to the determination of OAHN, since other elements of the assessment process, such as the assessment of housing affordability and the assessment of the labour force to ensure that employment growth is not constrained, would require an uplift in housing provision in the HRSH area.

12.8 In particular, if the lower level of population growth as set out in the 2014-based SNPPs, compared to the 2012 SNPPs, were taken into account, this would, other things being equal, imply a lower rate of workforce growth and potentially the requirement for a greater upward adjustment to planned housing provision to ensure an adequate supply of labour.

The Response to Market Signals

12.9 Affordability in the market area has significantly worsened over the past 18 years, as measured by the relationship of lower quartile earnings to lower quartile house prices, and the income required to purchase a house in the HRSH which is higher than the South East average.

12.10 On average, those living and working in Rushmoor will be paying at least 34% of their earnings in rent, with the equivalent in Surrey Heath being at 40% and in Hart at 43% of earnings. The overall number of housing benefit claimants in the HRSH area has increased by 10% in the period 2009-13.

12.11 NPPG states that *'the housing need number suggested by household projections (the starting point) should be adjusted to reflect appropriate market signals' (ID 2a-019-20140306).* NPPG goes onto state *'a worsening trend in any of these indicators will require an upward adjustment to planned housing numbers compared to ones based solely on household projections…. in areas where an upward adjustment is required, plan makers should set this adjustment at a level that is reasonable.'*

12.12 NPPG gives no guidance regarding the scale of the uplift that might be deemed 'reasonable' as a response to the worsening affordability that is evident in the HRSH HMA. Wessex Economics has therefore examined how different levels of percentage uplift might align with household projections, were household formation rates not to be 'suppressed' due to the relatively unaffordable cost of housing in the HMA.

12.13 Having reviewed the evidence derived from alternative scenarios for increased household formation, Wessex Economics conclude that a 15% uplift to the demographic starting point is an appropriate response to the market signals which indicate there has been a decline in affordability in the HRSH area over the last 15 to 20 years.

12.14 Application of a 15% uplift to the housing requirement linked to the demographic starting point (785 dwellings), implies an uplift to an average annual requirement for 903 dwellings pa in the HRSH area as a whole in the period 2014-32.

The Response to Affordable Housing Requirements

12.15 Another dimension of the response to market signals is planning for affordable housing provision. NPPG states that *'plan makers will need to estimate the number of households and projected households who lack their own housing or live in unsuitable housing and who cannot afford to meet their housing needs in the market.* (ID 2a-022-20140306).

12.16 It is estimated that there is a need for 380 affordable homes pa over the 18-year period assessment period to meet the needs of households that are unable to afford to rent privately. These households require subsidised rented housing. These households are often regarded by local authorities as those in priority need and, in the past, they have been the focus of affordable housing policy and provision.

12.17 If those who are able to afford market rents but are unable to access market home ownership (sometimes referred to as those that 'can rent – can't buy') are defined as being in affordable housing need, then in the HRSH there would be a requirement/demand for 590 homes pa to be provided in the form of subsidised home-ownership products. The Government is increasingly prioritising this group of households as reflected in the emerging Starter Homes policy and additional support for shared ownership.

12.18 NPPG does not set out any mechanism to relate the levels of affordable housing need to OAHN. NPPG simply states '*….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.' (Paragraph:029 Reference ID: 2a-029-20140306).* This would indicate that local authorities need to consider in the plan-making process whether an increase in planned provision for housing would help them meet their affordable housing objectives.

12.19 It is important to appreciate that there is overlap between the affordable housing assessment and other elements of the OAHN process. Adjustments to planned levels of housing over and above demographic projections in the light of market signals clearly seeks to have an impact on housing affordability, which can be expected to assist particularly the 'can rent, can't buy' group; this would, in practice, be reflected in higher rates of household formation.

12.20 Similarly, an upward adjustment in planned levels of housing to ensure sufficient growth in the economically active population in response to anticipated growth in labour demand can be expected to contribute to a higher level of affordable housing supply than would otherwise be the case if this was linked solely to demographic projections.

12.21 In the light of guidance, and the overlap of different elements of the OAHN process, Wessex Economics conclude that only one adjustment is advisable for OAHN purposes arising out of the affordable housing analysis. Demographic projections do not count concealed families and are therefore likely to under-estimate the actual requirement for housing (a concealed family being defined as a couple household with or without children living with another household).

12.22 There were 1,427 concealed households in the HRSH HMA in 2011. Levels of overcrowding at the regional level have not changed significantly since 2011, so it is reasonable to assume that the number of concealed households has not changed dramatically since then. If these concealed households are added to the demographic requirements then this would imply a need to plan for an additional 79 households pa.

12.23 Taking into account the need to uplift household requirements to allow for empty properties and second homes, this would imply planning for an additional 82 homes pa to allow for concealed households. Applying an uplift to housing requirements of 82 additional homes to reflect undercounting of households in the SNPPs as a result of exclusion of concealed households will lead to an increase in the assessed requirement for new homes from the 903 dwellings pa, linked to the market trends uplift, to 985 dwellings pa.

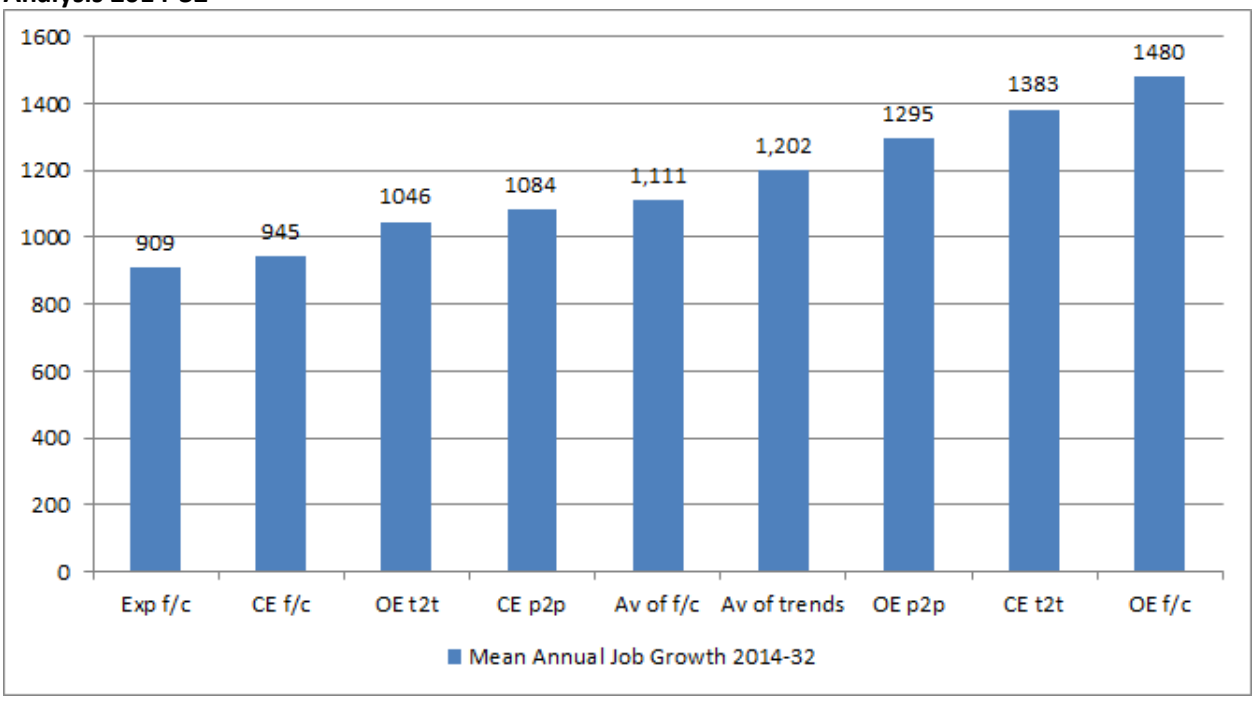
Anticipated Employment Trends

12.24 As discussed in Section 5, analysis of past trends of employment growth and the forecasts prepared by differing forecasting houses generate a very wide range of possible employment growth scenarios, across the range of 910 jobs pa to 1,480 jobs pa in the period 2014-32. The wide range of possible levels of employment growth highlights the considerable uncertainty associated with employment forecasts in the long term, which is exacerbated when taken down to the sub-regional level.

12.25 In order to consider the implications for housing provision in the HRSH area associated with various levels of possible employment growth over the period 2014-2032, five different scenarios have been examined.

These cover the range of potential employment growth indicated by analysis of past trends and forecasts of future employment growth as set out in Section 11 and as shown in Figure 12.1.

Figure 12.1: Summary of Average Annual Employment Growth from Forecasts and Historic Trend Analysis 2014-32



Source: Wessex Economics, Cambridge Econometrics, Experian, Oxford Economics
Note: f/c = forecast; t2t = trough to trough; p2p = peak to peak: Exp = Experian; CE = Cambridge Econometrics; OE = Oxford Economics

12.26 These five scenarios are based on average annual job growth as follows:

- Scenario A – 900 jobs pa
- Scenario B – 1,050 jobs pa
- Scenario C – 1,200 jobs pa
- Scenario D – 1,350 jobs pa
- Scenario E – 1,500 jobs pa

12.27 Wisely, given the degree of inherent uncertainty in employment forecasts and the flexible nature of the UK labour market, NPPG does not call for a mechanistic matching of labour supply and planned housing provision. Instead it requires a rounded consideration of the implications for commuting and the resilience of local businesses, which can be addressed through the location of new housing and infrastructure development.

12.28 The labour force requirements associated with the foregoing five scenarios for annual job growth over the period 2014-32 indicate that some 1,000-1,400 new homes would be required per annum, to ensure an adequate labour supply without any change in the commuting balance; whilst taking account of the likely change in household formation accompanying an uplift to improve housing affordability.

12.29 The central scenario for the annual job growth (1,200 jobs per annum) also indicates that between 1,135 and 1,254 new homes would be required per annum to deliver the associated labour force requirements, depending on whether there is an increase in household formation rates above the levels set out in the 2012-based CLG Household Projections, and the extent of this increase (see Figure 11.17).

12.30 Looking at the scenarios in these different ways tends towards the same judgement: that 1,200 new homes per annum is an acceptable mid-point as the housing need associated with demographic change, market signals and future job growth. Such a requirement would also provide sufficient housing for meeting the needs of concealed households in the HMA, as identified by the affordable housing needs assessment, and enabled enhanced delivery of affordable housing to meet the substantial identified need for subsidised housing.

12.31 The central scenario of 1,200 jobs per annum implies planning for a higher level of job creation than two of the three forecasts from independent forecasting houses and three of the five trend based average annual employment growth calculations. Planning for job growth of 1,200 jobs pa on average over the period 2014-2032 would therefore be planning positively for job growth.

Overall Objectively Assessed Housing Need

12.32 Wessex Economics' conclusion is that the Objectively Assessed Housing Need for the HRSH area is 1,200 dwellings per annum. The figure is a rounded value that represents an "on balance" judgement in the context of all the evidence. Given the range of assumptions that have to be made, the figure of OAHN would ideally be a figure that is treated as an estimate based on the best possible evidence and analysis within a range. However, for planning purposes an actual figure is required.

12.33 The OAHN is a substantial uplift (+53%) over the demographic start point. It could make a substantive contribution to reversing the suppressed household formation rates among younger households evident since 2001, by improving the affordability compared to what it would otherwise have been – assuming similar action is generally taken across the Greater South East; and safeguards the future economic performance of the local economy.

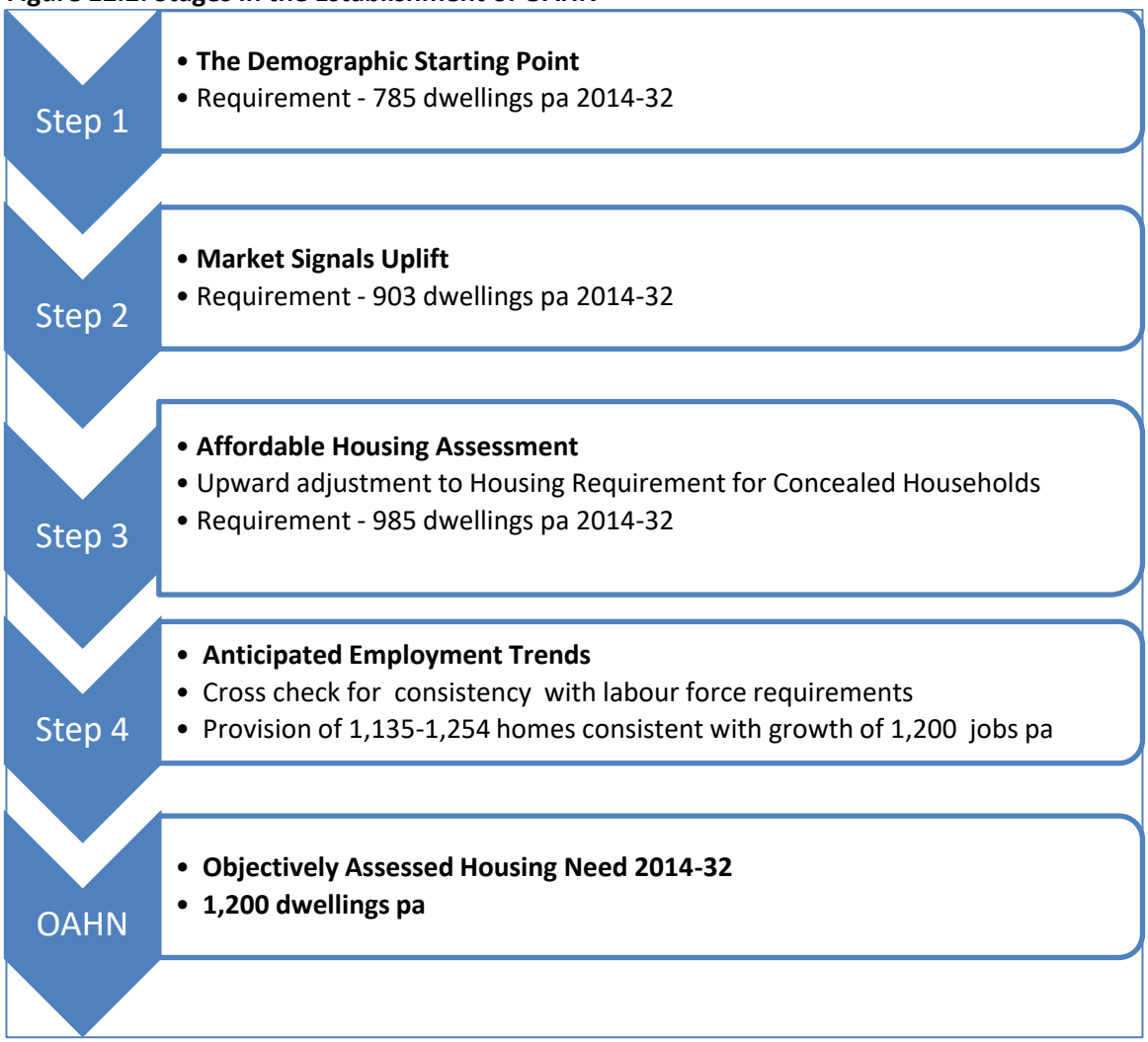
12.34 The OAHN of 1,200 dwellings per annum is for the HMA as a whole, but a breakdown is required for decision-making purposes for each of the three authorities in the HMA. The distribution of the housing requirement is derived from the demographic profile of each authority as set out in the 2012-based SNPPs.

12.35 The requirement for new homes has been uplifted on a consistent basis across each of the three authorities, based on its current and projected demographic structure within national projections. The breakdown of the 1,200 homes OAHN between the three local authorities is as follows:

- Hart – 382 dwellings pa
- Rushmoor – 436 dwellings pa
- Surrey Heath – 382 dwellings pa

12.36 Figure 12.2 summarises the steps in the process leading to the OAHN of 1,200 homes pa 2014-32 and the uplifts applied to the demographic starting point to arrive at the OAHN.

Figure 12.2: Stages in the Establishment of OAHN



13. Mix of Housing Required

Summary

It is difficult to be definitive about the size of market homes that will be in demand in the future, since demand in the market sector is driven as much by changes in household incomes as it is by demographic factors.

Estimates of the size of market homes required from 2014 to 2032 based on demographic trends indicate that the majority of additional households will require two- and three-bedroom homes. This would largely reinforce the existing profile of stock, with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. In the short term it is probable that demand will remain stronger for larger family homes as the market for smaller properties is restricted by deposit requirements and affordability issues, though Government initiatives including Help to Buy and Starter Homes are focused on supporting this segment of the market.

In terms of the sizes of subsidised housing implied by demographic trends, around three-quarters of the requirement is for homes with one or two bedrooms, with around a quarter of the requirement being for larger homes with three or more bedrooms. Relative to the current stock there is a slight shift over time towards a higher requirement for smaller homes. But whilst this takes account of the size of the housing stock, it does not take into consideration the differential flow of different sized properties becoming available for re-let as discussed in Section 10.

The modelling provides estimates of the different sized homes that are likely to be needed according to demographic projections and current occupancy patterns, but there are a range of other factors that should be taken into account in developing any policies to influence the housing mix:

- The impact of changes in income and wealth distribution and the impact on occupancy
- The frequency with which different sized homes become available for sale or rent
- Prices and rents and the relative price of different sized properties
- Availability of finance and deposit requirements, particularly with respect to properties suited to first time buyers
- The market cycle – which may encourage the development of different types of properties

There are a range of other factors relevant in considering policies for the mix of subsidised housing sought through development schemes. At the housing market level, the analysis would support policies for:

- One-bed properties to make up around 30% of new homes: reflecting continued need for smaller properties but also taking account of the fact that re-lets within the existing stock are biased towards smaller accommodation so these needs can be met more easily.
- Two-bed properties to make up around 30-40% of new homes: this is broadly consistent with the proportion of households in need who require two bed homes and these properties provide more flexible accommodation, being able to meet the needs of a wider range of households, including couples and small families.
- Three-bed or larger properties to make up around 30% of new homes: there are relatively substantial numbers of households needing larger properties and they often wait longer to be housed because of limited supply.

These proportions recognise the role which the delivery of larger family homes can play in releasing supply of smaller properties for other households, together with the limited flexibility which one-bed properties offer.

It is also important that the nature of development on specific sites need to be considered within the context of existing stock and the characteristics of the surrounding neighbourhood.

Introduction

13.1 This section provides evidence on the mix of homes that might be required in the future. This draws on the demographic projections (consistent with Section 8) and current occupancy patterns, as well as the characteristics of the existing stock (Section 6).

13.2 The National Planning Policy Framework expects local authorities to deliver a wide choice of high-quality homes, widen opportunities for home ownership and create sustainable and inclusive, mixed communities (Paragraph 50, NPPF).

13.3 Specifically, local authorities are asked to:

- plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes);
- identify the size, type, tenure and range of housing that is required in particular locations, reflecting local demand.

13.4 Section 10 provides evidence on the need for affordable housing. It also sets out current considerations in relation to the mix of subsidised rent and subsidised home ownership products that could be sought from new housing development.

13.5 The rest of this section summarises the evidence on the size mix of different properties that might be required to meet demands and needs in the longer term. It distinguishes between market and affordable housing (rent and ownership) and sets out the wider considerations around the mix of housing that might be appropriate, as well as the implications of demographic changes.

Size Mix

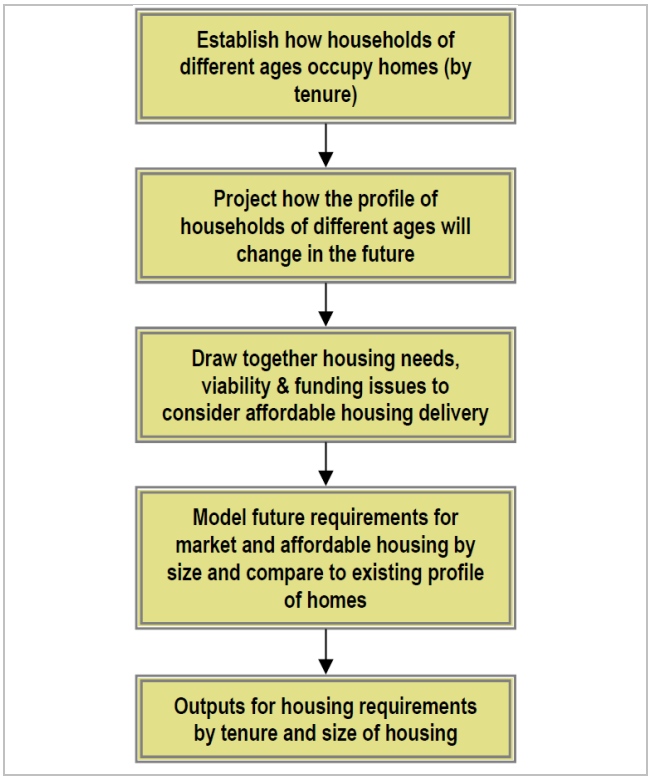
13.6 It is very difficult to be definitive about the size of market homes that will be demanded in the future. This is driven as much by changes in household incomes as it is by demographic factors.

13.7 It may be appropriate for local authorities to identify broad imbalances in the stock of housing in the market area and seek to address this through influencing the mix of market housing that is developed in the future; for example, by allocating sites which encourage or enable a particular type of development.

13.8 There is greater scope to influence the mix of affordable housing provided because of the way that affordable housing is allocated in relation to household size and because local authority and registered providers have direct responsibilities in the provision of affordable housing.

13.9 The analysis in this section uses the information available about the size and structure of the population and households, and considers what impact this may have on the size of housing required in the future. Data is drawn from a range of sources, including the 2011 Census and Wessex Economics' demographic projections. Figure 13.1 describes the broad methodology employed in the housing mix modelling. The methodology uses the information derived in the projections about the number of households in each age and sex group and applies this to the profile of homes that these groups occupy.

Figure 13.1: Summary of Housing Mix Model

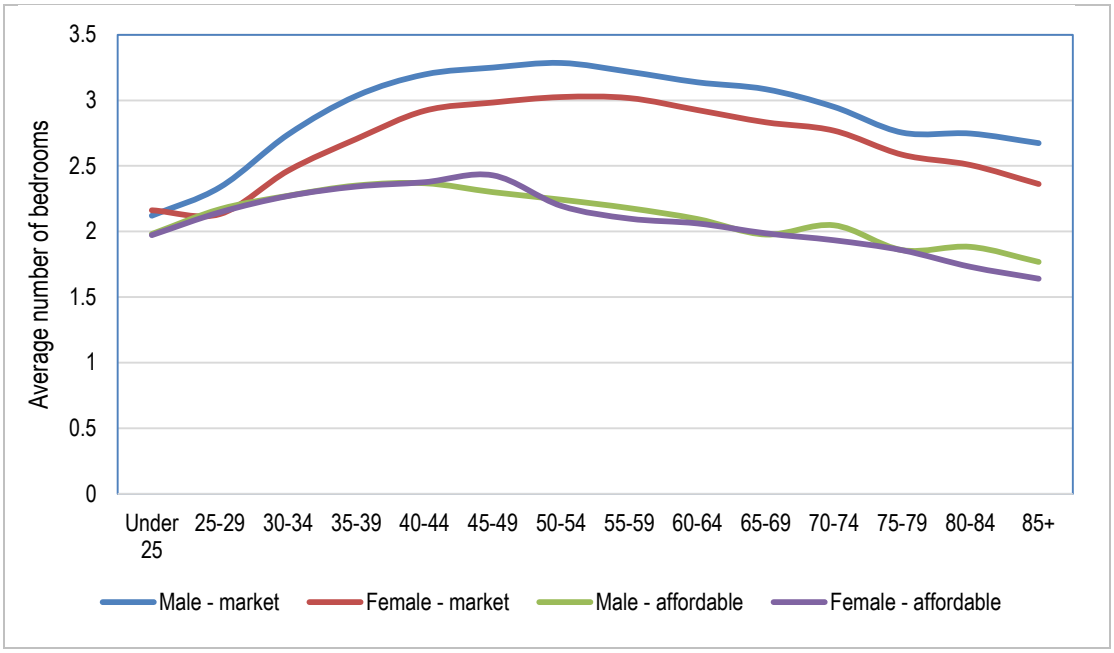


13.10 Whilst the demographic projections provide a good indication of how the population and household structure will develop over time, it is not a simple task to convert the net increase in the number of households into a suggested profile for additional housing to be provided. The main reason for this is that in the market sector, households are able to buy or rent any size of property, subject to what they can afford. The size of housing which households occupy relates more to their wealth and age than the number of people which they contain.

13.11 For example, there is no reason why a single person cannot buy (or choose to live in) a four-bedroom home as long as they can afford it; hence, projecting an increase in single-person households does not automatically translate into a need for smaller units. In the subsidised rented sector, this issue is less relevant (particularly since the introduction of the spare room subsidy, sometimes referred to as the 'bedroom tax'), although there will still be some level of under-occupation in the future amongst older people and working households who may be able to continue to under-occupy their current homes. However, subsidised home ownership products are not restricted to households depending on their size. Households can buy whatever size property they can afford, although they are often constrained by their relatively lower incomes.

13.12 Figure 13.2 shows an estimate of how the average number of bedrooms varies by different ages and different sexes by broad tenure group. In the market sector, the average size of accommodation rises over time to typically reach a peak in the 50-59 age groups. In the affordable sector (rented and ownership tenures), this peak appears earlier. After the peak, the average dwelling size decreases – partly due to a number of people down-sizing in older age.

Figure 13.2: Average Bedrooms by Age, Sex and Tenure



Source: Derived from ONS Commissioned Table C1213 and 2011 Census

13.13 In 2011, there were 105,940 households living in the housing market area. Analysis of Census data provides an estimate of the profile of the housing stock in 2011 (Figure 13.3). 12.3% of households live in affordable housing, with 87.7% in the market sector. Census data also indicates that homes in the market sector are generally bigger than in the affordable sector, with 74% having three or more bedrooms, compared to 35% for affordable housing.

13.14 These figures are for households rather than dwellings, because information about the sizes of vacant homes across the whole stock is not readily available. For the purposes of analysis, this will not make any notable difference.

Figure 13.3: Profile of Dwellings in 2011 by Size, Housing Market Area

Size of housing	Market		Affordable**		Total	
	Number	%	Number	%	Number	%
1 bedroom	6,100	6.5%	3,900	30.0%	10,000	9.4%
2 bedrooms	18,600	20.0%	4,600	34.8%	23,100	21.8%
3 bedrooms	37,000	39.9%	4,100	31.3%	41,100	38.8%
4+ bedrooms	31,200	33.6%	500	3.8%	31,700	30.0%
Total	92,900	100.0%	13,100	100.0%	105,900	100.0%
% in tenure	87.7%		12.3%		100.0%	

Source: Derived from 2011 Census **Affordable covers social housing and shared ownership. Given the small size of the shared ownership sector the data is more reflective of social housing (Council and RP homes)

13.15 A housing-mix model has been used to estimate future requirements for different sizes of property over the next 18 years. The model works by looking at the types and sizes of accommodation occupied by different ages of residents, and attaching projected changes in the population to this to project need and demand for different sizes of homes. However, the way households of different ages occupy homes differs between the market and affordable sectors (as described earlier). Thus, it is necessary to consider these sectors separately.

13.16 As previously identified, there are a range of factors which can be expected to influence demand for housing. This analysis specifically looks at the implications of demographic drivers. It uses a demographic-driven approach to quantify demand for different sizes of properties over the 18-year period from 2014 to 2032.

Market Housing

13.17 Figure 13.4 presents an estimate of the size of market housing likely to be required from 2014 to 2032 based on demographic trends for the whole of the Housing Market Area. The data suggests that the majority of additional homes required are two- and three-bedroom properties.

Figure 13.4: Estimated Size of Additional Dwellings Required in the HMA 2014 to 2032 – Market Housing

Size	2011	% of stock in 2011	Size required by additional households
1 bedroom	6,100	6.5%	6.7%
2 bedrooms	18,600	20.1%	28.0%
3 bedrooms	37,000	39.8%	44.4%
4+ bedrooms	31,200	33.6%	20.8%
Total	92,900	100.0%	100.0%

Source: Housing Market Model (Justin Gardner Consulting). Figures rounded to nearest 100

13.18 The analysis indicates that housing requirements reinforce the existing profile of stock, but with a slight shift towards a requirement for smaller dwellings relative to the distribution of existing housing. This is understandable given the fact that average household size is projected to fall slightly in the future (which itself is partly due to the ageing of the population).

13.19 It should be recognised that a range of factors, including affordability pressures and market signals will continue to be important in understanding market demand; this may include an increased demand in the private rented sector for rooms in a shared house due to changes in housing benefit for single people. In determining policies for housing mix, a wider range of factors are relevant.

13.20 In the recent past demand for smaller properties has been restricted by mortgage finance constraints, but Help to Buy and greater mortgage availability has helped to resuscitate demand for smaller properties. However, demand is likely to remain strong in the short term for larger family homes. Over the 18-year projection period, it is anticipated that there will be a continuing market for larger family homes, but the existing stock is expected to make a significant contribution to meeting this demand, though, to some extent, this assumes that older households downsize.

Affordable Housing

13.21 Figure 13.5 estimates the sizes of affordable housing required based on the assessment of demographic trends. The data indicates that in the period between 2014 and 2032 around three-quarters of the requirement will be for homes with one or two bedrooms with around a quarter of the requirement being for larger homes with three or more bedrooms. It is important to emphasise that this estimate is based on past occupancy patterns which reflect occupancy largely within the social rented sector. In the future, if a greater proportion of affordable housing is delivered as subsidised home ownership these occupancy patterns are likely to change, as those households with sufficient funding will choose to occupy more space than they 'need'.

13.22 This analysis provides a longer-term view of requirements for affordable housing according to demographic change and does not reflect current pressures, as identified in Section 10, or any specific policy priorities. In addition, it should be noted that smaller properties (i.e. one-bedroom homes) typically offer limited flexibility in accommodating the changing requirements of households. In contrast, the delivery of larger properties can help to meet the needs of households in high priority and release a supply of smaller properties. Consideration will also have to be given in future to how welfare reforms may alter the balance of need for different sized affordable homes and how the emphasis on Starter Homes and Shared Ownership tenures may weaken the direct relationship between household size and dwelling size in the affordable sector.

Figure 13.5: Estimated Size of Additional Dwellings Required in the HMA 2014 to 2032 – Affordable Housing

Size	2011	% of stock in 2011	Size required by additional households
1 bedroom	3,900	29.8%	40.8%
2 bedrooms	4,600	35.1%	33.2%
3 bedrooms	4,100	31.3%	23.5%
4+ bedrooms	500	3.8%	2.5%
Total	13,100	100.0%	100.0%

Source: Housing Market Model. Figures rounded to nearest 100.

13.23 Figure 13.5 shows how the estimated affordable requirement compares with the stock of affordable housing in 2011. The data shows that relative to the current stock, there is a requirement to boost the provision of smaller homes. This is to be expected, given that in the future household size is expected to decline as the population of older people increases, and that older person households are more likely to occupy smaller dwellings.

13.24 However, the analysis still identifies a requirement for additional larger units (particularly three-bedroom accommodation). Furthermore, whilst the analysis takes account of the size of the housing stock, it does not show how often properties become available for re-let. Analysis in Section 10 shows that re-lets are most frequent amongst the smaller properties.

13.25 The analysis in Figures 13.4 and 13.5 focuses on outputs for the whole Housing Market Area, built up from analysis at a smaller area level. Overall, the outputs show a reinforcing of the current housing offer in each area with larger homes expected to be required in areas which traditionally have provided larger housing units. This is largely a function of the expected demographic change in these areas and the fact that household types requiring larger homes are expected to continue to look for homes in these locations.

13.26 The figures presented in Figures 13.4 and 13.5 can be used as an indicative guide to the likely future size requirements as driven by demographic change in the area.

Wider Considerations

13.27 Whilst the outputs of the modelling provide estimates of the different sized homes that are likely to be needed, given the pattern of projected demographic growth and current occupancy patterns, there are a range of factors which should be taken into account in developing policies to influence the housing mix.

13.28 In the market sector, these factors include:

- **The impact of income and wealth distribution on occupancy:** the modelling assumes that current occupancy patterns by different household types will continue into the future. In practice, current occupancy patterns reflect the current pattern of income and wealth within society, and this could well change in the future. It is realistic to imagine that the distribution of income and wealth will become more unequal over time. One consequence of this is that assets (including housing) will become increasingly concentrated in the hands of a few, who will probably rent them out to those who do not have the resources to buy in the market.
- **Existing stock and new supply:** whilst the modelling compares the implied requirement for different sized homes associated with demographic projections, it does not take into account turnover within the stock. Availability of different sized dwellings by size is skewed towards smaller properties because of the size of the private rented sector in the market area, which is characterised by high levels of turnover. This is despite the fact that larger dwellings account for a relatively large share of properties in Hart and Surrey Heath.
- **Prices and rents:** the cost to buy or rent different sized dwellings can give an indication of the relative demand for different sized properties. However, it is very difficult to determine exactly which attributes determine the price of a particular home. While the number of bedrooms (itself a proxy for overall floorspace) is an important factor in the price of a property, other attributes such as the size of a garden, parking, school catchments etc, can result in higher prices for certain homes. It is difficult to separate out these different attributes without sophisticated economic modelling. Evidence examined by Wessex Economics in previous studies suggests that there are often large price differentials for households trading up in the market e.g. large percentage increase in prices when moving from a two-bedroom to three-bedroom property or from a three-bedroom to four-bedroom property which is indicative of higher demand pressures on larger dwellings. The differential is often lower between one- and two-bedroom properties.
- **Availability of finance:** constraints on mortgage finance, deposit availability and entry-level prices have suppressed demand for smaller dwellings in the short term; this applies particularly to properties which would normally be in much demand from first-time buyers. However, Government initiatives, including Help to Buy, have enabled some of these households to access cheaper mortgages with just a 5% deposit. In turn, this has fed through into demand for entry level homes on new build sites. It should be noted, however, that the Help to Buy Mortgage Guarantee scheme is due to wound up by the end of 2016.
- **Market cycle:** The type and size of dwellings that are delivered by the market is best assessed over the longer term. Evidence of the size and type of completions over time shows that there are significant peaks and troughs in the size of different properties developed, which are associated with the market cycle. In the past, during periods of rapid house price inflation and worsening affordability, developers have brought forward smaller properties. In buoyant markets, developers are also more likely to be able to sell properties off plan to households and investors – thus de-risking apartment style development. In softer markets, developers have often focused on building larger family homes, where demand has held up better and where the pace of development can be matched more readily to sales rates, allowing better cash flow management.

13.29 In the affordable sector, additional factors include:

- Families may be more likely to have priority under allocation policies because they may meet criteria such as overcrowding, social need etc. On this basis, the profile of affordable housing to be provided would be further weighted to two- or more-bedroom housing.
- The **turnover of affordable homes** is skewed towards smaller dwellings and there is very limited turnover of four bedroom properties.
- **Lettings plans/chains of lettings:** development of larger properties can result in re-housing of a number of households. For example, in simple terms, the development of one four-bedroom property could allow an overcrowded household in a two- or three-bedroom social rented property to move up, releasing their own property for re-let. This could be used to house another family on the waiting list, e.g. a family with one or more young children currently living in a one-bedroom property. The release of their one-bedroom property could be used to house another individual or couple on the waiting list. Thus, four households are provided with accommodation better suited to their requirements as a result of developing one property. Even further impact could be created if this property was taken up by a household under occupying a larger social rented home, thus freeing up a larger property and allowing further households to be re-housed. A similar chain of lettings could be created by encouraging households currently under-occupying their homes to downsize.
- In recent years, there has been some increased demand for one- and two-bedroom homes due to the **spare room subsidy** (sometimes referred to as the **'bedroom tax'**) which reduces housing benefit payments to households that have a spare bedroom. However, Wessex Economics does not believe that there is a need to increase supply of these small units, because of the existing bias in the stock to smaller properties and because these properties come up for re-letting more regularly than larger properties.
- The **overall benefit cap** (£20,000 for family households) means that Registered Providers and local authorities must work together to ensure that larger homes remain affordable to those on housing registers. The cap will also make the viability of delivering larger units (three-bed plus) more challenging for affordable housing providers.
- In terms of subsidised home ownership products like shared ownership, demand in the past has been focused on one- and two-bedroom properties. This pattern has been reinforced by the readiness of developers to provide smaller properties, particularly flats, to meet this need/demand. In the future, intermediate households will not be restricted to the size of property that they 'need' and will be able to purchase larger shared ownership properties if they can afford to do so.
- The profile of households taking up Starter Homes is, as yet, uncertain, but as this product is restricted to those under the age of 40, it is likely to include single and couple households and younger families. Again, these households will not be restricted to purchasing properties that reflect their household size, rather they will buy properties that they can afford. The pattern of occupancy is more likely to reflect the market sector than the traditional affordable sector.

13.30 There are also a range of factors which are relevant in considering policies for the mix of affordable housing sought through development schemes. At the housing market level, the analysis would support policies for a broad mix of affordable housing. Wessex Economics recommendations are deliberately broad-brush since local authorities will wish to take other factors into consideration, and because of the need to reflect the distinction between subsidised rent and subsidised ownership tenures:

- **1-bed properties: around 30%:** reflecting the continued need for smaller properties but also taking into consideration the fact that re-lets within the existing stock are biased towards smaller accommodation so these needs can be met more easily. These properties are, by and large, delivered as flats and, therefore, do not give much flexibility to cope with the changing development climate.
- **2-bed properties: 30%-40%:** broadly consistent with the proportion of households in need who require two bedrooms. These properties provide more flexible accommodation, being able to meet the needs of a wider range of households, including couples and small families. They can also be provided as houses or flats, giving more flexibility to cope with the changing development climate and different sites.
- **3-bed or larger properties: around 30%:** there are relatively substantial numbers of households needing larger properties, and they often wait longer to be housed because of limited supply. Increasing the proportion of larger properties would help to rebalance the social rented stock and allow Councils to meet housing need more effectively in the future. It would be worth specifying that around 10% of these larger properties should be four-bed homes, reflecting the need of priority households and the current limited supply of such properties. Where there are real constraints which prevent the delivery of four-bedroom properties, it would be worth specifying the need for three-bedroom properties which are suitable for 6 people, which might provide an adequate substitute for larger families.

13.31 These indicative proportions recognise the role which the delivery of larger family homes can play in releasing supply of smaller properties for other households, together with the limited flexibility which one-bed properties offer to changing household circumstances which feed through into higher turnover and management issues.

13.32 The need for affordable housing of different sizes will vary by area across the market and over time. In considering the mix of homes to be provided within specific development schemes, the information presented in this section should be brought together with details of households currently on the Housing Register in the local area and the stock and turnover of existing properties.

13.33 It is also important that the nature of development on specific sites be considered within the context of existing stock and the characteristics of the surrounding neighbourhood. Considerations in relation to the mix on specific development sites might include the following:

- The mix of stock in the market area as a whole which, although relatively balanced, contains a high proportion of large properties in Hart and Surrey Heath and concentrations of smaller properties in the urban area, dominated by the Borough of Rushmoor.
- Tenure mix and whether there is a concentration of a particular tenure of housing that would benefit from diversification or greater choice. Simplistically, it might be desirable to provide more market housing in areas dominated by social rented housing and conversely, more affordable housing in areas dominated by owner occupation. The economics of sites will determine the extent to which this is possible.
- Household characteristics and whether there is a bias towards younger or older households, families or sharers, and how the new development will fit into this context.
- Economic performance and whether there are issues around deprivation and regeneration which need to be taken into account in terms of the type of housing that is developed.

- Site-specific viability and development context and whether a particular mix of housing is important to ensure the development 'stacks up'.

13.34 Delivery of a different housing mix will be challenging unless development sites allocated for housing are suited to development of development of a mix of house types, sizes and locations. To some extent, the type and size of site, and its location, has a bearing on the type of product that can be developed. The mix of housing that can be secured thus depends partly on the nature of sites allocated for housing.

13.35 On large sites, for example at the Aldershot Urban Extension, developers are likely to want to deliver a range of different housing types and sizes in order to maximise the appeal to different market segments. Conversely, small sites in urbanised areas are likely to deliver flats or small houses, reflecting exiting densities in the area and site economics. Generally larger sites, including urban extensions and major development areas, offer the greatest opportunity to secure a broad range of different homes in both the market and affordable sector.

13.36 Individual local authorities may also have specific policy objectives that would be supported by the delivery of certain types or sizes of homes.

Conclusion

13.37 Estimates of the sizes of market housing required from 2014-2032 based on demographic trends for the whole of the Housing Market Area indicate that the largest share of demand for new homes is likely to come from households needing two- and three-bedroom homes. In the affordable sector, demographic modelling suggests around three-quarters of the requirement is for homes with one or two bedrooms, with around a quarter of the requirement being for larger homes with three or more bedrooms.

13.38 Whilst the outputs of the modelling provide estimates of the different sized homes that are likely to be needed over the long term according to demographic projections and current occupancy patterns, there are a range of factors which should be taken into account in developing any policies to influence the housing mix. These include the existing stock and supply, changes in patterns of household income, the market cycle, and site specific considerations, including viability and policy considerations, particularly in relation to the delivery of affordable housing.

13.39 The final section of the SHMA presents evidence on the housing needs of specific groups in the population.

14 . Specific Groups in the Housing Market

Summary

The number of families in the Housing Market Area (defined for the purpose of this assessment as any household which contains at least one dependent child) currently totals just under 35,000 accounting for 33% of all households.

The demographic projection suggests that the number of children (aged Under 15) is expected to decline slightly from 2014-2032 (a decline of over 400 – 1% decrease).

Overcrowding is often a key concern when looking at the housing needs of households with children and the evidence shows that households with children are about five times more likely than other households to be overcrowded.

In line with national trends, the size of the older population has been increasing across the Housing Market Area, both in absolute terms, and in its proportional share of the overall population.

Older households are more likely to live in accommodation owned outright (75%). Older households are also more likely to under-occupy their housing than other households in the Housing Market Area. In total 62% have an occupancy rating of +2 or more, meaning there are at least two more bedrooms than are technically required by the household.

The increase in the older population is linked to increases in disability within the population. In particular there is projected to be a large rise in the number of people with dementia along with an increase in the number with mobility problems over the next two decades. Across the Housing Market Area some 20% of households contain someone with a long term health problem or disability.

Whilst the majority of older people live in mainstream housing and will continue to do so in the future, providing appropriate care can be provided to allow them to live independently, there will remain a need for care provided in care home settings. It is estimated that there will be an additional requirement for around 100 units over the period from 2014 to 2032 to meet the needs of the older population who might occupy residential and nursing care. These people are currently accommodated in a care home setting (typically C2 use class). This requirement is separate to the previously-stated requirement for housing that has been identified as the OAHN in this SHMA. For the avoidance of doubt , the OAHN figure refers to housing in Use Class C3 of The Town and Country Planning (Use Classes) Order 1987 (as amended); however the need for other forms of housing will need to be taken into account by local plans in the HRSH HMA).

In 2011 around 14% of the population of the Housing Market Area came from a non-White (British/Irish) background. The key BME groups in the Housing Market Area are Other-Asian (which includes the Nepalese community) and Other-White (which contains the most recent Eastern European migrants). BME groups are significantly less likely to be owner-occupiers (particularly outright owners) and far more likely to live in private rented accommodation.

The Nepalese population accounts for 6.5% of the overall population in Rushmoor, equating to around 6,130 people. Overcrowding is much more common amongst this group.

Service personnel are a key group in the Housing Market Area. The HMA has had a long association with the military. Aldershot was recently designated as a Super Garrison which will increase the overall number of army personnel in the area. This is linked to the return of troops based in Germany. The MoD currently has sufficient Service Family Accommodation to meet its needs, taking account of the designation of Aldershot as a Super Garrison.

Around 5-600 redundancies are expected in the market area as a result of the Army tranche 3 and 4 redundancies. There is likely to be a proportion that will apply, where they qualify to do so, for affordable housing through local authority housing registers.

Introduction

14.1 The NPPG identifies a number of specific groups in the housing market that may have particular housing needs. The three authorities have also identified specific groups which merit some additional research focus in the local area. This section identifies the incidence of these groups in the population and examines the specific housing issues that they face by considering the tenure of homes they occupy and their ability to access suitable and/or affordable housing

14.2 The groups examined in this section of the report are as follows:

- Families
- Older people
- Disabled people
- Black and Minority Ethnic households – in particular the Nepalese community in Rushmoor
- Ex Service Personnel
- Self-Builders - people wishing to build their own home

14.3 The vast majority of these groups are contained within the demographic projection in Section 8. However, the ONS's Sub National Population Projections exclude the institutional population which largely consists of older people living in residential and nursing homes. There is an additional demand for accommodation from these individuals and households which is not included in the demographic projection and which should be considered in setting the OAHN figure.

14.4 It is important to emphasise that the majority of older people are included in the demographic projections and are catered for in mainstream housing (including sheltered and extra care). The additional demand comes from the population in residential and nursing care homes and the extent to which this population will grow over the plan period.

Families

14.5 The number of families in the Housing Market Area (defined for the purpose of this assessment as any household which contains at least one dependent child) currently totals just under 35,000 accounting for 33% of all households. There is relatively little variation between areas although Rushmoor shows a higher proportion of lone parents and relatively few married couples with dependent children.

14.6 The demographic projection indicates that the number of children (aged under 15) is expected to decline slightly between 2014 and 2032 (a decline of around 400 people – just under 1% decrease).

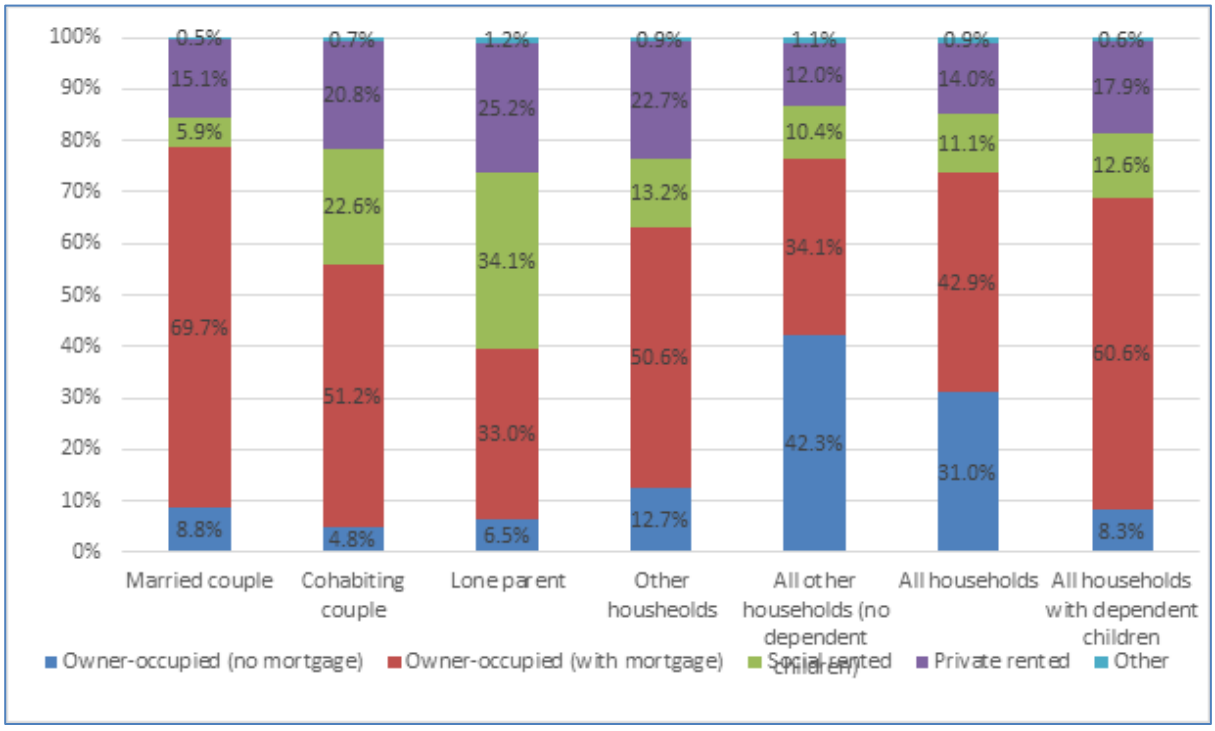
14.7 Figure 14.2 shows the current tenure of households with dependent children. There are some considerable differences by household type with a very high proportion of lone parents living in the social rented sector and also in private rented accommodation. Only around two-fifths of lone parent households are owner-occupiers compared with approaching 80% of married couples with children.

Figure 14.1: Family Households - Households with Dependent Children (2011)

Household type	Hart		Rushmoor		Surrey Heath		HMA	
	No.	%	No.	%	No.	%	No.	%
Married couple	8,220	23%	7,290	20%	7,380	22%	22,890	28%
Cohabiting couple	1,270	4%	1,610	4%	1,140	3%	4,020	4%
Lone parent	1,460	4%	2,350	7%	1,410	4%	5,210	5%
Other households	710	2%	1,280	4%	870	3%	2,860	3%
All other households	23,850	67%	23,810	66%	22,760	68%	70,420	67%
Total	35,510	100%	36,340	100%	33,550	100%	105,400	100%
Total with dependent children	11,660	33%	12,530	35%	10,790	32%	34,980	33%

Source: 2011 Census of Population

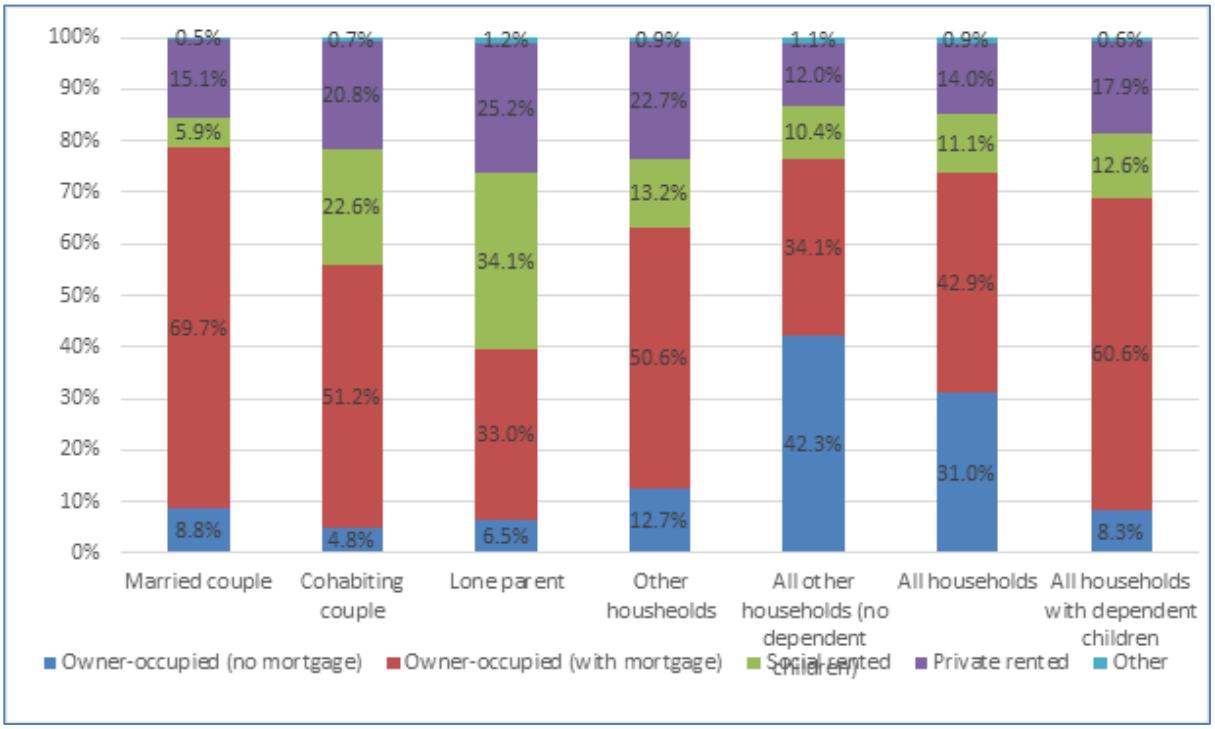
Figure 14.2: Tenure of Family Households - Households with Dependent Children in the Housing Market Area



Source: 2011 Census of Population

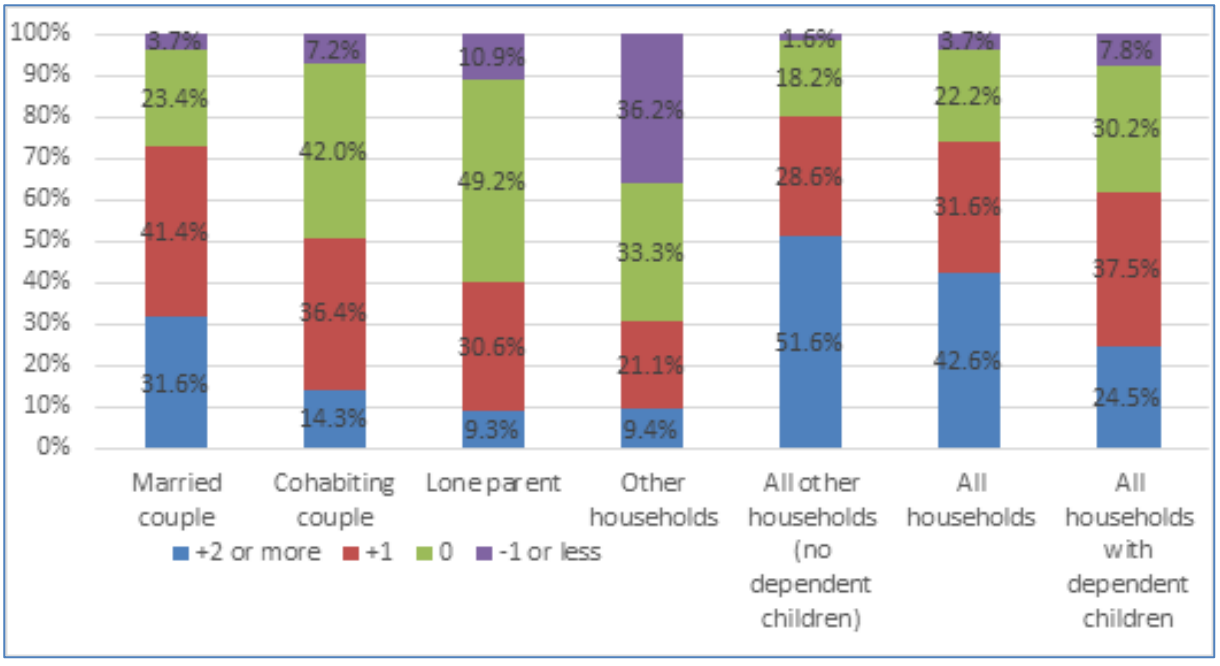
13.1 Overcrowding is often a key concern when considering the housing needs of households with children. Figure 14.3 shows that households with children are about five times more likely than other households to be living in overcrowded conditions (having an occupancy rating of -1). In total, some 8% of all households with dependent children are living in overcrowded conditions; included within this total are lone parent households, 11% of which are overcrowded; and 36% of 'other' households with dependent children.

Figure 14.3: Tenure of Family Households - Households with Dependent Children in the Housing Market Area



Source: 2011 Census of Population

Figure 14.4: Occupancy Rating and Family Households in the Housing Market Area



Source: 2011 Census of Population

Older People

14.8 In 2011, the population aged over 65 accounted for 16.3% of the total population in England and 17.2% in the South East. The Housing Market Area has a slightly lower proportion of older people than regional and national averages, in particular, Rushmoor has a lower proportion of older people accounting for just 12.2% of total population (Figure 14.5).

14.9 Within the older population, the 65-74 age cohort (the baby boom generation) accounts for the largest proportion of the overall population across the housing market area and at a regional and national level. This age cohort has also seen the largest increase in population in absolute terms over the 10 year period 2001 to 2011, with the exception of Surrey Heath which has also seen a sizeable increase in the 75-84 age cohort.

14.10 In 2011 around 19% of households in the HRSH area were comprised entirely of people aged 65 and over (Figure 14.6). This is slightly below the figure for both the South East and England. This is however due to a relatively low proportion of older person households in Rushmoor (just 16%) with Hart and Surrey Heath showing levels in-line with regional and national averages.

Figure 14.5: Population Aged 65+ Years

	Hart		Rushmoor		Surrey Heath		South East		England	
No.	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**
65+	10,619	15,018	10,541	11,444	10,970	14,405	1,308,622	1,482,020	7,808,000	8,660,529
65-74	5,851	8,424	5,587	6,242	6,244	7,668	668,503	763,695	4,102,841	4,552,283
75-84	3,481	4,752	3,662	3,626	3,430	4,909	464,329	501,118	2,751,135	2,928,118
85+	1,287	1,842	1,292	1,576	1,296	1,828	175,790	217,207	954,024	1,180,128
%	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**	**2001**	**2011**
65+	12.7%	16.5%	11.6%	12.2%	13.7%	16.7%	16.4%	17.2%	15.9%	16.3%
65-74	7.0%	9.3%	6.1%	6.7%	7.8%	8.9%	8.4%	8.8%	8.3%	8.6%
75-84	4.2%	5.2%	4.0%	3.9%	4.3%	5.7%	5.8%	5.8%	5.6%	5.5%
85+	1.5%	2.0%	1.4%	1.7%	1.6%	2.1%	2.2%	2.5%	1.9%	2.2%
% change	**2001-11**		**2001-11**		**2001-11**		**2001-11**		**2001-11**	
65+	41.4%	4,399	8.6%	903	31.3%	3,435	13.3%	173,398	10.9%	852,529
65-74	44.0%	2,573	11.7%	655	22.8%	1,424	14.2%	95,192	11.0%	449,442
75-84	36.5%	1,271	-1.0%	(36)	43.1%	1,479	7.9%	36,789	6.4%	176,983
85+	43.1%	555	22.0%	284	41.0%	532	23.6%	41,417	23.7%	226,104

Source: 2011 Census of Population

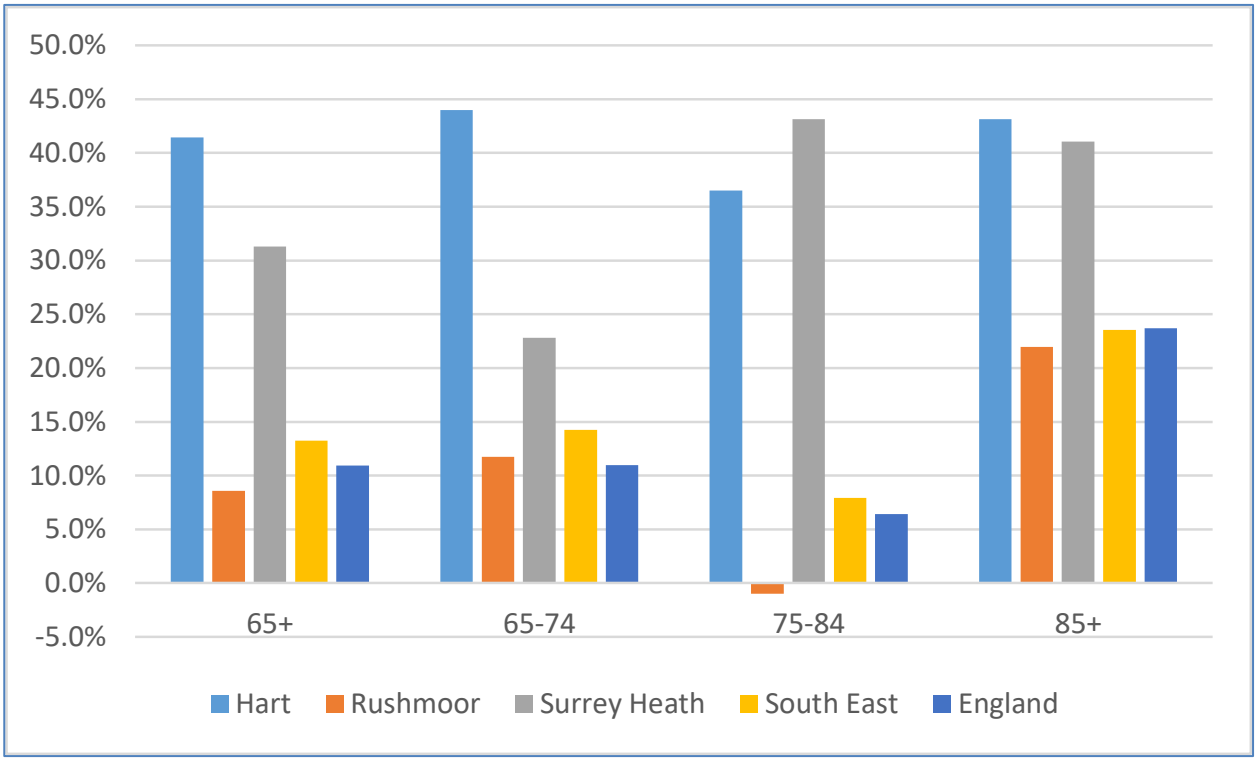
Figure 14.6: Older Households in 2011

Pensioner households	Hart	Rushmoor	Surrey Heath	HMA	South East	England
Single pensioner	3,720	3,410	3,650	10,770	449,970	2,725,600
2 or more pensioners	3,740	2,270	3,440	9,450	329,260	1,851,180
All households	35,510	36,340	33,550	105,400	3,555,460	22,063,370
Single pensioner	10.5%	9.4%	10.9%	10.2%	12.7%	12.4%
2 or more pensioners	10.5%	6.2%	10.2%	9.0%	9.3%	8.4%
All households	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total % pensioner only	21.0%	15.6%	21.1%	19.2%	21.9%	20.7%

Source: 2011 Census of Population

14.11 In line with national trends, the size of the older population has been increasing across the HRSH HMA, both in absolute terms, and in its proportional share of the overall population. Between 2001 and 2011, the older population in Hart increased by 41% (4,400) and in Surrey Heath by 31% (3,440). Rushmoor also experienced an increase in the older population although to a much lesser degree with an 8.6% increase (900) over the same time period.

Figure 14.7: Change in Population (%) of 65+ Years 2001-2011



Source: Census of Population, 2001 and 2011

14.12 Population projections provide an indication of how the numbers of older people might change in the future compared with other areas. The data in Figure 14.8 is based on the 2012 based Sub-National Population Projections. These projections exclude the population of older people living in institutional settings (residential and nursing care homes).

14.13 The Housing Market Area (in line with other areas) is expected to see a notable increase in the population of older people with the total number of people aged 55 and over expected to increase by 48% over the 18 year period 2014-32. This figure is higher than projected for both the region and England. The housing market is projected to have strong growth in the population aged 75-84 and 85+ when compared with other areas.

14.14 Figure 14.9 presents the projected change in the institutional population aged 75+ which represents those that live within residential and nursing homes. These projections estimate that almost 1,500 additional people will live in residential and nursing homes in 2034, assuming the current population in these settings grows in line with the growth in these age groups in the population. This equates to around 80 additional people per annum in the market area.

14.15 These individuals are not included in the demographic projections set out in Section 8. This projection assumes continued provision of residential and nursing care (traditionally C2 Use Class) and, by implication, expansion in line with the growth of the older population. However, local authorities may decide to provide accommodation for this group in different settings, including extra care (which is

classified as housing (C3 Use Class) rather than residential care (C2 Use Class) or within mainstream housing.

Figure 14.8: Projected Change in Population of Older Persons (2012 to 2034)

Age group	Hart	Rushmoor	Surrey Heath	HMA	South East	England
Under 55	-5%	-5%	-15%	-8%	4%	5%
55-64	10%	24%	13%	15%	16%	11%
65-74	34%	60%	40%	43%	45%	41%
75-84	74%	79%	57%	69%	60%	55%
85+	221%	181%	195%	200%	142%	134%
Total	10%	9%	2%	7%	16%	15%
Total 55+	45%	57%	44%	48%	45%	39%

Source: ONS 2012-based SNPP by 5- year Age Bands

Figure 14.9: Projected Change in Institution Population Aged 75+ (2014 to 2032)

	2014	2032	Change	Change (pa)
Hart	420	890	450	30
Rushmoor	460	920	460	30
Surrey Heath	600	1,170	570	30
HRSH	1,480	2,960	1,490	80

Source: Figures are an output of the demographic projections in Section 8. Figures rounded to nearest 10 and may not sum due to rounding

14.16 The choices local authorities make about how to meet the needs of older people needing care will have implications for the allocation of sites for housing or specialist accommodation for older people. Figure 14.9 shows that there is additional need for specialist accommodation for older people which has been traditionally delivered as residential or nursing care.

14.17 Wessex Economics has also accessed data from Housing LIN Strategic Housing for Older People (SHOP) analysis toolkit which estimates the requirement for specialist housing for older people. The model assumes a certain rates of provision of each type of specialist accommodation per 1,000 people in the 75+ age group. It also applies population projections to estimate how the requirements will grow over time. A broad summary of the outputs from the SHOP model (using the standard settings) is shown in the Figure 14.10.

Figure 14.10: Estimated Requirement for Specialist Housing for Older People (2014-35)

Shortfall 2014-2035	Hart	Rushmoor	Surrey Heath	HMA	Per annum
Sheltered	1,090	506	1,044	2,640	126
Enhanced Sheltered	302	73	276	651	31
Extra care	164	226	345	735	35
Residential care	685	614	718	2,017	96
Nursing care	472	125	-70	527	25
Total	**2,713**	**1,544**	**2,313**	**6,570**	**313**
Total in care homes	1,157	739	648	2,544	121

Source: Wessex Economics analysis of Housing LIN SHOP tool outputs, taking into account current demand, supply and future need. This table sets out the additional housing that needs to be provided over the period 2014-2035

14.18 The SHOP figures indicate a requirement for 6,570 specialist housing units over the period from 2014 to 2035. This is an average of 310 dwellings per annum. The majority of the requirement is for sheltered and extra care housing and equates to around 200 units per annum. This provision can be considered as part of the mainstream requirement for housing, which is considered in Sections 8-12 of this SHMA.

14.19 The need for residential and nursing care accommodation (typically C2 use class in planning terms) is additional as the demographic modelling does not take account of growth in the institutional population. The Housing LIN model estimates a requirement of around 120 units per annum for residential and nursing care. This is a higher estimate than that produced by the demographic modelling in Figure 14.9, but of the same order of magnitude. The reason the SHOP figures are different is that the model assumes a certain prevalence rate for this type of accommodation.

14.20 Some caution should be exercised when interpreting the Housing LIN data given that it is based on expected prevalence rates of specialist accommodation. In the future it may be the case that a greater proportion of specialist housing will be provided as extra-care units given a general move away from sheltered housing. Some of the potential need for registered care could also potentially be diverted into other types of housing such as extra-care (typically C3 use class in planning terms), though this would imply the need to uplift the provision of housing overall as part of a Local Plan's housing requirement.

14.21 It is important to emphasise that the vast majority of older people choose to remain living in their own homes rather than moving into specialist accommodation. Additionally, the tenure profile of older households shows a high level of owner-occupation. It is therefore likely that in future a greater proportion of older people will remain in their own homes, providing appropriate care can be put in place to enable them to stay. The type of accommodation needed for the ageing population is inherently tied to the approach to care and the extent to which care can be provided at home.

Figure 14.11: Tenure of Older Population, 2001-2011, by Local Authority

	Hart		Rushmoor		Surrey Heath		South East		England	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
Owned	82.6%	86.4%	73.0%	74.1%	83.0%	86.1%	77.1%	79.3%	71.7%	74.6%
Social Rented	12.5%	9.6%	22.4%	20.3%	13.2%	10.2%	16.6%	14.6%	21.6%	19.0%
Private Rented or Rent Free	4.9%	4.1%	4.6%	5.6%	3.8%	3.7%	6.3%	6.1%	6.8%	6.5%

Source: Census 2001 and 2001

14.22 A high proportion of older person households living in Surrey Heath and Hart (86% in both authorities) are home owners, compared to 79% for the South East and 75% nationally.

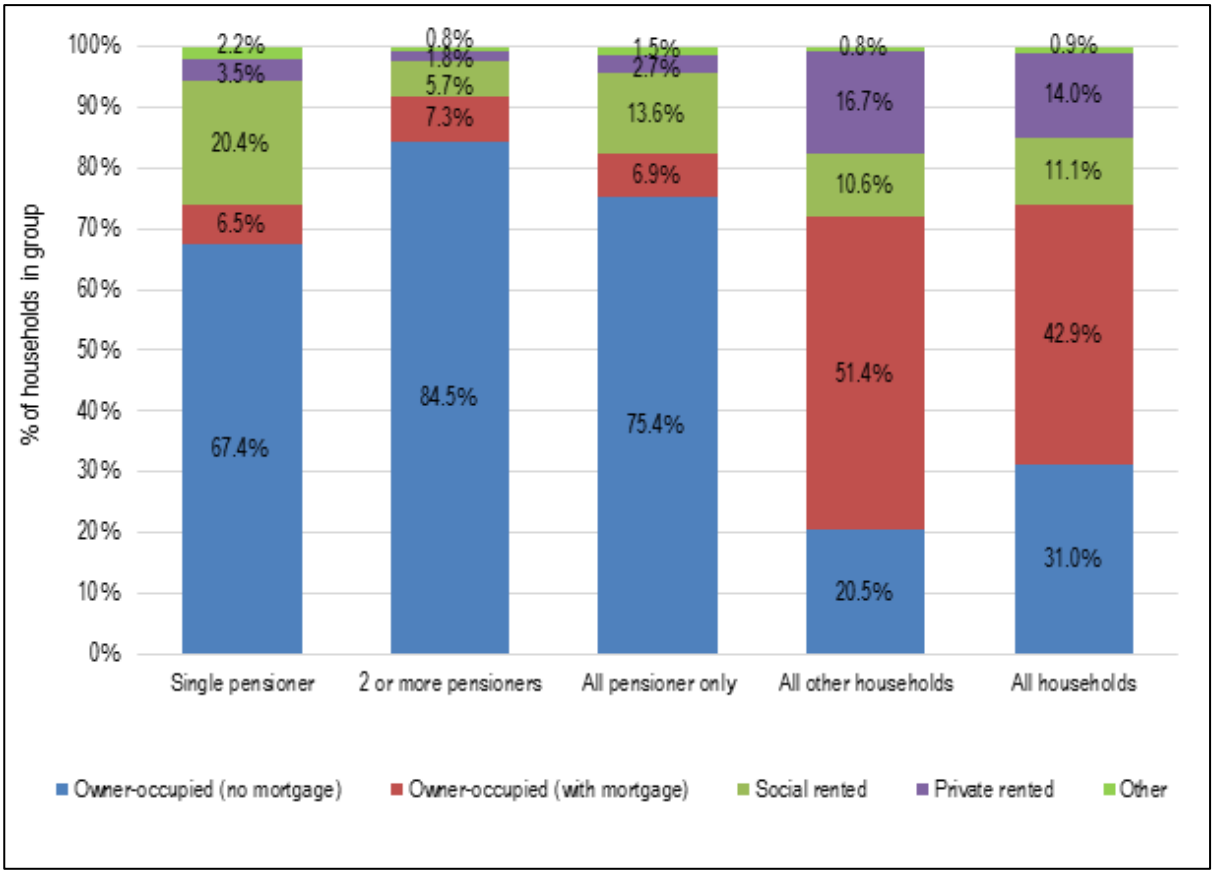
14.23 One in five (20%) of older people Rushmoor live in social rented accommodation compared to 10% and 9.5% for Surrey Heath and Hart respectively. In each authority the proportion of older people living in social rented accommodation has declined over the decade 2001 to 2011, whilst the proportion of older people who live in owner occupied property has increased.

14.24 Across the area, home ownership levels are highest amongst the 65-74 age cohort (baby boomers) and steadily falls the older the population. A large majority of these home owners own their home own outright, with particularly high levels of outright ownership in Surrey Heath.

14.25 Figure 14.12 shows the tenure of older person households, distinguishing between single pensioner households and those with two or more pensioners (largely couples). Pensioner households are relatively more likely to live in homes owned outright (75%) and are also slightly more likely than other households to be in the social rented sector. The proportion of pensioner households living in the private rented sector is relatively low (3% compared with 14% of all households in the housing market area).

14.26 There are however notable differences for different types of pensioner households with single pensioners having a much lower level of owner-occupation than larger pensioner households; a much higher proportion of this group lives in the social rented sector.

Figure 14.12: Tenure of Older Person Households in the Housing Market Area



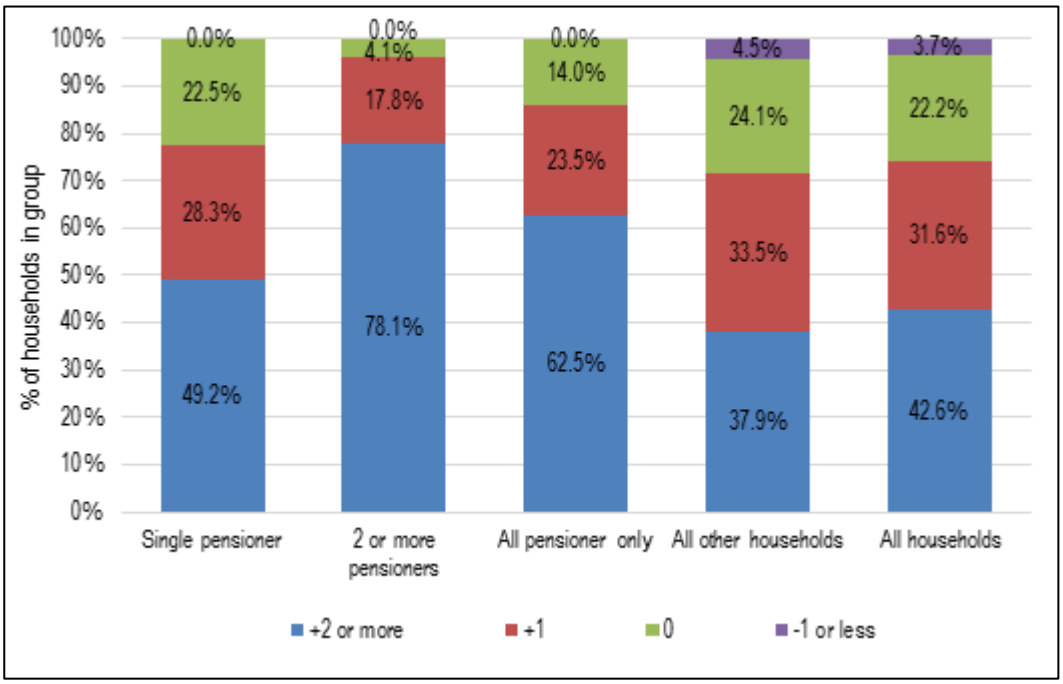
Source: 2011 Census of Population

14.27 The proportion of those older people living in social rented housing gets progressively higher with each age cohort (see Figure 14.16). The proportion of people aged 85 or more living in social rented accommodation is 17% in Hart, 27% in Rushmoor and 16% in Surrey Heath. To some extent this reflects higher levels of social renting amongst this generation, many of whom will have lived in social renting all of their lives and accessed social rented homes when this tenure accounted for a much larger proportion of the housing stock.

14.28 The proportion of older people living in private rented accommodation is highest amongst the 85+ population, with around 6% in all three local authorities living in PRS accommodation. This may be a reflection of the number of people in this age group living in sheltered or other specialist housing, which is often rented rather than owned. This is slightly below the regional and national averages of 7.6% and 8.1% respectively.

14.29 The Census data suggests that older person households are more likely to under-occupy their housing than other households in the Housing Market Area (Figure 14.13). In total 62% of older person households have an occupancy rating of +2 or more (meaning there are at least two more bedrooms than are technically required by the household). This compares with 38% for non-pensioner households. Further analysis suggests that under-occupancy is far more common in households with two or more pensioners than single pensioner households.

Figure 14.13: Occupancy rating of Older Person Households, HRSH HMA



Source: 2011 Census of Population

14.30 Figure 14.14 shows the number of pensioner households who have an occupancy rating of +2 or more in each of three broad tenure groups in 2011. Whilst the majority of older person households with an occupancy rating of +2 or more are in the owner-occupied sector, there are 460 properties in the social rented sector occupied by pensioner only households with an occupancy rating of +2 or more. There is the potential opportunity therefore to reduce under-occupation and free up family sized dwellings for overcrowded households; although to achieve this it would very likely be necessary to provide attractive options in areas where households currently live and where they have social and community ties.

Figure 14.14: Pensioner Households with Occupancy Rating of +2 or more by Tenure, HRSH HMA

Tenure	Single pensioner	2 or more pensioners	All pensioner only households
Owner-occupied	4,820	6,910	11,730
Social rented	290	170	460
Private rented	190	100	290
All tenures	5,300	7,180	12,480

Source: 2011 Census of Population

14.31 It should be recognised that many older households in the private sector will have built up equity in their existing homes. In the private sector many older households may be able to afford a larger home than they need (and thus under-occupy housing). Some may look to downsize to release equity from homes to support their retirement or to move into somewhere more manageable. However it is probable that many older households will want to retain family housing with space to allow friends and relatives to come to stay or simply because it is a home they are emotionally attached to and wish to remain living in for as long as they can.

14.32 Only a small proportion of the older population live in overcrowded conditions (occupancy rating of -1). However, in Rushmoor the proportion is 5.7% compared to 2.9% regionally and 3.3% nationally (Figure 14.15). In addition, the proportion living in overcrowded conditions has increased over the decade in

Rushmoor, compared to a decline experienced in the remainder of the Housing Market Area and at a regional and national level. Anecdotal evidence suggests this overcrowding is concentrated amongst older Nepalese community, living in houses in multiple occupation. This appears to be supported by Census data which shows that 37% of the 'Other – Asian' population in Rushmoor (which is overwhelmingly the Nepalese community in Rushmoor) live in overcrowded homes. This compares to just over 20% in Hart and Surrey Heath and 24% in the South East.

Figure 14.15: Occupancy Rating of Aged Population (Rooms), 2001-2011

	Hart		Rushmoor		Surrey Heath		South East		England	
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
Occupancy rating (rooms) of +2 or more	67.5%	76.4%	58.3%	61.9%	71.6%	77.9%	60.1%	68.1%	57.2%	65.2%
Occupancy rating (rooms) of +1	20.6%	14.7%	22.7%	18.1%	15.9%	12.2%	23.8%	18.5%	25.2%	20.1%
Occupancy rating (rooms) of 0	9.1%	6.9%	14.4%	14.2%	10.2%	7.9%	12.6%	10.5%	13.6%	11.4%
Occupancy rating (rooms) of -1 or less	2.8%	1.9%	4.6%	5.7%	2.3%	2.0%	3.5%	2.9%	4.0%	3.3%

Source: 2011 Census

Figure 14.16: Older Population By Age Group and Tenure 2011

2011	Hart			Rushmoor			Surrey Heath			South East			England		
	65-74	75-84	85+	65-74	75-84	85+	65-74	75-84	85+	65-74	75-84	85+	65-74	75-84	85+
Owned or shared ownership	89.5%	85.5%	77.0%	75.7%	74.9%	67.1%	88.7%	85.9%	77.4%	80.8%	79.8%	73.7%	76.3%	74.8%	68.2%
Owned outright	78.0%	79.4%	72.1%	64.0%	67.8%	61.8%	75.7%	79.7%	72.1%	69.4%	73.4%	68.9%	66.1%	68.9%	63.8%
Mortgage/loan/shared ownership	11.4%	6.0%	4.9%	11.7%	7.1%	5.3%	13.0%	6.3%	5.3%	11.4%	6.4%	4.9%	10.2%	5.9%	4.4%
Social rented	7.1%	10.3%	17.0%	18.0%	20.8%	26.8%	7.8%	11.1%	16.2%	13.0%	14.7%	18.7%	17.3%	19.2%	23.7%
Rented from council (Local Authority)	0.6%	0.7%	1.6%	2.3%	3.2%	3.2%	0.8%	1.5%	2.0%	5.9%	6.7%	7.9%	9.5%	10.4%	12.0%
Other social rented	6.6%	9.6%	15.4%	15.7%	17.5%	23.6%	7.0%	9.6%	14.2%	7.1%	8.0%	10.8%	7.8%	8.8%	11.7%
Private rented or living rent free	3.4%	4.3%	6.0%	6.3%	4.3%	6.1%	3.5%	3.0%	6.4%	6.2%	5.4%	7.6%	6.4%	5.9%	8.1%
Private landlord or letting agency	2.3%	2.3%	2.8%	4.5%	2.5%	2.3%	2.3%	1.5%	2.1%	4.4%	2.9%	3.2%	4.4%	3.1%	3.2%
Other private rented or living rent free	1.1%	2.0%	3.2%	1.8%	1.8%	3.8%	1.2%	1.5%	4.3%	1.8%	2.5%	4.4%	1.9%	2.9%	5.0%

Source: 2011 Census

Health-Related Population Projections

14.33 It is important also to consider the number of people with specific illnesses or disabilities and their housing requirements. Wessex Economics have drawn upon data from the Projecting Older People Information System (POPPI) to identify the numbers of people in the market area with disabilities.

14.34 This report focuses on the housing needs of such groups so the analysis is focused on the number of people with dementia and mobility problems, both conditions that give rise to the need for specialist housing. Data is presented on the population aged 65 and over experiencing these conditions.

14.35 It is worth noting that the figures from POPPI are based on prevalence rates from a range of different sources. Prevalence rates might change in the future, for example as the general health of the older person population improves or as a result of medical advances. However, the estimates are likely to be of the right order of magnitude and provide a basis for forward planning of services.

14.36 Figure 14.17 shows that the number of people aged 65 and over experiencing dementia and mobility problems are expected to increase significantly in the future. This is in part as a result of the increase in the numbers of older people, but also increased prevalence associated with people living longer. In particular there is projected to be a large rise in the number of people with dementia (up 117%) along with a 92% increase in the number of people with mobility problems. Rushmoor in particular is likely to see the most significant increases.

Figure 14.17: Estimated Population Change for Range of Health Issues (2011 to 2031)

Type of illness/disability	2011	2031	Change	% increase
Hart				
Dementia	1,000	2,170	1,170	117%
Mobility problems	2,670	5,140	2,450	91%
Rushmoor				
Dementia	810	1,920	1,110	137%
Mobility problems	2,120	4,410	2,290	108%
Surrey Heath				
Dementia	1,000	2,030	1,020	102%
Mobility problems	2,640	4,770	2,130	81%
HMA				
Dementia	2,820	6,120	3,300	117%
Mobility problems	7,450	14,320	6,880	92%

Source: POPPI and Demographic Projections

Disabled People

14.37 Figure 14.18 shows the proportion of people with a long-term health problem or disability (LTHPD) and the proportion of households where at least one person has a LTHPD. An estimated 13% of the population of the HMA have a LTHPD. The data shows that across the Housing Market Area some 20% of households contain someone with a LTHPD. This figure is slightly lower than the proportion in the region and England as a whole. The figures for the population with a LTHPD again show a lower proportion when compared with regional and national figures.

14.38 For the individual local authorities the data indicates a slightly higher proportion of households (and population) in Rushmoor contain a person with a LTHPD, although the figures are still well below regional and national benchmarks.

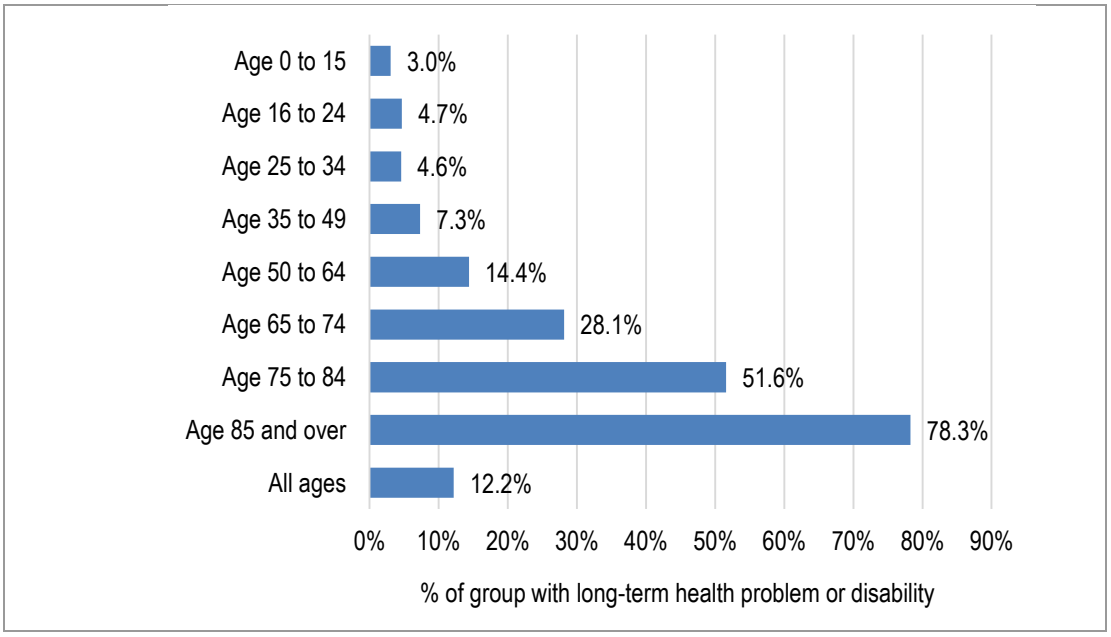
Figure 14.18: Households and People with Long-Term Health Problem or Disability (2011)

Area	Households containing someone with health problem		Population with health problem	
	Number	%	Number	%
Hart	6,990	19.7%	10,950	12.0%
Rushmoor	7,750	21.3%	12,440	13.3%
Surrey Heath	6,760	20.2%	10,840	12.6%
HMA	21,500	20.4%	34,220	12.6%
South East	839,090	23.6%	1,356,200	15.7%
England	5,659,600	25.7%	9,352,590	17.6%

Source: 2011 Census of Population

14.39 The age profile of the area is likely to impact upon the numbers of people with a long term health problem or disability as these issues are strongly linked to age. Figure 14.19 shows that it is clear that those people in the oldest age bands are more likely to have a LTHPD. – For example some 78% of people aged 85 and over have a LTHPD. It should be noted that the base for the figure below is slightly different to Figure 14.18 in that it excludes people living in communal establishments.

Figure 14.19: Population with LTHPD in each Age Band



Source: 2011 Census of Population

14.40 The age specific prevalence rates above can be applied to the demographic data to estimate the likely increase over time of the number of people with a LTHPD. Wessex Economics estimate that the number of people in the Housing Market Area with a LTHPD could increase by around 15,300 persons (a 45% increase) by 2031. The vast majority of this increase (95%) is expected to be in the age groups aged 65 and over. This estimated population increase of people with a LTHPD represents 44% of the total increase in the population projected by the demographic modelling and this is due to the growth in the number of older households.

Black and Minority Ethnic Households

14.41 Black or Minority Ethnic (BME) households may have distinct characteristics in terms of their housing needs, or may be disadvantaged in some way. Therefore, it is important to consider whether particular groups face issues or have needs that are different to the population as a whole.

14.42 In 2011 around 14% of the population of the HMA came from a non-White (British/Irish) background. This is in line with the regional figure but notably lower than the figure for England (19%). The key BME groups in the HMA are Other-Asian, which includes the Nepalese community; and Other-White, which is likely to contain a significant number of Eastern European migrants. The Other-Asian population makes up 3.7% of all people in the HMA with a figure of 3.5% for the Other-White group. These figures are notably higher than for any other group.

14.43 Data for individual local authorities shows around 9% of the population in Hart is from a non-White (British/Irish) group with a figure of 14% in Surrey Heath. In Rushmoor the figure is higher again at 19% due largely to the size of the large Other-Asian population.

14.44 The BME population in the HMA has increased significantly since 2001. Figure 14.21 shows that whilst the overall population of the HMA has risen by 16,200 over the 10-year period 2001-11, the increase in BME groups (all groups other than White (British/Irish)) has been 21,100. The White (British/Irish) population has therefore decreased by 2% compared to an increase of 129% in the BME population.

14.45 The BME group that has grown most is the Asian/Asian British population which has increased by over 12,500 over the ten year period 2001 to 2011. This group has also increased the most in percentage terms. The population growth in the Asian/Asian British has been largely driven by an increase in the Asian-Other category which has risen from 890 people in 2001 to over 10,000 by 2011. This growth is thought to be largely associated with the increase in the Nepalese population in Rushmoor.

Figure 14.20: Black and Minority Ethnic Population,2011

Ethnic Group	Hart	Rushmoor	Surrey Heath	HMA	South East	England
White: British	90.7%	80.5%	84.9%	85.3%	85.2%	79.8%
White: Irish	0.7%	0.8%	1.0%	0.8%	0.9%	1.0%
White: Gypsy or Irish Traveller	0.3%	0.2%	0.2%	0.2%	0.2%	0.1%
White: Other White	3.2%	3.3%	4.1%	3.5%	4.4%	4.6%
Mixed: White and Black Caribbean	0.3%	0.7%	0.4%	0.5%	0.5%	0.8%
Mixed: White and Black African	0.2%	0.4%	0.2%	0.2%	0.3%	0.3%
Mixed: White and Asian	0.8%	0.7%	0.8%	0.7%	0.7%	0.6%
Mixed: Other Mixed	0.3%	0.5%	0.5%	0.4%	0.5%	0.5%
Asian: Indian	1.0%	1.4%	2.0%	1.4%	1.8%	2.6%
Asian: Pakistani	0.2%	0.7%	0.8%	0.5%	1.1%	2.1%
Asian: Bangladeshi	0.1%	0.2%	0.3%	0.2%	0.3%	0.8%
Asian: Chinese	0.5%	0.5%	0.6%	0.5%	0.6%	0.7%
Asian: Other Asian	0.9%	7.6%	2.5%	3.7%	1.4%	1.5%
Black: African	0.3%	1.2%	0.6%	0.7%	1.0%	1.8%
Black: Caribbean	0.2%	0.6%	0.3%	0.4%	0.4%	1.1%
Black: Other Black	0.1%	0.2%	0.1%	0.1%	0.2%	0.5%
Other ethnic group: Arab	0.1%	0.1%	0.2%	0.2%	0.2%	0.4%
Any other ethnic group	0.2%	0.5%	0.5%	0.4%	0.4%	0.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total population	91,033	93,807	86,144	270,984	8,634,750	53,012,456
% non-White (British/Irish)	8.6%	18.7%	14.1%	13.9%	13.9%	19.3%

Source: 2011 Census of Population

Figure 14.21: Change in Population of BME groups 2001 to 2011 (Housing Market Area)

Ethnic Group	2001	2011	Change	% change
White (British/Irish)	238,380	233,410	-4,970	-2%
White – Other	6,750	10,160	3,410	50%
Mixed	2,440	5,140	2,700	110%
Asian or Asian British	5,080	17,590	12,520	247%
Black or Black British	1,130	3,240	2,110	188%
Chinese and other	1,030	1,450	420	40%
Total	254,810	270,980	16,180	6%
Non-White (British/Irish)	16,430	37,570	21,140	129%

Source: 2001 and 2011 Census of Population

14.46 The Nepalese population now accounts for 6.5% of the overall population in Rushmoor, equating to around 6,130 people. Figure 14.22 summarises the overall growth in the Non-White (British/Irish) population of the market areas.

Figure 14.22: Change in Non-White (British/Irish) Population, 2001 to 2011

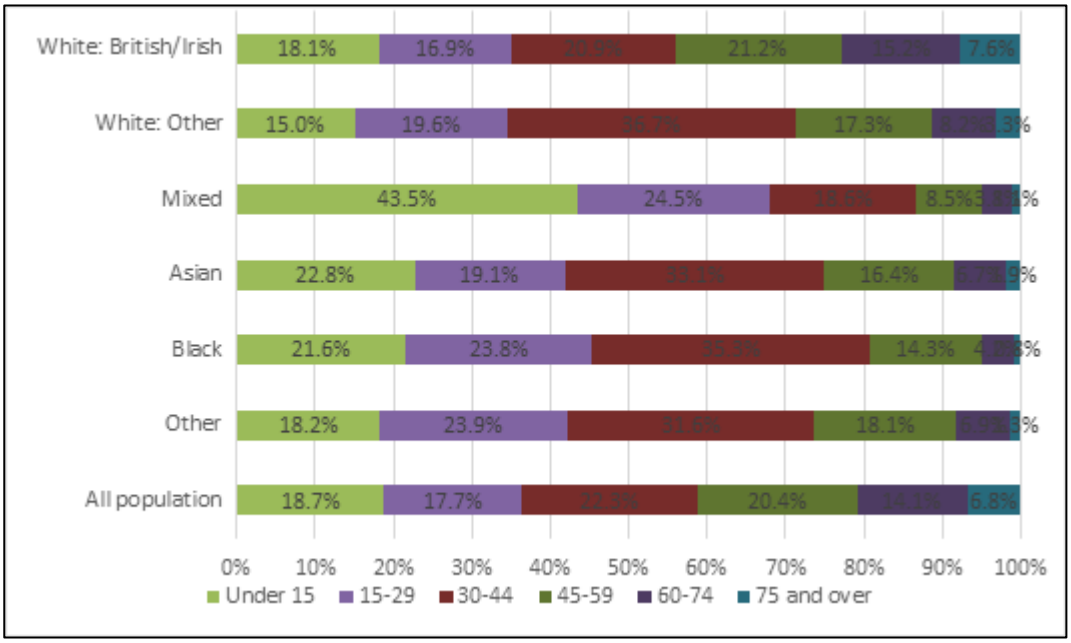
	Population (2001)	Population (2011)	Change from 2001	% change from 2001
Hart	4,090	7,860	3,770	92%
Rushmoor	5,700	17,580	11,880	208%
Surrey Heath	6,640	12,140	5,500	82%
HMA	16,430	37,570	21,140	129%
South East	613,560	1,202,180	588,620	96%
England	5,767,580	10,216,220	4,448,640	77%

Source: 2001 and 2011 Census of Population

14.47 Census data can also be used to provide some broad information about the household and housing characteristics of the BME population in the Housing Market Area.

14.48 The age profile of the BME population is striking when compared with White: British/Irish people. All BME groups are considerably younger than the White (British/Irish) group with people from a Mixed background being particularly likely to be aged under 15 when compared with any other group. The proportions of older persons are also notable with 23% of White (British/Irish) people being aged 60 or over compared with all BME groups showing proportions of no more than 11%.

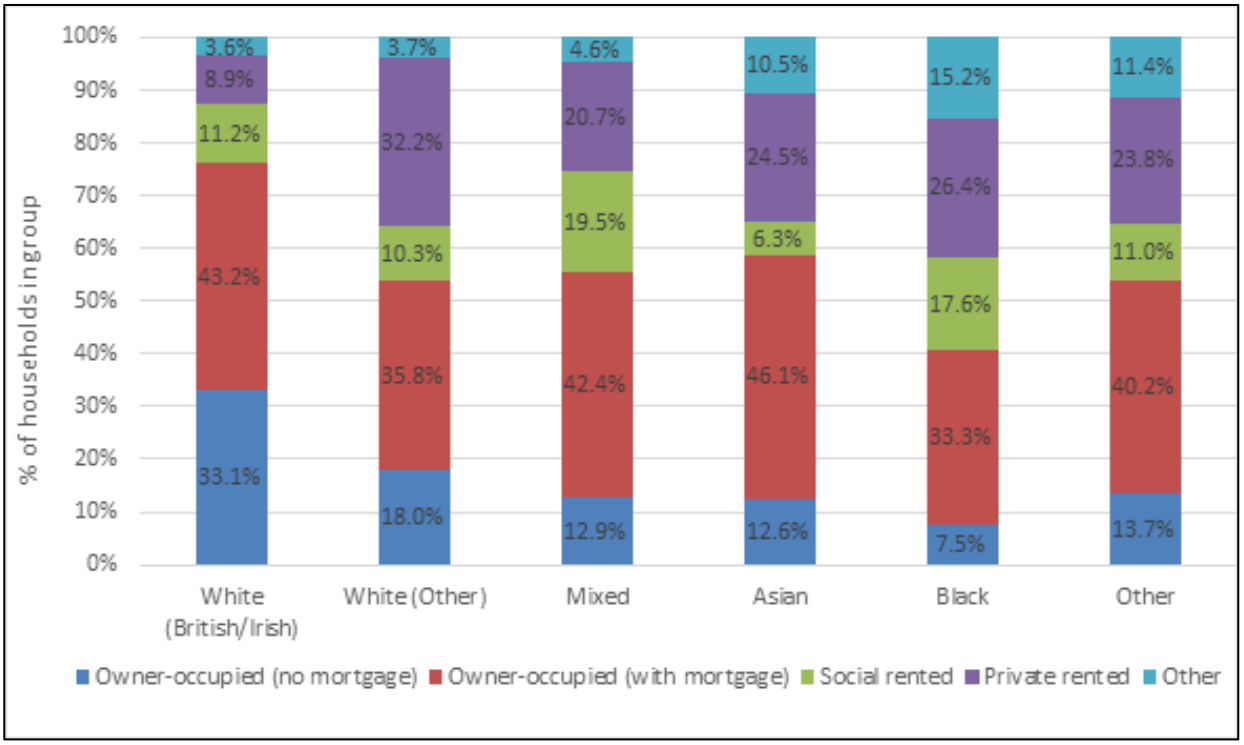
Figure 14.23: Population Age Profile by Ethnic Group(2011)



Source: 2011 Census of Population

14.49 There are notable differences between the household characteristics of BME households as against the White: British/Irish population. Figure 14.24 indicates that all BME groups are significantly less likely to be owner-occupiers (particularly outright owners) and far more likely to live in private rented accommodation. The group most likely to live in the private rented sector is the White (Other) group. Almost a third (32%) of all White (Other) households live in the private rented sector – more than any other ethnic group.

Figure 14.24: Tenure by Ethnic Group in the Housing Market Area



Source: 2011 Census of Population

14.50 The strong representation of BME households in the private rented sector means that they are more likely to be affected by the changes discussed to Local Housing Allowance; particularly as the sector in the HMA shows a strong representation of LHA Claimants, with Rushmoor in particular having a large private rented sector).

14.51 As the BME communities mature over time, the level of owner occupation may increase. The pace at which this happens will be influenced by economic opportunities available as well as the level of enterprise within the local community. For some communities there may be support mechanisms within the community, such as availability of interest free loans or support raising a deposit to buy a home, depending on cultural factors.

Figure 14.25: Detailed Ethnic Groups, 2011

	Hart		Rushmoor		Surrey Heath		South East		England	
	No.	%	No.	%	No.	%	No.	%	No.	%
White: English/Welsh/Scottish/Northern Irish/British	82,534	90.7%	75,511	80.5%	73,179	84.9%	7,358,998	85.2%	42,279,236	79.8%
White: Irish	642	0.7%	718	0.8%	828	1.0%	73,571	0.9%	517,001	1.0%
White: Gypsy or Irish Traveller	273	0.3%	155	0.2%	162	0.2%	14,542	0.2%	54,895	0.1%
White: Other White	2,906	3.2%	3,136	3.3%	3,523	4.1%	380,709	4.4%	2,430,010	4.6%
Mixed/multiple ethnic group: White and Black Caribbean	311	0.3%	624	0.7%	370	0.4%	45,980	0.5%	415,616	0.8%
Mixed/multiple ethnic group: White and Black African	152	0.2%	342	0.4%	171	0.2%	22,825	0.3%	161,550	0.3%
Mixed/multiple ethnic group: White and Asian	685	0.8%	644	0.7%	696	0.8%	58,764	0.7%	332,708	0.6%
Mixed/multiple ethnic group: Other Mixed	309	0.3%	447	0.5%	389	0.5%	40,195	0.5%	283,005	0.5%
Asian/Asian British: Indian	880	1.0%	1,310	1.4%	1,713	2.0%	152,132	1.8%	1,395,702	2.6%
Asian/Asian British: Pakistani	141	0.2%	635	0.7%	667	0.8%	99,246	1.1%	1,112,282	2.1%
Asian/Asian British: Bangladeshi	136	0.1%	206	0.2%	298	0.3%	27,951	0.3%	436,514	0.8%
Asian/Asian British: Chinese	435	0.5%	497	0.5%	535	0.6%	53,061	0.6%	379,503	0.7%
Asian/Asian British: Other Asian	856	0.9%	7,107	7.6%	2,176	2.5%	119,652	1.4%	819,402	1.5%
Black/African/Caribbean/Black British: African	266	0.3%	1,115	1.2%	528	0.6%	87,345	1.0%	977,741	1.8%
Black/African/Caribbean/Black British: Caribbean	178	0.2%	538	0.6%	253	0.3%	34,225	0.4%	591,016	1.1%
Black/African/Caribbean/Black British: Other Black	62	0.1%	215	0.2%	80	0.1%	14,443	0.2%	277,857	0.5%
Other ethnic group: Arab	100	0.1%	134	0.1%	184	0.2%	19,363	0.2%	220,985	0.4%
Other ethnic group: Any other ethnic group	167	0.2%	473	0.5%	392	0.5%	31,748	0.4%	327,433	0.6%
Total	**91,033**	**100.0%**	**93,807**	**100.0%**	**86,144**	**100.0%**	**8,634,750**	**100.0%**	**53,012,456**	**100.0%**

Source: 2011 Census of Population

14.52 With the Queen's own Gurkha Logistic Regiment based in Aldershot, Rushmoor has become a popular destination for Nepalese in-migrants, including ex-Gurkhas as well as non-army Nepalese migrants, wishing to live in the UK. According to the 2011Census, the Nepalese population in Rushmoor accounts for 6.5% of the total population (just over 6,000) making it one of the most significant ethnic groups in the Borough.

14.53 The Nepalese population faces a number of challenges in terms of integration and adaptation to UK society, particularly amongst the elderly population. These include communication and cultural barriers, vulnerable youths, differing education systems, lack of understanding of British justice and administration systems, deprivation and overcrowding in housing, and difficulty in accessing benefits.[48]

14.54 A report on the health needs of the Nepali community[49] has found that claiming housing benefit is a particular difficulty for many elderly Nepalese people. According to the report, establishing the true nature of relationships of Nepali people in a residence has been complicated as being from the same village can mean a type of brotherhood to Nepalis while not being an actual blood tie. A pattern of multiple occupancy in homes exists; this is reflected in higher levels of private renting and overcrowding in the Census data.

14.55 In terms of the Nepalese military population, retirement age is set by army regulations and depends on rank. Generally soldiers tend to retire when they reach about 40, after twenty years of service. Officers can retire at an older age (45-50 years old). However, many retirees continue to work and the type of work will depend on their trade in the army and the type of resettlement training they have received.

14.56 The principal Gurkha presence in the HMA is a logistics regiment, so many of soldiers retiring find work as drivers or in security roles. Those from the Gurkha Signals may find work in the telecommunications industry. The Casey report predicts that in the short term all Gurkha soldiers based in Rushmoor will remain in Rushmoor after retirement; at least for as long as their children remain in education in the Borough.

14.57 Overcrowding is a feature of the housing conditions of many ethnic groups in the market area. Occupancy ratings provide a measure of whether a household's accommodation is overcrowded or under occupied. An occupancy rating of -1 implies that a household is overcrowded, whereas a rating of +1 implies under occupation.

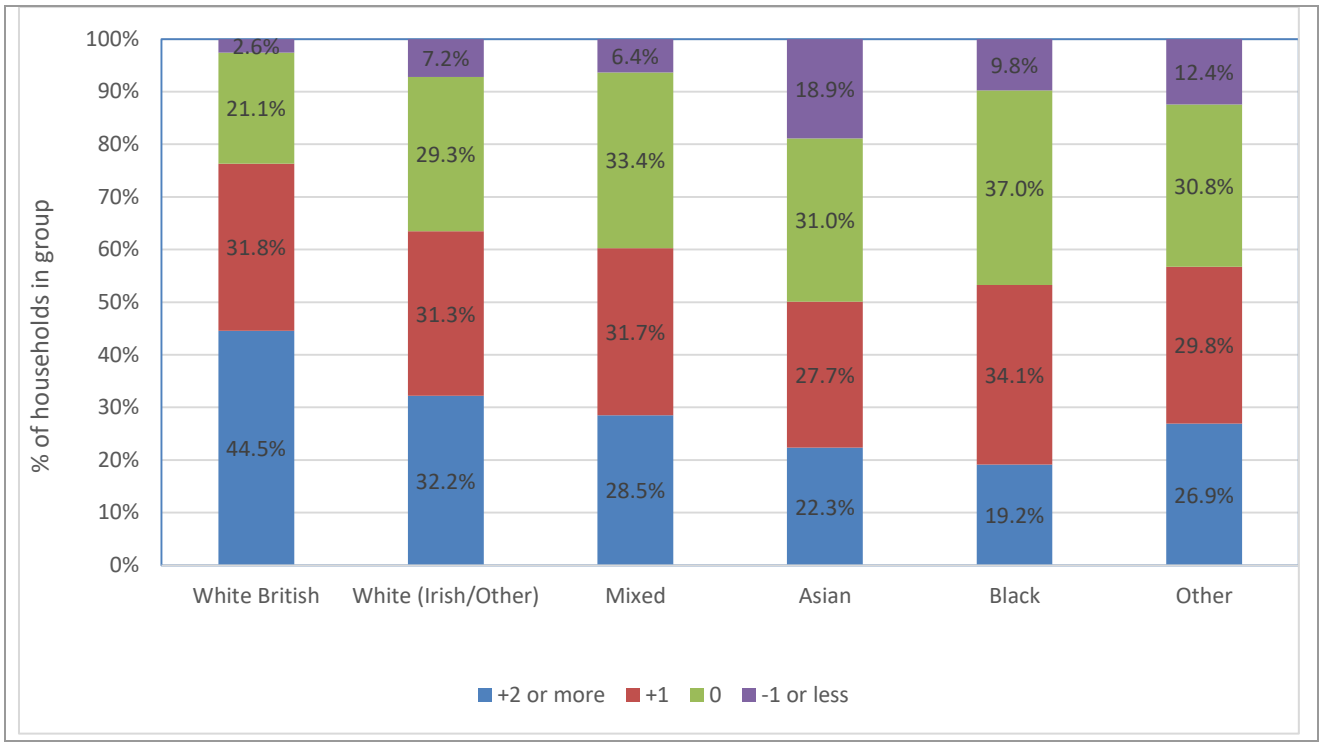
14.58 Figure 14.26 show the occupancy ratios across the different ethnic groups according to the 2011 Census. Key points to note are as follows:

- Under occupancy is generally most common amongst the white British and Irish Population. In Hart, however, the highest under occupancy rates are within the Pakistani population.
- Incidents of overcrowding vary across the study area. At a regional level, overcrowding is most common amongst the Bangladesh and Black African population.
- In Rushmoor, overcrowding is most common amongst the 'Other Asian' ethnic group, the vast majority of which is accounted for by the Nepalese population.

[48] Dr. Marie Casey (October 2010) Health Needs Assessment of Nepalese Community in Rushmoor
[49] ibid

14.59 BME groups are more likely to be overcrowded than White (British) households. In particular, the Census data suggests that around 19% of Asian households live in overcrowded conditions; this compares with only 3% of the White (British) group. Levels of under-occupancy amongst BME communities are generally low.

Figure 14.26: Occupancy Rating by Ethnic Group in the Housing Market Area



Source: 2011 Census data (from NOMIS)

Figure 14.27: Tenure of Ethnic Groups, 2011

	Hart			Rushmoor			Surrey Heath			South East			England		
	Owned	Social Rented	Private Rented/living Rent Free	Owned	Social Rented	Private Rented/living Rent Free	Owned	Social Rented	Private Rented/living Rent Free	Owned	Social Rented	Private Rented/living Rent Free	Owned	Social Rented	Private Rented/living Rent Free
All categories: Ethnic group	79.3%	7.7%	13.1%	65.3%	16.3%	18.4%	77.6%	9.2%	13.2%	68.7%	13.7%	17.6%	64.1%	17.7%	18.2%
White: Total	79.9%	7.6%	12.4%	67.5%	16.8%	15.7%	78.6%	9.3%	12.1%	69.9%	13.6%	16.5%	66.4%	16.8%	16.9%
White: English/Welsh/Scottish/Northern Irish/British	80.8%	7.5%	11.6%	68.3%	16.9%	14.9%	79.6%	9.4%	11.1%	71.1%	13.9%	15.0%	68.0%	16.9%	15.1%
White: Irish	80.4%	7.0%	12.6%	63.5%	19.1%	17.3%	79.0%	10.6%	10.4%	69.0%	14.5%	16.5%	61.4%	21.9%	16.7%
White: Gypsy or Irish Traveller	25.5%	63.3%	11.2%	37.5%	47.9%	14.6%	36.8%	56.1%	7.0%	34.9%	45.7%	19.4%	33.5%	41.9%	24.6%
White: Other White	57.9%	5.8%	36.3%	49.4%	12.0%	38.6%	57.9%	5.0%	37.1%	44.6%	7.2%	48.2%	36.9%	11.8%	51.3%
Mixed/multiple ethnic group: Total	61.2%	15.4%	23.4%	47.4%	25.5%	27.0%	61.7%	14.0%	24.3%	48.0%	19.9%	32.2%	36.5%	32.1%	31.4%
Mixed/multiple ethnic group: White and Black Caribbean	51.6%	28.1%	20.3%	37.3%	36.6%	26.1%	49.2%	26.2%	24.6%	40.0%	31.4%	28.5%	30.7%	43.3%	26.0%
Mixed/multiple ethnic group: White and Black African	46.4%	17.9%	35.7%	35.1%	8.8%	56.1%	55.2%	10.3%	34.5%	37.2%	21.2%	41.6%	28.1%	36.7%	35.3%
Mixed/multiple ethnic group: White and Asian	71.9%	7.9%	20.1%	52.1%	28.2%	19.7%	68.5%	11.8%	19.7%	58.9%	11.5%	29.7%	48.1%	19.5%	32.4%
Mixed/multiple ethnic group: Other Mixed	54.4%	17.6%	27.9%	58.9%	17.8%	23.3%	63.3%	8.9%	27.8%	48.8%	16.7%	34.5%	38.1%	25.8%	36.1%
Asian/Asian British: Total	65.6%	4.4%	30.0%	50.2%	7.6%	42.1%	68.8%	5.0%	26.2%	59.9%	9.7%	30.4%	58.1%	13.6%	28.3%
Asian/Asian British: Indian	68.5%	1.7%	29.8%	60.2%	6.0%	33.7%	75.2%	2.7%	22.1%	67.9%	5.1%	27.0%	68.8%	7.4%	23.8%
Asian/Asian British: Pakistani	74.5%	2.1%	23.4%	62.2%	7.1%	30.8%	69.9%	12.9%	17.2%	61.2%	15.8%	23.0%	63.1%	13.3%	23.7%
Asian/Asian British: Bangladeshi	45.2%	16.7%	38.1%	59.3%	11.1%	29.6%	57.1%	13.0%	29.9%	47.8%	24.3%	27.9%	42.6%	35.4%	22.0%
Asian/Asian British: Chinese	76.7%	2.7%	20.5%	68.3%	6.1%	25.6%	77.8%	1.8%	20.5%	60.1%	6.4%	33.5%	50.9%	11.3%	37.8%
Asian/Asian British: Other Asian	56.9%	7.1%	36.0%	44.2%	8.2%	47.7%	61.3%	4.8%	34.0%	49.8%	10.7%	39.5%	44.2%	17.1%	38.7%
Black/African/Caribbean/Black British: Total	54.0%	9.3%	36.6%	34.4%	19.6%	46.0%	48.9%	17.4%	33.7%	39.0%	24.0%	37.0%	33.0%	42.0%	25.0%
Black/African/Caribbean/Black British: African	41.3%	8.0%	50.7%	22.9%	17.9%	59.2%	35.8%	18.2%	46.1%	30.2%	22.9%	46.9%	23.8%	42.4%	33.8%
Black/African/Caribbean/Black British: Caribbean	61.4%	11.4%	27.1%	51.0%	18.9%	30.0%	67.6%	17.6%	14.7%	54.6%	24.7%	20.8%	45.5%	39.7%	14.8%
Black/African/Caribbean/Black British: Other Black	81.3%	6.3%	12.5%	40.3%	31.3%	28.4%	66.7%	6.7%	26.7%	39.4%	28.1%	32.4%	27.7%	47.8%	24.5%
Other ethnic group: Total	53.1%	13.5%	33.3%	44.6%	14.5%	40.9%	62.7%	6.5%	30.8%	47.4%	13.9%	38.6%	33.6%	25.7%	40.7%
Other ethnic group: Arab	45.0%	22.5%	32.5%	48.0%	26.0%	26.0%	75.4%	7.7%	16.9%	40.1%	14.8%	45.2%	26.6%	24.3%	49.1%
Other ethnic group: Any other ethnic group	58.9%	7.1%	33.9%	43.4%	10.3%	46.3%	56.6%	5.9%	37.5%	52.1%	13.4%	34.5%	38.1%	26.7%	35.2%

Figure 14.28: Occupancy Rating of Ethnic Groups, 2011

	Hart				Rushmoor				Surrey Heath				South East				England			
	Occupancy rating (rooms) of +2 or more	Occupancy rating (rooms) of +1	Occupancy rating (rooms) of 0	Occupancy rating (rooms) of -1 or less	Occupancy rating (rooms) of +2 or more	Occupancy rating (rooms) of +1	Occupancy rating (rooms) of 0	Occupancy rating (rooms) of -1 or less	Occupancy rating (rooms) of +2 or more	Occupancy rating (rooms) of +1	Occupancy rating (rooms) of 0	Occupancy rating (rooms) of -1 or less	Occupancy rating (rooms) of +2 or more	Occupancy rating (rooms) of +1	Occupancy rating (rooms) of 0	Occupancy rating (rooms) of -1 or less	Occupancy rating (rooms) of +2 or more	Occupancy rating (rooms) of +1	Occupancy rating (rooms) of 0	Occupancy rating (rooms) of -1 or less
All categories: Ethnic group of HRP	66.6%	18.0%	11.5%	3.9%	45.9%	23.0%	21.0%	10.1%	65.1%	16.8%	13.1%	5.0%	53.3%	21.5%	17.7%	7.5%	49.7%	22.9%	18.6%	8.7%
White: Total	67.2%	18.0%	11.2%	3.6%	48.2%	23.2%	20.4%	8.2%	66.3%	16.5%	12.7%	4.4%	54.6%	21.6%	17.2%	6.6%	52.3%	23.2%	17.6%	6.8%
White: English/Welsh/Scottish/Northern Irish/British	67.7%	18.0%	11.0%	3.3%	48.8%	23.3%	20.2%	7.7%	67.0%	16.5%	12.4%	4.1%	55.5%	21.6%	16.9%	6.0%	53.7%	23.4%	17.1%	5.9%
White: Irish	68.4%	16.7%	10.5%	4.4%	47.4%	23.5%	17.6%	11.5%	62.8%	18.6%	12.8%	5.8%	55.1%	20.6%	17.1%	7.2%	47.8%	22.1%	20.4%	9.7%
White: Gypsy or Irish Traveller	23.5%	21.4%	33.7%	21.4%	25.0%	20.8%	35.4%	18.8%	28.1%	17.5%	29.8%	24.6%	24.0%	23.6%	30.8%	21.6%	21.9%	22.2%	28.5%	27.4%
White: Other White	55.6%	18.2%	17.4%	8.8%	34.1%	21.3%	25.2%	19.5%	55.0%	16.6%	17.9%	10.5%	37.8%	20.1%	23.1%	19.0%	28.9%	20.3%	26.5%	24.4%
Mixed/multiple ethnic group: Total	52.8%	19.1%	18.4%	9.7%	30.4%	26.8%	27.0%	15.7%	52.3%	17.3%	21.3%	9.0%	36.4%	22.0%	26.2%	15.5%	28.4%	22.7%	29.0%	19.9%
Mixed/multiple ethnic group: White and Black Caribbean	42.2%	29.7%	12.5%	15.6%	31.0%	26.8%	26.8%	15.5%	38.5%	21.5%	29.2%	10.8%	31.3%	22.8%	29.9%	16.0%	26.3%	24.2%	31.5%	18.0%
Mixed/multiple ethnic group: White and Black African	50.0%	14.3%	32.1%	3.6%	22.8%	24.6%	29.8%	22.8%	44.8%	17.2%	27.6%	10.3%	28.2%	22.7%	30.2%	18.9%	22.3%	21.3%	30.6%	25.7%
Mixed/multiple ethnic group: White and Asian	60.4%	16.5%	18.0%	5.0%	35.2%	25.4%	23.9%	15.5%	59.1%	14.2%	18.9%	7.9%	43.7%	21.4%	21.8%	13.1%	34.6%	22.1%	25.2%	18.0%
Mixed/multiple ethnic group: Other Mixed	48.5%	16.2%	19.1%	16.2%	27.9%	29.5%	29.5%	13.2%	55.7%	19.0%	16.5%	8.9%	37.0%	21.6%	25.4%	16.0%	28.6%	21.6%	28.1%	21.6%
Asian/Asian British: Total	51.3%	16.8%	18.0%	13.9%	24.1%	19.6%	25.3%	31.1%	49.2%	19.7%	16.7%	14.4%	37.0%	20.3%	22.5%	20.2%	33.1%	20.9%	23.2%	22.8%
Asian/Asian British: Indian	55.0%	15.9%	18.9%	10.3%	36.0%	19.5%	24.9%	19.5%	60.0%	18.7%	12.0%	9.4%	44.7%	20.1%	19.8%	15.4%	41.4%	21.2%	20.2%	17.2%
Asian/Asian British: Pakistani	68.1%	10.6%	14.9%	6.4%	28.8%	21.2%	29.5%	20.5%	47.9%	15.3%	22.7%	14.1%	29.5%	20.8%	25.0%	24.8%	31.4%	22.4%	23.5%	22.7%
Asian/Asian British: Bangladeshi	40.5%	14.3%	19.0%	26.2%	35.2%	25.9%	20.4%	18.5%	24.7%	28.6%	22.1%	24.7%	25.2%	20.0%	27.3%	27.5%	19.4%	18.2%	27.5%	35.0%
Asian/Asian British: Chinese	59.6%	19.2%	11.6%	9.6%	44.4%	18.3%	17.8%	19.4%	59.6%	14.0%	18.7%	7.6%	41.9%	20.0%	20.3%	17.8%	33.1%	20.3%	23.2%	23.4%
Asian/Asian British: Other Asian	40.2%	18.0%	21.3%	20.5%	17.9%	19.3%	25.9%	36.9%	39.3%	22.5%	18.1%	20.1%	31.2%	20.6%	24.7%	23.5%	26.1%	20.2%	26.2%	27.5%
Black/African/Caribbean/Black British: Total	44.7%	29.2%	18.6%	7.5%	30.8%	22.6%	26.6%	20.0%	40.8%	21.3%	25.9%	12.1%	27.5%	21.7%	28.8%	22.0%	21.9%	20.3%	30.3%	27.5%
Black/African/Caribbean/Black British: African	26.7%	38.7%	24.0%	10.7%	25.7%	19.7%	28.6%	26.0%	33.9%	21.8%	30.3%	13.9%	21.2%	21.0%	30.5%	27.3%	15.1%	18.1%	31.3%	35.5%
Black/African/Caribbean/Black British: Caribbean	61.4%	20.0%	15.7%	2.9%	37.4%	23.5%	26.7%	12.3%	50.0%	21.6%	21.6%	6.9%	37.8%	23.1%	25.6%	13.4%	30.2%	22.8%	29.2%	17.8%
Black/African/Caribbean/Black British: Other Black	56.3%	25.0%	6.3%	12.5%	35.8%	35.8%	14.9%	13.4%	53.3%	13.3%	6.7%	26.7%	30.2%	21.5%	28.8%	19.5%	20.7%	20.1%	30.5%	28.8%
Other ethnic group: Total	50.0%	16.7%	27.1%	6.3%	27.4%	18.8%	26.9%	26.9%	51.7%	20.9%	17.9%	9.5%	35.2%	20.1%	24.8%	19.9%	23.9%	19.5%	28.8%	27.7%
Other ethnic group: Arab	40.0%	20.0%	30.0%	10.0%	24.0%	18.0%	32.0%	26.0%	58.5%	16.9%	16.9%	7.7%	31.7%	19.4%	26.1%	22.8%	20.6%	18.4%	29.7%	31.2%
Other ethnic group: Any other ethnic group	57.1%	14.3%	25.0%	3.6%	28.7%	19.1%	25.0%	27.2%	48.5%	22.8%	18.4%	10.3%	37.4%	20.6%	23.9%	18.1%	26.1%	20.2%	28.3%	25.5%

Ex Service Personnel

14.60 Service personnel are a key group within the Housing Market Area reflecting the long association between the local area and the military and the continuing substantial presence of army bases in the area. Aldershot was recently designated as a Super Garrison which will increase the overall number of army personnel in the area and is one of the locations that troops formerly based in Germany will be garrisoned.

14.61 Wherever possible the Army seeks to accommodate staff in Service Family Accommodation (SFA) as it is far more economic to do so than to house military personnel in the local market accommodation. Service Family Accommodation in Aldershot is fully utilised. The MoD believes it has sufficient SFA to meet its needs, taking account of the designation of Aldershot as a Super Garrison.

14.62 Around 5-600 redundancies are expected in the HMA as a result of the army tranche 3 and 4 redundancies. Affected staff are given a redundancy settlement, which usually helps towards funding civilian accommodation. However, there is likely to be a proportion of those made redundant that will need to access affordable housing through local authority housing registers. Whether these households seek such accommodation in the local area will depend on whether they have family embedded in the local area, for example a partner working locally or children at crucial stage in schooling (GCSEs).

14.63 The large majority of those that leave the army, through retirement or career change, strive to buy their own property. The cost of housing is therefore a large factor in whether ex-military personnel decide whether to stay near to where they have been based or to move elsewhere. The cost of housing in the Aldershot area is prohibitively high for many ex-Army personnel and so many choose to relocate back to Yorkshire (from where the majority originate) or other places where they have family connections and where housing is more affordable.

14.64 Ex-service personnel are able to apply for social rented accommodation, where they qualify to do so, and housing options will be explored as with other households in need. On balance, the prevailing view is that there will not be a radical change in the number of ex-army personnel applying for affordable housing in HMA. However it is relevant to note that the Government's new Starter Homes initiative proposes to provide additional support to service personnel to access these properties by applying flexibility around the age limit for these households.

Self and Custom Builders

14.65 Self-build is an important element of the Government's Housing Strategy and measures are being introduced to encourage those who wish to build their own homes. In 2012-2013 just under 11,000 new homes were self-built and the industry is worth up to £4 billion for the UK economy according to the Communities Minister.

14.66 The National Planning Policy Framework (NPPF) refers to self-build as follows:

"To deliver a wide choice of high quality homes, widen opportunities for home ownership and create sustainable, inclusive and mixed communities, local planning authorities should: plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community (such as, but not limited to, families with children, older people, people with disabilities, service families and people wishing to build their own homes)" (paragraph 50);

14.67 Furthermore, local authorities are asked to consider the needs of different people in the community, including those who wish to self-build, when preparing Strategic Housing Market Assessments (SHMAs) (para 159).

14.68 In September 2013, the Government announced a series of measures to support self-builders, particularly those on lower incomes and the Budget 2014 included further incentives for self-builders. These measures can be summarised as follows:

- **New Grant Funding**: access to the £65 million fund from the Affordable Homes Guarantees Programme for community self-build and community-led affordable housing projects
- **Increasing Land Supply:** new planning practice guidance has been introduced. This requires local authorities to establish the demand for self-build in their area, including compiling a local register of people who want to build their own homes so they are given first priority when brownfield sites become available. However, local authorities have no control or influence over the sale of privately owned sites and who they are sold to so it is unclear how self builders will be given priority in order to acquire plots, unless Councils acquire sites or use their own land.
- **Tax Relief:** Council Tax discounts are to be introduced for self-build family annexes. Self-builders will be exempt from paying inappropriate S106 tariffs and the CIL although this measure has yet to be formalised.
- **Use of redundant public sector land**: A review of the HCA's large number of smaller plots is being undertaken to identify those plots which are not viable for large-scale house building but which would be suitable for small self-build projects. Property asset data is to be published online and enhancement of the Community Right to Reclaim Land.
- **Consultation on a new 'Right to Build':** this initiative, if adopted, would give self-builders will 'a right to a plot from councils'. The Government is to test the operation of this approach with vanguard local authorities (Budget 2014).
- **£150 million repayable loan scheme:** this fund is intended to provide up to 10,000 serviced plots, and could be linked to an extension to the Help to Buy: equity loan scheme to cover self-build (Budget 2014).

14.69 The National Self Build Association (NaSBA) produced a Practice Guide in early 2013 to encourage more local authorities and housing associations to increase their involvement in supporting the self-build sector. The guide points out that each new self-build home safeguards seven construction jobs for a year, and results in at least £50,000 worth of orders for local suppliers. Many new self-build projects involve people learning construction skills that can help them gain employment in the future.

14.70 Despite measures at the national and local level to encourage self-build projects, the number of self-build properties completed has fallen since mid-2000, according to the National Self-Builders Association (see Figure 14.29). It is very difficult to quantify the level of self-building in the Housing Market Area. However, a useful proxy is the number of single dwellings that are completed each year. Many of these are likely to have been self-built or developed by builders who have been commissioned directly by individuals wishing to build their own home.

14.71 From 1 April 2016, local planning authorities are required to keep a register of individuals and associations of individuals who are seeking to acquire serviced plots of land in their area in order to build homes for those individuals to occupy. The Self-build and Custom Housebuilding (Register) Regulations 2016 set out the requirements.

14.72 By May 2016, the authorities had received expressions of interested from the following number of individuals:

- Rushmoor has maintained a register since July 2015. Between July 2015 and May 2016 there have been 42 expressions of interest.
- There are 35 applicants currently registered on the Hart self-build register as at May 2016
- There are 78 applicants on Surrey Heath's as at May 2016; though it should be noted that 30 of these applicants are people who do not live within Surrey Heath, neither have a local connection to the authority.

14.73 The Government is testing a *'Right to Build'* which would require local authorities to provide plots of land to self-builders. This is not yet a policy requirement but an area where local authorities should begin to consider the implications in terms of the available land supply and how they might administer such a policy.

14.74 Further observations on the demand for self-build can be made from the completions data for Hart and Rushmoor in recent years:

- 57 single dwellings were completed in Hart over the last 5 years. This represents around 9% of all completions in Hart over this period.
- 52 single dwellings were completed in Rushmoor over the last 5 years. This represents around 3% of all completions in the Borough over the period.
- This averages at around 10 dwellings per annum in each authority.
- The average over the last 10 years has been slightly higher in Hart, at 15 dwellings per annum. However, as overall completions were higher over the period, single dwelling completions accounted for a smaller proportion of all completions (5%).
- Self-build completions in the UK have been around 10-12,000 per annum over the last 3 years. When compared to overall housing completions this represents 8-10% of completions each year and on this basis, the level of self-building in Hart and Rushmoor would appear to be broadly consistent with the national level.
- A substantial proportion of new single dwellings completed have involved the demolition or re-build of an existing property – around 15% on average in Rushmoor and 30% on average in Hart over the last 10 years.
- In Hart, over 75% of single dwellings completed in the last 10 years had 3 or more bedrooms.
- In Rushmoor, just under half (48%) of single dwellings completed had 3 or more bedrooms.
- Although it is difficult to draw too many conclusions from this data, since it is only a proxy for self-building, it suggests that this type of development tends to reinforce the existing pattern of housing development in the market area.

Figure 14.19: Self-Build Completions in the UK, 2008-2013

Source: NaSBA

14.75 On balance, based on past completions there appears to be a small but steady demand for self-building in the market area.

Conclusion

14.76 This section has considered the characteristics of specific groups in the Housing Market Area and the extent to which they have different needs to the population as a whole. The majority of these households are included in the demographic projection and OAHN. However, there is some additional need for accommodation to meet the needs of older people with care needs. These people are currently accommodated in a care home setting (typically C2 use class). In future this type of care might be provided in an independent setting, such as extra care schemes (which can be defined as C2 or C3 Use Class in planning terms depending on the level of care) or in mainstream housing (C3 Use Class) if appropriate care can be provided.

14.77 It is worth highlighting that issues around occupancy appear to be a common theme across a number of the groups including families (more likely to live in overcrowded conditions) and ethnic minorities (particularly the Nepalese community) experiencing specific problems of overcrowding in Rushmoor. Low incomes are a key factor in both cases. In contrast, under-occupancy is very common amongst the older population, linked to a range of factors and reinforced by national policy which encourages the provision of care in the home.